



Department of Homeland Security Office of Inspector General

**The State of New Jersey'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.

The attached report addresses the strengths and weaknesses of the State of New Jersey'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 inspections, 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 State of New Jersey.

The objectives of the audit were to determine if the State of New Jersey 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 also addressed the extent to which grant funds enhanced New Jersey'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 \$174 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded to New Jersey during fiscal years 2007 through 2009.

Generally, the State of New Jersey distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds effectively and efficiently and in compliance with applicable federal laws and regulations. The state effectively developed its Homeland Security Strategic Plan, and allocated and spent funds based on national and state priorities. We identified one best practice that should be considered for sharing with other jurisdictions.

However, improvements are needed in four areas: developing a comprehensive performance measurement system, strengthening on-site monitoring activities, obligating and expending grant funds timely, and complying with federal inventory and accountability requirements. Federal Emergency Management Agency officials concurred with all 11 recommendations. Federal Emergency Management Agency and State of New Jersey written comments to the draft report are incorporated as appropriate and included in their entirety in appendix B and appendix C, respectively.

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. Appendices A and D provide a detailed description of the interrelated grant programs that comprise the Department of Homeland Security (DHS) Homeland Security Grant Program.

The New Jersey Office of Homeland Security and Preparedness is the State Administrative Agency designated to provide administrative oversight over the Homeland Security Grant Program. In March 2006, Executive Order 5 created the Office of Homeland Security and Preparedness as a cabinet-level agency within the state government to administer, coordinate, lead, and supervise New Jersey's counterterrorism and preparedness efforts. This office provides overarching guidance, coordination, administration, and oversight of training programs, exercises, and intelligence related to counterterrorism. Appendix E provides additional details on components involved in New Jersey's Homeland Security Grant Program coordination process.

New Jersey received \$186,723,581 in Homeland Security Grant Program funds during fiscal years (FYs) 2007 through 2009. This included \$173,783,150 in State Homeland Security Program and Urban Areas Security Initiative grants.

Appendix A provides details on the purpose, scope, and methodology of this Office of Inspector General (OIG) audit.

Results of Audit

Generally, the State of New Jersey distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds effectively and efficiently and in compliance with applicable federal laws and regulations. The State did an effective job of developing its Homeland Security Strategic Plan, and allocated and spent funds based on national and state priorities. We identified one best practice that should be considered for sharing with other jurisdictions.

However, the following improvements are needed to enhance New Jersey's grant management practices:

- Developing a comprehensive performance measurement system,
- Strengthening on-site monitoring activities,
- Obligating and expending grant funds in a timely manner, and
- Complying with federal inventory record and accountability requirements.

State Could Not Quantify Improved Preparedness

New Jersey could not demonstrate quantifiable preparedness improvement and accomplishments because its Office of Homeland Security and Preparedness did not set measurable target levels of performance that can be compared to actual achievement. Without measurable goals and objectives and a mechanism to collect unbiased results-oriented data from subgrantees, the state does not have a basis to evaluate the effect of grant expenditures on its preparedness and response capabilities.

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

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

Although the goals and objectives in the State’s Strategic Plan were consistent with federal requirements, they did not set a measurable target level of performance that can be compared to actual achievement. For example, one of the State’s objectives was to provide the skills, knowledge, and ability the medical community needs to respond to a catastrophic emergency or disaster and furnish medical care to victims and identify casualties. Examples of two steps that were not measurable for this objective were: (1) Medical Surge—To provide the existing health care system with the resources needed to provide definitive care to individuals during the rapid increase in demand for medical services; and (2) Mass Care—To coordinate and provide for the immediate and life-supporting needs to impacted populations for a catastrophic event or emergency.

State officials acknowledged that they have struggled with a measurement tool for assessing improvements in the state’s preparedness and response capabilities. They believe a metric of this type would be extremely difficult to develop because the strategy contains goals and objectives that are difficult to measure.

The *Post-Katrina Emergency Management Reform Act of 2006* requires any state receiving federal preparedness assistance to submit a State Preparedness Report to the Federal Emergency Management Agency (FEMA). New Jersey's FY 2010 State Preparedness Report rated its progress toward achieving target capabilities. However, the ratings were not measurable because they were based on the subjective judgments of committee members, subject matter experts, and local first responders.

A recent Government Accountability Office report¹ indicated that FEMA, in response to Public Law 111-271, *Redundancy Elimination and Enhanced Performance for Preparedness Grants Act*, is planning to generate measurable national preparedness capability requirements and evaluation criteria (in terms of speed, effectiveness, and efficiency, among other factors). These requirements and criteria are to provide a comprehensive framework for guiding investments and assessing readiness. The report also indicated that FEMA is working with the National Academy of Public Administration to develop the plan by December 2011.

Without adequate measurable goals and objectives, the State did not have a sufficient basis to evaluate the effect of grant expenditures on its preparedness and response capabilities. Also, the State was unable to adequately determine progress toward goals and objectives in future funding and management decisions.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, assist the Director of the New Jersey Office of Homeland Security and Preparedness in developing a comprehensive performance measurement system that:

Recommendation #1: Accurately captures the program's overall performance and progress toward enhancing preparedness as a result of the Homeland Security Grant Program.

Recommendation #2: Implements and manages specific milestones for achieving progress toward target capability assessment goals at the state, Urban Areas Security Initiative area, regional, and state agency levels.

¹ *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue* (GAO-11-318SP), March 1, 2011.

Management Comments and OIG Analysis

FEMA concurred with recommendations 1 and 2. FEMA said that its National Preparedness Directorate, the FEMA entity responsible for developing preparedness performance measurement systems, is revising the guidance and the target capability assessment goals at the state, regional, and urban area levels that are anticipated for release in late 2011 in advance of the FY 2012 Homeland Security Grant Program application cycle. The Preparedness Grants Division, within FEMA's Grant Programs Directorate, will require the Director of the New Jersey Office of Homeland Security and Preparedness to comply with revised guidelines developed by the National Preparedness Directorate.

State officials acknowledged that like other states and the federal government, they have struggled with a measurement tool. The State said that New Jersey has incorporated the seven national priorities and four state priorities into its State Homeland Security Strategy. All 37 target capabilities are included within the national and state priorities. Since the inception of FEMA's Capabilities Based Planning (i.e., the 37 target capabilities), under the FY 2006 Homeland Security Grant Program planning process, the Office of Homeland Security and Preparedness has continued to utilize target capabilities and their associated activities and tasks for the planning and prioritization of State Homeland Security Program and Urban Areas Security Initiative project funding. New Jersey officials also commented that FEMA has not provided the states and territories with a comprehensive automated effectiveness assessment tool that can be utilized by both local units of government and the state.

State officials further said that New Jersey has utilized FEMA's FY 2010 State Preparedness Report Survey Tool assessment data as a baseline of levels of capability within each of the 37 target capabilities. The State, through the Office of Homeland Security and Preparedness and its state agency partners, assessed each of the 37 target capabilities on behalf of the 21 counties in an effort to measure its homeland security performance and progress towards enhancing preparedness. Taking its performance measurement system one step further, the State will require its 21 counties to update their respective county homeland security strategic plans and prepare a county-centric State Preparedness Report that accurately reflects each county's levels of capability on an annual basis. The counties will use their State Preparedness Report scoring as a baseline level of capability, and will rescore their State Preparedness Report assessments each year based upon previous funding cycle project information. New Jersey will use this system to measure improvements in the State's and each county's prevention, protection, response, and recovery capabilities.

The comments by FEMA and the State are responsive to the two recommendations. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. However, until a firm timetable for implementing the recommendations is provided, the two recommendations will remain unresolved and open.

Subgrantee Program Monitoring Needs Improvement

The Office of Homeland Security and Preparedness could better monitor subgrantees' compliance throughout the grant performance period to ensure that subgrantees were administering Homeland Security Grant Program awards in accordance with federal laws and regulations. The State did not conduct periodic on-site monitoring while projects were ongoing to ensure subgrantee compliance with federal requirements. Instead, the State focused its on-site monitoring activities on the grant closeout process. During our site visits, we observed several issues, such as improper payments or questionable purchases that could have been identified earlier with periodic on-site monitoring of subgrantee performance. State officials told us that they will look for ways to increase and improve their on-site monitoring efforts.

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

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

Current Monitoring Activities

The Office of Homeland Security and Preparedness had two primary monitoring functions, but neither ensured subgrantee compliance with federal requirements. Major subgrantee monitoring activities included (1) tracking grant-funded projects and activities via a comprehensive automated Grant Tracking System and (2) making site visits to selected subgrantees during a grant's closeout process. However, the Grant

Tracking System is limited to tracking financial data, and the on-site monitoring effort did not address compliance with federal requirements throughout the grant performance period.

Through the Office of Homeland Security and Preparedness's automated Grant Tracking System, subgrantees must enter and update information on each funded project from approval through completion or termination. The financial data tracked by this system included the amount of grant funds allocated to the project, the amount expended to date, and the remaining balance.

An Office of Homeland Security and Preparedness audit team is responsible for conducting site visits to evaluate local subgrantees' (counties, cities, and state agencies) adherence to Homeland Security Grant Program requirements at grant closeout. Specifically, the audit team reviews all purchases with a value of \$5,000 or more to ensure that projects are complete and meet all target capabilities listed on the spending plan, and that purchased equipment has been deployed and can be used as intended. In addition, the audit team assesses training, record-keeping, and inventory methods.

Documentation provided showed that the audit team conducted 44 site visits during the past 4 years (2007 through 2010), but because visits were usually conducted during a grant's closeout, none of these site visits covered the FYs 2007 through 2009 State Homeland Security Program or Urban Areas Security Initiative grants. An Office of Homeland Security and Preparedness auditor reported that the number of site visits conducted has been limited in recent years because of insufficient personnel, multiple personnel changes, site visits taking longer than anticipated, and other office assignments.

In addition, we have concerns about the timing and scope of the site visits. The visits occurred during a grant's closeout process, rather than while the project was ongoing. Since the grant closeout process can occur a number of years after the project is completed, corrective actions for identified problems could be too late or considerably delayed. Office of Homeland Security and Preparedness site visit guidance also places little or no emphasis on compliance issues such as insufficient justification for sole-source procurements, front-loading of contracts, and ineffective use of equipment, all problems that were identified during our review.

Subgrantee Compliance Issues

During our asset verification and documentation review, we observed several compliance issues that could have been identified through routine

on-site monitoring of subgrantee performance. Specifically, we identified instances of improper, unauthorized, or undocumented uses of grant funding representing a total value of \$2,657,212, and inefficient uses totaling \$585,519, which went undiscovered or unmitigated as a result of inadequate monitoring, as shown in table 1.

Table 1. New Jersey Grant-Funding Compliance Issues

| Compliance Issue | Improper, Unauthorized, or Undocumented Use | Inefficient Use |
|---|--|--------------------------|
| Improper Payment for Equipping an Emergency Operations Center | \$ 1,500,000 | |
| Inadequate Supporting Documentation for Claimed Expenditures | 861,044 | |
| Goods and Services Procured Without Full and Open Competition | 239,944 | |
| Vehicle Used for Daily Commuting Purposes | 30,839 | |
| Health Monitors Deployed for Daily Use | 25,385 | |
| Training Not Provided to Deploy Tactical and Rescue Equipment | | \$212,166 |
| Memorandum of Understanding Needed to Deploy Utility Trailers | | 28,150 |
| Agreement Between County and State Officials Needed to Deploy Photo Identification System | | 43,988 |
| Frequency Licenses Needed to Deploy Interoperable Equipment | | 286,499 |
| Computer Equipment Not Deployed | | 14,716 |
| Total | <u>\$ 2,657,212</u> | <u>\$ 585,519</u> |

For example, an Urban Areas Security Initiative subgrantee paid a U.S. General Services Administration contractor before goods and services were fully rendered. This subgrantee was reimbursed \$1,500,000 for equipping an Emergency Operations Center; however, no equipment had been installed, and less than \$150,000 worth of materials had actually been procured. Another Urban Areas Security Initiative subgrantee awarded three sole-source training contracts totaling \$254,444 without public bidding or obtaining prior written approval from the Office of Homeland Security and Preparedness. As of October 2010, the contractor had been reimbursed \$239,944 in grant funds. If these types of issues had been identified during monitoring visits, the Office of Homeland Security and Preparedness would have been able to assess the problems earlier and take timely corrective actions. Appendices F and G provide additional details on the compliance issues and potential monetary benefits identified during our on-site asset verification and documentation review.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to:

Recommendation #3: Strengthen and schedule its on-site monitoring activities throughout the grant performance period to ensure subgrantee compliance with federal requirements, including:

- Full and open competition for procurement actions;
- Obtaining written approval from Office of Homeland Security and Preparedness prior to awarding sole-source contract procurements;
- Ensuring that vehicles are used solely for their authorized purpose; and
- Following record retention requirements and properly maintaining records.

Recommendation #4: Return to FEMA the \$1,500,000 that an Urban Areas Security Initiative Office of Homeland Security and Preparedness subgrantee paid to a General Services Administration contractor before goods and services were fully rendered.

Recommendation #5: Recover and either return to FEMA or reprogram the \$861,044 in unsupported Homeland Security Grant Program expenditures.

Recommendation #6: Ensure that the Urban Areas Security Initiative subgrantee does not process any further sole-source procurement resolutions for Community Emergency Response Team and National Incident Management System training until written approval is obtained.

Recommendation #7: Ensure that the eight “tele-health monitors” purchased by a local subgrantee at a cost of \$25,385 are returned to inventory and the State is reimbursed for the expended lifespan of the equipment.

Recommendation #8: Follow up with subgrantees and take appropriate steps to ensure that:

- Required training is provided to deploy federally funded tactical and rescue equipment;
- Memorandums of understanding needed to deploy five utility trailers are finalized;
- Agreement is reached to deploy a photo identification system;
- Frequency licenses are obtained to deploy interoperable communications equipment; and

-
- Computer equipment is assigned or reassigned for use during its useful life.

Management Comments and OIG Analysis

FEMA concurred with recommendation 3. FEMA said that within 90 days of the receipt of the final report via the grant notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to fully implement a monitoring program to be compliant with Code of Federal Regulations Title 44 §13.40 (a), *Monitoring by grantee*. To be included in this monitoring program are the requirements that subgrantee monitoring ensures full and open competition for procurement actions, state sole-source rules and regulations are adhered to, vehicles are used solely for authorized purposes, record retention requirements are met, and records are properly maintained.

State officials said that New Jersey has incorporated administrative and programmatic modification in four areas:

- Office of Homeland Security and Preparedness Grant Bureau audit policy. The Audit Unit has shifted focus from closed-out grant audits to open grant audits. Selected reimbursement requests from subgrantees are being audited prior to reimbursement. Asset verification, deployment, training needs, methods of procurement, and required written agreements with other agencies are now examined routinely.
- Office of Homeland Security and Preparedness Grant Tracking System data requirements. The Grant Tracking System has been enhanced to require the entry of additional budgetary line item data elements to include: method of procurement, status of necessary training if required prior to deployment, uploading of a memorandum of understanding, and deployment status of assets.
- Homeland Security Grant Program funded Vehicle Operator's Logs for all vehicles funded by the Homeland Security Grant Program. All subgrantees shall complete a Vehicle Operator's Log on a monthly basis. These logs are maintained at the subgrantee level and are a component of the semi-annual Office of Homeland Security and Preparedness and subgrantee Homeland Security Grant Program status and performance review.
- Office of Homeland Security and Preparedness's semiannual subgrantee administrative and programmatic reviews conducted by its liaisons. Liaisons are now required to conduct semi-annual

programmatic visits for subgrantees awarded funding under the Homeland Security Grant Program. All open grants with each subgrantee will have a status and performance review twice a year to include a review of project progress, vehicle logs, personnel certification forms, memorandums of understanding, deployment status of grant-funded items, required training for grant-funded items, reimbursement requests, subgrantees' Homeland Security Strategic Plan, FY 2010 State Performance Report target capabilities performance measurement reporting, and inventory system and records retention practices.

The actions proposed by FEMA and the State of New Jersey are responsive to 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 FEMA notification and verification that the Director of the Office of Homeland Security and Preparedness has developed a monitoring program to ensure subgrantee compliance with federal requirements.

FEMA concurred with recommendation 4. FEMA said that upon learning of this finding, formal correspondence was sent to New Jersey requesting the \$1,500,000 be returned by February 24, 2011. New Jersey returned the \$1,500,000 to FEMA on March 31, 2011. This recommendation is resolved and closed.

FEMA concurred with recommendation 5. FEMA said that New Jersey has located and provided FEMA with missing documentation accounting for the \$861,044 in previously unsupported Homeland Security Grant Program expenditures on May 2, 2011. The actions taken are responsive to address the recommendation. This recommendation is resolved and closed.

FEMA concurred with recommendation 6. FEMA said that upon learning of this finding, it notified New Jersey on February 9, 2011, of its sole-source procurement rules and regulations. Specifically, New Jersey and its subrecipients were reminded to follow all FEMA's financial policy guidance as outlined in the special conditions of their awards each grant year. Failure to comply with these terms and conditions may result in disallowance of costs and recovery of funds and/or suspension or termination of funds and/or award. The action taken is responsive to address the recommendation. This recommendation is resolved and closed.

FEMA concurred with recommendation 7. FEMA said that on March 28, 2001, New Jersey was reimbursed by the county for the lifespan of the

equipment and notified FEMA that the eight “tele-health monitors” have been returned to inventory. According to FEMA, a check from the State of New Jersey for \$7,791.94 was received by FEMA on September 1, 2011, as reimbursement for the percentage of lifespan expended. This recommendation is resolved and closed.

FEMA concurred with recommendation 8. FEMA said that within 90 days of receipt of the final report via the grant notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to follow up with the subgrantees and resolve the following concerns:

- Provide required training to deploy federally funded tactical and rescue equipment.
- Develop and finalize memorandums of understanding needed to deploy five utility trailers.
- Reach an agreement to deploy a photo identification system.
- Obtain frequency licenses to deploy interoperable communications equipment.
- Assign or reassign computer equipment uses.

The actions proposed by FEMA are responsive to the intent of the recommendation. If properly implemented, the actions identified in the response should address the conditions identified during the audit. This recommendation is considered resolved and open pending FEMA notification and verification that the Office of Homeland Security Preparedness has followed up with subgrantees and resolved open action items.

Untimely Obligation of Grant Funds

The State of New Jersey did not make funds available to all Urban Areas Security Initiative subgrantees in accordance with federal pass-through requirements. Although the Office of Homeland Security and Preparedness generally met the established timeframe for submitting the state’s required Initial Strategy Implementation Plan to FEMA, Urban Areas Security Initiative funds for FYs 2007 through 2009 were not available to subgrantees until as many as 175 days after the required period. This occurred because of delays by both the Urban Areas Security Initiative Executive Committee and Office of Homeland Security and Preparedness in approving spending plans. Delays in making funds available to the subgrantee may delay projects intended to increase homeland security and achieve program objectives.

The Special Terms and Conditions of the FEMA FY 2007 Homeland Security Grant Program award require recipients to submit funding allocations to FEMA

within 60 days of the grant award through the Initial Strategy Implementation Plan. The funding is to be allocated per investment based upon the final grant award amounts and a certification that funds have been obligated to local units of government (to include the identification of subgrantees and subaward amounts). Failure to provide this information within 60 days may result in FEMA withholding grant funds from further drawdown. FEMA Homeland Security Grant Program guidance also requires that each state make no less than 80% of the total grant program amount available to local units of government, including identified Urban Areas, within 60 days of the receipt of funds. In FYs 2008 and 2009, the requirement was changed to 45 days.

Review of FY 2007 through FY 2009 Urban Areas Security Initiative award letters for nine Urban Areas Security Initiative subgrantees (seven counties and two municipalities) showed that in 26 of 27 instances, grant award notification letters had not been sent within the established timeframe (45 or 60 days, as applicable), as shown in table 2. The Office of Homeland Security and Preparedness delayed the grant award notification letters to the subgrantees that informed them that funds had been awarded and would be available for reimbursement of allowable expenditures between 69 and 175 days beyond the required timeframe.

Table 2: Timeliness of Urban Areas Security Initiative Subgrantee Awards (FYs 2007–2009)

| Fiscal Year | Funds Required to be Obligated by | Notification Date | Number of Days Late | Number of Subgrantees | Award Amount |
|-------------|-----------------------------------|-------------------|---------------------|-----------------------|--------------|
| 2007 | 10/13/07 | 12/21/07 | 69 | 9 | \$ 6,878,872 |
| 2008 | 10/09/08 | 02/20/09 | 134* | 8 | \$ 8,648,083 |
| 2009 | 10/05/09 | 12/16/09 | 72 | 9 | \$ 7,250,204 |

* One subgrantee received notification 175 days late.

Office of Homeland Security and Preparedness officials believe they complied with FEMA requirements by submitting its Initial Strategy Implementation Plan, but acknowledged that the structure of the Urban Areas Security Initiative Executive Committee was a primary cause of the delay in making funds available for reimbursement to its Urban Areas Security Initiative subgrantees. The Office of Homeland Security and Preparedness cannot make funds available until all spending plans are approved by the Executive Committee (not a government agency) and submitted for Office of Homeland Security and Preparedness approval. The spending plans were not submitted in a timely manner because Executive Committee members have many collateral responsibilities, and at times it is difficult for them to attend meetings, which delays the submission of their spending plans.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to:

Recommendation #9: Assess the current processes and procedures involved with the execution of Urban Areas Security Initiative subgrantee awards to identify efficiencies to expedite expenditures.

Management Comments and OIG Analysis

FEMA concurred with recommendation 9. FEMA said that within 90 days of the receipt of the final report via the grant notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to assess the current processes and procedures involved with the execution of Urban Areas Security Initiative subgrantee awards to identify efficiencies and expedite expenditures.

State officials said that the Office of Homeland Security and Preparedness will amend the Urban Areas Security Initiative Charter to reflect the 45-day requirement. This office will implement this change via a formal letter from the Director of the Office of Homeland Security and Preparedness to the Chair of the Urban Areas Security Initiative Executive Committee. The Office of Homeland Security and Preparedness will require that the detailed spending plans with budget annexes be submitted to its Grant and Program Management Bureau for the entire 80% local share of Urban Areas Security Initiative pass-through funds within 30 days of the official DHS award notice. Local shares that are not dedicated to a project with sufficient information in the spending plan will be reprogrammed by the Office of Homeland Security and Preparedness within the 45-day allowable timeframe.

The actions proposed by FEMA and the State of New Jersey are responsive to 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 FEMA notification and review of the Director of the Office of Homeland Security and Preparedness assessment to identify efficiencies and expedite expenditures.

Untimely Expenditure of Grant Funds

Subgrantees did not always initiate projects in a timely manner, and as a result, State Homeland Security Program and Urban Areas Security Initiative grant funds were not expended within the grant performance period. Consequently, first responders were less likely to be as equipped, trained, and prepared as possible.

FEMA Information Bulletin No. 257, dated July 17, 2007, recognized that subgrantees face various obstacles in completing the projects, but that it was important to ensure that funds were obligated and expended in a timely manner and within established periods of performance. In addition, FEMA's FY 2008 and 2009 Homeland Security Grant Program guidance strongly encouraged the timely obligation of funds from local units of government to other subgrantees. The period of performance for the Homeland Security Grant Program is 36 months from the date of award. FEMA will deobligate any unobligated funds at the end of this period. Extensions to the period of performance will be considered on a case-by-case basis only through formal written requests to FEMA with a thorough justification that includes detailed reasons for the request (e.g., equipment vendor delays, lengthy procurement processes) and demonstrates a clear need for an extension.

A New Jersey financial system report showed that 38% of the FY 2007 State Homeland Security Program and Urban Areas Security Initiative grant funds awarded to subgrantees had not been drawn down as of March 13, 2011, as shown in table 3.

Table 3. New Jersey State Homeland Security Program and Urban Areas Security Initiative Awards and Expenditures (FYs 2007–2009)

| New Jersey State Homeland Security Program and Urban Areas Security Initiative Awards and Expenditures as of March 13, 2011 (\$ millions) | | | | | |
|--|---------------|---------------|----------------|---------------|--------------------|
| Grant Year | Date of Award | Total Awarded | Total Expended | Balance | Percentage Unspent |
| 2007 | 8/13/07 | \$ 50,170,000 | \$ 31,230,930 | \$ 18,939,070 | 38% |
| 2008 | 8/25/08 | \$ 62,768,000 | \$ 27,646,292 | \$ 35,121,708 | 56% |
| 2009 | 8/21/09 | \$ 60,845,150 | \$ 7,414,838 | \$ 53,430,312 | 88% |

The Office of Homeland Security and Preparedness requested and FEMA approved two extensions of the FY 2007 Homeland Security Grant Program grant performance period. The latest approval was granted on December 8, 2010. In seeking the latest approval, the Office of Homeland Security and Preparedness reported that the unobligated funds were comprised of: (1) state share funds awaiting issuance of equipment purchase orders; (2) local share encumbered amounts that the State's financial system is not able to track; and (3) state agency

planning-level salary and employee benefits, which are technically unable to be encumbered on the state's accounting system.

The Office of Homeland Security and Preparedness had instructed FY 2007 Homeland Security Grant Program subgrantees to obligate their funding by December 31, 2010, with the payment to vendors/contractors, and reimbursement requests sent to the Office of Homeland Security and Preparedness by June 30, 2011. The Office of Homeland Security and Preparedness plans to closely monitor and assess each subgrantee's financial performance and initiate closeout procedures for any project funding that has not met acceptable standards in terms of obligation timelines.

During our fieldwork, subgrantees offered several explanations to why grant funds are not spent in a timely manner. These included excessive administrative burdens, inadequate staffing, and waiting until multiple invoices are paid before requesting reimbursement.

Office of Homeland Security and Preparedness officials reported that on January 12, 2010, they instituted a "Smart Grant Budgeting" approach during the FY 2010 Homeland Security Grant Program application process to improve program management of State Homeland Security Program and Urban Areas Security Initiative funding. When significant unexpended project balances are continually carried forward transcending concurrent fiscal years, the Office of Homeland Security and Preparedness has implemented two scenarios:

1. Sustainment and Continuation Projects – If an implementing subgrantee has not expended and/or legally obligated more than 55% of its prior State Homeland Security Program and Urban Areas Security Initiative subgrant award allocation, and does not have a strong compelling written justification, a project will not be approved to be in any FY 2010 investment justification.
2. New Projects and Initiatives – If an implementing subgrantee has not expended and/or legally obligated more than 55% of its prior State Homeland Security Program and Urban Areas Security Initiative subgrant award allocation or provided assurances that its percentage shortfall will be expended within the next 6 months, and absent a strong compelling written justification, a project will not be approved as a FY 2010 investment justification.

Although the State of New Jersey has taken action to improve the timeliness of expenditures, delays in expenditures of grant funds may continue to impede state and subgrantees' opportunities to enhance preparedness and response capabilities. Such delays also lead to extensions in the grant performance timeframe and delays in officially closing the grant. Accounting and reporting requirements continue as

long as the grant remains open, which becomes an additional burden on Grants Administration staff.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to:

Recommendation #10: Assess the current process and identify ways to improve the performance of subgrantees in meeting established grant performance periods.

Management Comments and OIG Analysis

FEMA concurred with recommendation 10. FEMA said that within 90 days of receipt of the final report via the grant notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to assess the current process and identify ways to improve the performance of subgrantees in meeting established grant performance periods.

State officials said that over the past several years, New Jersey has implemented several administrative solutions to accelerate the “spend-down” rate of its Homeland Security Grant Program subgrantees. These steps include the following actions:

- A bimonthly grant status letter is mailed to the Chief Executive Officer/Administrator and copies to the county staff.
- The Office of Homeland Security and Preparedness has identified state agencies that will procure on the behalf of local or state subgrantees.
- The grant cycle planning process has been moved up to August rather than waiting until the release of the Homeland Security Grant Program Guidance and Application Kit.
- The Office of Homeland Security and Preparedness reviews prospective subgrantees’ spending history in terms of overall percentage of items/services ordered as it relates to a specific project prior to making a new award. If the rate is low, new funds are not awarded to the subgrantee.

-
- The Office of Homeland Security and Preparedness has informed subgrantees that starting with FY 2009, any dollars not ordered by the end of the original period of performance may be reprogrammed. Subgrantees have been advised that they should not expect the Office of Homeland Security and Preparedness to seek extensions beyond the original period of performance.

State officials also said that even before being made aware of the OIG audit, the Office of Homeland Security and Preparedness established a policy that requires all subgrantees to obligate originally awarded grant dollars within the original period of performance. The Office of Homeland Security and Preparedness will seek an extension beyond the original period of performance for subgrantees only when the subgrantee's request for such an extension is justified on circumstances well beyond its control or situations that the subgrantee could not have foreseen.

The actions proposed by FEMA and the State of New Jersey are responsive to 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 FEMA notification and subsequent review of the Director of the Office of Homeland Security and Preparedness assessment to improve the performance of subgrantees in meeting established grant performance periods.

Noncompliance With Grant Inventory Requirements

Subgrantees did not always maintain inventory records in accordance with federal requirements nor comply with property record requirements. As a result, the State cannot ensure that assets procured with federal funds are adequately safeguarded to prevent loss, damage, or theft.

Code of Federal Regulations Title 44 §13.32(d), *Management requirements*, establishes procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, and includes the following minimum requirements:

- Property records must be maintained and include the property's cost, description, identification number, location, use, condition, and ultimate disposition.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every 2 years.

-
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

Inventory records at the local subgrantees (10 counties, 2 cities) we visited either did not exist or did not contain all required information, such as the property's cost, description, identification number, location, use, and condition. At some sites, identifying the location of Homeland Security Grant Program assets depended on staff recollection of purchasing details. Furthermore, only 1 of the 12 subgrantees could demonstrate that it conducted a physical inventory every 2 years. We determined through discussions with local subgrantee personnel that they were not aware of the federal property management requirements, despite the requirements' inclusion in the terms of the subgrantee contracts with FEMA and the State. Although 10 of the 12 local subgrantees had inventory controls, their efforts were ad hoc and not systematically tied to the federal requirements.

We also found that subgrantees did not always mark equipment purchased with Homeland Security Grant Program funds. Only 2 of the 12 local subgrantees visited marked equipment as being purchased with Homeland Security Grant Program funds. The FEMA grant agreement requires grant recipients, when practicable, to prominently mark any equipment purchased with grant funding with the statement "Purchased with funds provided by the U.S. Department of Homeland Security."

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to:

Recommendation #11: Ensure that subgrantees maintain property and inventory records to support both the retention and transfer of equipment to subrecipients, implement procedures to identify equipment purchased with Homeland Security Grant Program funds, and conduct physical inventories at least every 2 years to ensure compliance with federal requirements.

Management Comments and OIG Analysis

FEMA concurred with recommendation 11. FEMA said that within 90 days of receipt of the final report via the grant notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to develop and fully implement a monitoring program to be compliant with Code of Federal Regulations Title 44 § 13.40 (a), *Monitoring by grantee*. As part of the monitoring process, New Jersey

will ensure that subgrantees maintain property and inventory records to support both the retention and transfer of equipment to subrecipients, implement procedures to identify equipment purchased with Homeland Security Grant Program funds, and conduct physical inventories to ensure compliance with federal requirements.

State officials said the Office of Homeland Security and Preparedness has amended the grant agreement to include language that clearly requires subgrantees to be able to identify equipment purchased with Homeland Security Grant Program funds. In addition, all subgrantees will be required to conduct a physical inventory every 2 years.

The actions proposed by FEMA and the State of New Jersey are responsive to 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 FEMA notification and verification that the Director of the Office of Homeland Security and Preparedness has developed a monitoring program that is in compliance with federal requirements.

Best Practice: State of New Jersey's Grant Tracking System

The Office of Homeland Security and Preparedness employs an electronic database, Grant Tracking System, to capture and track each subgrantee's state-approved Homeland Security Grant Program-funded projects. The Grant Tracking System is the State's primary oversight mechanism to track the progress of each county, city, and state agency toward completing or procuring their budgeted projects or equipment.

For a given grant cycle, corresponding with a fiscal year, each subgrantee develops spending plans encompassing its proposed purchases or projects, which are submitted to the Office of Homeland Security and Preparedness for final approval. Once the office approves the subgrantee's plans, the state issues an award letter indicating its formal promise to reimburse the subgrantee up to the amount of the award for projects and equipment budgeted on the spending plan. Upon receipt of their award, counties and cities have a specific amount of time to enter records into the Grant Tracking System for all approved projects and equipment. As subgrantees generate purchase orders and invoices demonstrating the completion or procurement of previously budgeted projects or equipment, copies of the documentation are uploaded into the Grant Tracking System, at which point the Office of Homeland Security and Preparedness can review the documentation and count the related expenditures as progress toward completing the given grant cycle.

Office of Homeland Security and Preparedness officials indicated that they would provide the Grant Tracking System source code at no cost to any organization interested in using the system to assist their administration of federal Homeland Security Grant Program funds.

Appendix A

Purpose, Scope, and Methodology

The purpose of the audit was to determine whether the State of New Jersey 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 and DHS guidelines. We were to also address the extent to which grant funds enhanced the State of New Jersey's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters.

The scope of this audit included the plans developed by the State to improve preparedness and all-hazards response, the goals set within those plans, the measurement of progress toward the goals, and the assessments of performance improvement that result from this activity. Further, the scope included an assessment of these activities within the context of risk to determine whether the State's plans produced strategic performance improvements related to the areas of highest risk, rather than merely producing improvements in a broader sense.

Together, 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 supported programs were reviewed for compliance.

The scope of the audit included the State Homeland Security Program and Urban Areas Security Initiative grant awards for FYs 2007, 2008, and 2009, as shown in the following table:

Appendix A
Purpose, Scope, and Methodology

| State of New Jersey Homeland Security Grant Program Awards | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|
| Funded Activity | FY 2007 | FY 2008 | FY 2009 | Total |
| State Homeland Security Program | \$ 14,100,000 | \$ 27,780,000 | \$ 25,547,000 | \$ 67,427,000 |
| Urban Areas Security Initiative | 36,070,000 | 34,988,000 | 35,298,150 | 106,356,150 |
| Total | \$ 50,170,000 | \$ 62,768,000 | \$ 60,845,150 | \$ 173,783,150 |
| Law Enforcement Terrorism Prevention Program | 10,060,000 | N/A | N/A | 10,060,000 |
| Citizen Corps Program | 362,216 | 359,560 | 357,481 | 1,079,257 |
| Metropolitan Medical Response System Program | 516,290 | 642,442 | 642,442 | 1,801,174 |
| Grand Total | <u>\$ 61,108,506</u> | <u>\$ 63,770,002</u> | <u>\$ 61,845,073</u> | <u>\$ 186,723,581</u> |

The audit methodology included work at FEMA headquarters, State of New Jersey offices, urban areas that received grants, and various subgrantee locations. To achieve our audit objective, we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in the management and administration of New Jersey's Homeland Security Grant Programs.

In accordance with the audit guide, auditors chose to visit the designated State Administrative Agency, Office of Homeland Security and Preparedness, and the following 18 subgrantees that had been awarded funding in FYs 2007, 2008, and 2009.

State Agencies

- Office of Attorney General
- Office of Information Technology
- Department of Education
- Division of New Jersey State Police
- Department of Health and Senior Services

State University

- University of Medicine and Dentistry of New Jersey

Cities

- City of Jersey City
- City of Newark

Appendix A

Purpose, Scope, and Methodology

Counties

- Cape May County
- Cumberland County
- Hudson County
- Mercer County
- Monmouth County
- Ocean County
- Salem County
- Somerset County
- Union County
- Warren County

At each location, we interviewed responsible officials, reviewed documentation supporting state and subgrantee management of grant funds, and physically inspected selected equipment procured with the grant funds. We also held discussions with officials awarded Urban Areas Security Initiative Grant funds to determine whether the funds were expended according to grant requirements and priorities established by the State of New Jersey.

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
FEMA Management Comments to the Draft Report

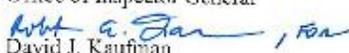
U.S. Department of Homeland Security
500 C Street, SW
Washington, DC 20472



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 State of New Jersey'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, assist the Director of the New Jersey Office of Homeland Security and Preparedness in developing a comprehensive performance measurement system that accurately captures the program's overall performance and progress toward enhancing preparedness as a result of the Homeland Security Grant Program.

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, assist the Director of the New Jersey Office of Homeland Security and Preparedness in developing a comprehensive performance measurement system that implements and manages specific milestones for achieving progress toward target capability assessment goals at the state, Urban Areas Security Initiative area, regional, and state agency levels.

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

The National Preparedness Directorate (NPD), the Federal Emergency Management Agency (FEMA) entity responsible for developing preparedness performance measurement systems, is revising the guidance and the target capability assessment goals at the state, regional, and urban area level which are anticipated for release in late 2011 in advance of the FY 2012 Homeland Security Grant Program (HSGP) application cycle. The Preparedness Grants Division (PGD)

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FEMA Management Comments to the Draft Report

Page 2

within FEMA's Grant Programs Directorate (GPD) will require the Director of the New Jersey Office of Homeland Security and Preparedness to comply with revised guidelines developed by NPD.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation 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 New Jersey Office of Homeland Security and Preparedness to strengthen and schedule its on-site monitoring activities throughout the grant performance period to ensure subgrantee compliance with federal requirements, including:

- Full and open competition for procurement actions.
- Obtaining written approval from Office of Homeland Security and Preparedness prior to awarding sole-source contract procurements.
- Ensuring that vehicles are used solely for their authorized purpose.
- Following record retention requirements and properly maintaining records.

FEMA Response to Recommendation #3: FEMA concurs with Recommendation #3.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required 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 sub-grantee monitoring ensures full and open competition for procurement actions; state sole source rules and regulations are adhered to; vehicles are used solely for their authorized purpose; record retention requirements are met and records properly maintained.

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

OIG Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to return to FEMA the \$1,500,000 that an Urban Areas Security Initiative Office of Homeland Security and Preparedness sub-grantee paid to a General Services Administration contractor before goods and services were fully rendered.

FEMA Response to Recommendation #4: FEMA concurs with Recommendation #4.

Upon learning of this OIG finding, FEMA/GPD sent formal correspondence to New Jersey requesting the \$1,500,000 be returned on February 24, 2011. New Jersey returned the funding to FEMA/GPD on March 31, 2011.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #5: We recommend that the Assistant Administrator, Grant Programs

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FEMA Management Comments to the Draft Report

Page 3

Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to recover and either return to FEMA or reprogram the \$861,044 in unsupported Homeland Security Grant Program expenditures.

FEMA Response to Recommendation #5: FEMA concurs with Recommendation #5.

New Jersey has located and provided FEMA/GPD with missing documentation accounting for the \$861,044 in previously unsupported HSGP expenditures on May 2, 2011.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to ensure that the Urban Areas Security Initiative sub-grantee does not process any further sole-source procurement resolutions for Community Emergency Response Team and National Incident Management System training until written approval is obtained.

FEMA Response to Recommendation #6: FEMA concurs with Recommendation #6.

Upon learning of this OIG finding FEMA/GPD notified New Jersey on February 9, 2011, of its sole-source procurement rules and regulations. Specifically, New Jersey and its sub-recipients were reminded to follow all FEMA's financial policy guidance as outlined in the special conditions of their awards each grant year. Failure to comply with these terms and conditions may result in disallowance of costs and recovery of funds and/or suspension or termination of funds and/or award.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to ensure that the eight "tele-health monitors" purchased by a local sub-grantee at a cost of \$25,385 are returned to inventory and the State is reimbursed for the expended lifespan of the equipment.

FEMA Response to Recommendation #7: FEMA concurs with Recommendation #7.

On March 28, 2011 New Jersey was reimbursed by the county for the lifespan of the equipment and notified FEMA/GPD that the eight "tele-health monitors" have been returned to inventory.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #8: We recommend that the Assistant Administrator, Grant Programs

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FEMA Management Comments to the Draft Report

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Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to follow up with sub-grantees and take appropriate steps to ensure that:

- Required training is provided to deploy federally funded tactical and rescue equipment
- Memorandums of understanding needed to deploy five utility trailers are finalized
- Agreement is reached to deploy a photo identification system
- Frequency licenses are obtained to deploy interoperable communications equipment
- Computer equipment is assigned or reassigned for use during its useful life

FEMA Response to Recommendation #8: FEMA concurs with Recommendation #8.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required by FEMA to follow up with sub-grantees and resolve the following:

- Required training is provided to deploy federally funded tactical and rescue equipment;
- Develop Memorandums of Understanding needed to deploy five utility trailers and finalize;
- Agreement is reached to deploy a photo identification system;
- Frequency licenses are obtained to deploy interoperable communications equipment;
- Computer equipment is assigned or reassigned for use during its useful life.

FEMA believes this satisfies the intent of the recommendation and the recommendation remains open pending implementation of the stated corrective actions.

OIG Recommendation #9: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to assess the current processes and procedures involved with the execution of Urban Areas Security Initiative sub-grantee awards to identify efficiencies to expedite expenditures.

FEMA Response to Recommendation #9: FEMA concurs with Recommendation #9.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required by FEMA to assess the current processes and procedures involved with the execution of Urban Areas Security Initiative sub-grantee awards to identify efficiencies to expedite expenditures.

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

OIG Recommendation #10: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to assess the current process and identify ways to improve the performance of sub-grantees in meeting established grant performance periods.

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FEMA Management Comments to the Draft Report

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FEMA Response to Recommendation #10: FEMA concurs with Recommendation #10.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required by FEMA to assess the current process and identify ways to improve the performance of sub-grantees in meeting established grant performance periods.

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

OIG Recommendation #11: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the New Jersey Office of Homeland Security and Preparedness to ensure that sub-grantees maintain property and inventory records to support both the retention and transfer of equipment to sub-recipients, implement procedures to identify equipment purchased with Homeland Security Grant Program funds, and conduct physical inventories at least every 2 years to ensure compliance with federal requirements.

FEMA Response to Recommendation #11: FEMA concurs with Recommendation #11.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of the New Jersey Office of Homeland Security and Preparedness is required to develop and fully implement a monitoring program to be compliant with 44 CFR §13.40 (a) Monitoring by Grantee. As part of the monitoring process New Jersey will ensure sub-grantees maintain property and inventory records to support both the retention and transfer of equipment to sub-recipients, implement procedures to identify equipment purchased with Homeland Security Grant Program funds, and conduct physical inventories to ensure compliance with federal requirements.

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.

Appendix C
State of New Jersey Management Comments to the Draft Report



CHRIS CRISTIE
Governor
Kim Guadagno
Lt. Governor

State of New Jersey
Office of Homeland Security and Preparedness
PO Box 591
Trenton, NJ 08625-0091

CHARLES B. MCKENNA
Director

July 13, 2011

Anne L. Richards
Assistant Inspector General for Audits
U.S. Department of Homeland Security
245 Murray Drive SW
Building 410, Stop 2600
Washington, DC 20528

RE: The State of New Jersey's Management of State Homeland
Security Program and Urban Areas Security Initiative
Grants Awarded During Fiscal Years 2007 Through 2009
OIG Project No. 10-173-AUD-FEMA

Dear Ms. Richards:

Attached please find the State of New Jersey's response to FEMA's draft report regarding OIG's audit of the State of New Jersey's management of State Homeland Security Programs and Urban Areas Security Initiative grants awarded during fiscal years 2007 through 2009.

One additional note, in regards to finding #1, I had requested that the language be modified to stress the fact that New Jersey was not alone in having difficulty in measuring effectiveness.

On page 4 of the draft report, second paragraph, the current language does not express my original request and still infers that our state is the only state that struggles with measuring effectiveness. I would ask that the final report use one of the following sentences instead of what it currently states:

State officials acknowledged that, like other states and the federal government, they have struggled with a measurement tool" or "State officials acknowledged that they have struggled with a measurement tool as have other states and the federal government.

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State of New Jersey Management Comments to the Draft Report

Anne L. Richards
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July 13, 2011

Thank you for your attention to this matter. If you have any questions or wish to discuss the response, please do not hesitate to contact a.r.c at (609) 584-4078.

Very truly yours,



Charles B. McKenna, Director
Office of Homeland Security and Preparedness

CBM/ST:kw
Enclosures

cc: Gerard McAleer, Associate Director, OHSP
Joseph Picciano, Deputy Director Preparedness, OHSP
Dennis Quinn, Assistant Deputy Director Preparedness, OHSP
Anita Bogdan, Chief Administrative Officer, OHSP
William Kelly, Assistant Chief Administrative Officer, OHSP

Appendix C

State of New Jersey Management Comments to the Draft Report

NJ OHSP Comments/Responses to the U.S. Department of Homeland Security, Office of Inspector General Draft Report Entitled "The State of New Jersey's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 through 2009"

Finding 1

New Jersey has incorporated the seven (7) National Priorities and created four (4) State Priorities into our State Homeland Security Strategy. Within the National and State Priorities all thirty-seven (37) Target Capabilities are included:

- 1 National Priority: Implement NIMS and NRF
 - On-Site Incident Management
 - Emergency Operations Center Management
 - Volunteer Management and Donations
 - Responder Safety and Health
- 2 National Priority: Implement the NIPP
 - Critical Infrastructure Protection
 - Food and Agriculture Safety and Defense
 - Risk Management
- 3 National Priority: Enhance Information Sharing and Intelligence Capabilities
 - Intelligence and Information Sharing and Dissemination
 - Information Gathering and Recognition of Indicators and Warning
 - Intelligence Analysis and Production
- 4 National Priority: Enhance Communication Capabilities: Voice, Data, Information Communications
 - Emergency Public Information and Warning
- 5 National Priority: Enhance CBRNE Detection, Response and Decontamination Capabilities
 - CBRNE Detection
 - Explosive Device Response Operations
 - WMD and Hazardous Materials Response and Decontamination
 - Fire Incident Response Support
- 6 National Priority: Enhance Medical and Health Capabilities
 - Medical Surge
 - Mass Prophylaxis

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State of New Jersey Management Comments to the Draft Report

Medical Supplies Management and Distribution
Emergency Triage and Pre-Hospital Treatment
Isolation and Quarantine
Fatality Management

- 7 National Priority: Enhance Catastrophic Planning and Citizen Preparedness Capabilities
Planning (Also COOP/COG)
Critical Resource Logistics and Distribution
Citizen Evacuation and Shelter-in-Place
Mass Care (Sheltering, Feeding and Related Services)
Community Preparedness and Participation
- 8 State Priority: Enhance Urban Search and Rescue Capabilities
Search and Rescue (Land-Based)
- 9 State Priority: Enhance Disease/Environmental Hazard Exposure Detection,
Assessment, and Investigation Capabilities
Epidemiological Surveillance and Investigation
Laboratory Testing
Animal Disease Emergency Support
Environmental Health
- 10 State Priority: Enhance Law Enforcement Investigative/Operational Capabilities
Emergency Public Safety and Security
Counter-Terror Investigation and Law Enforcement
- 11 State Priority: Enhance Restoration and Recovery Capabilities
Structural Damage Assessment
Restoration of Lifelines
Economic and Community Recovery

Since the inception of FEMA's Capabilities Based Planning (i.e., the 37 target capabilities) under the FY06 HSGP planning process, the OHSB has continued to utilize target capabilities and their associated activities and tasks for the planning and prioritization of SISP and UASI project funding (see attached emails dated November 5, 2009, February 16, 2010 and June 2, 2010). Unfortunately, FEMA has not provided the states and territories with a comprehensive, automated, effectiveness assessment tool that can be utilized by both local units of government and the state.

For the FY10 HSGP funding cycle, FEMA required each state and territory to submit a quantitatively driven State Preparedness Report (SPR). The FY10 SPR process required each state/territory to quantitatively score (using a scale of 1-10) their level of capability for each of the thirty-seven (37) Target Capabilities. This marked the first time that FEMA provided states and territories with an online, automated, quantitative tool for assessing and measuring target

Appendix C

State of New Jersey Management Comments to the Draft Report

capabilities. This tool is known as the SPR Survey Tool. The initial FY08 SPR and FY09 SPR update that states/territories had to submit to FEMA as part of the FY08 and FY09 HSGP funding cycles were qualitative (narrative/text) assessments as there was no SPR Survey Tool available at that time.

Prior to the FY08-FY10 SPR methodologies, FEMA utilized another non-automated, non-quantitative method of assessment for the FY06-FY07 HSGP funding cycles known as the "Program and Capability Enhancement Plan." The current SPR Survey Tool utilized in the FY10 HSGP funding cycle has a significant functionality limitation in that it does not currently allow for lower level jurisdictions (municipalities, counties, regions) to utilize the tool in an automated fashion. This severely limited the OHSP's ability to "roll up" target capability assessment data from its jurisdictional partners (21 counties) in an automated, comprehensive, and uniform manner. Given the functionality limitations, FEMA did not require states/territories to rescore their target capabilities for the FY11 HSGP grant application submission.

As noted on the attached May 16, 2011, email correspondence between OHSP Grant Bureau Chief Talpas and DHS' Cathy Knight, OHSP has continued to press FEMA to be considered in any planned rollout of a next generation SPR Survey Tool. At the present time, FEMA is not planning to provide a next generation SPR Survey Tool to states/territories until sometime in calendar year 2012.

New Jersey has utilized the FY10 SPR Survey Tool assessment data as a baseline of levels of capability within each of the thirty-seven (37) Target Capabilities. Given the limitations of the current SPR Survey Tool, the State of New Jersey, through OHSP and its state agency partners, assessed each of the 37 target capabilities on behalf of the 21 counties (recipients of the 80% local share pass through) in an effort to measure our homeland security performance and progress towards enhancing preparedness. Depending on when/if FEMA releases the next generation SPR Survey Tool, New Jersey plans to rescore, on an annual basis, the thirty-seven (37) Target Capabilities incorporating project funding that has been executed/completed since the spring of 2010 when the FY10 SPR report was submitted to FEMA. Thus, while as it states on page 4 of the audit that state officials "acknowledged that they did not have a basis for measuring improvement" on preparedness capabilities, they did so in the context of noting that this situation is shared by most states and the federal government.

Notwithstanding this problem, taking this performance measurement system one step further, New Jersey will require its twenty-one (21) counties to update their respective county homeland security strategic plans and prepare a county centric SPR that accurately reflects each county's levels of capability on an annual basis. The counties will use their SPR scoring as a baseline level of capability and each year rescore their SPR assessments based upon previous funding cycle project information. New Jersey will employ this measurement system to measure improvements in the state and each county's prevention, protection, response and recovery capabilities.

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State of New Jersey Management Comments to the Draft Report

The OHSP Grant and Program Management Bureau was contacted on June 29, 2011 (see attached emailed from FEMA's Cathy Knight) to participate in an early review of the next generation SPR Survey Tool that FEMA is looking to roll out in calendar year 2012. A briefing session is scheduled for July 25, 2011.

Findings 2 - 5:

New Jersey has incorporated administrative and programmatic modifications in four areas:

1. OHSP Grant Bureau audit policy;
2. OHSP Grants Tracking System (GTS) data requirements;
3. Completion of a Homeland Security Grant Program funded Vehicle Operator's Log for all vehicles funded by the Homeland Security Grant Program; and
4. OHSP's semiannual subgrantee administrative and programmatic reviews conducted by OHSP liaisons

OHSP's Grant Bureau Audit Unit has shifted its focus from closed out grant audits to open grant audits. Selected reimbursement requests from subgrantees are being audited prior to reimbursement. Asset verification, deployment, training needs, method of procurement and required written agreements with other agencies are now examined routinely.

OHSP's Grants Tracking System ("GTS") has been enhanced to require the entry of additional budgetary line item data elements to include: method of procurement; status of necessary training if required prior to deployment; uploading of a required Memorandum of Understanding and deployment status of assets.

To address Homeland Security Grant Program funded vehicle usage, all subgrantees shall complete a Vehicle Operator's Log on a monthly basis. These logs are maintained at the subgrantee level and are a component of the semi-annual OHSP and subgrantee Homeland Security Grant Program status and performance review.

Finally, OHSP liaisons are now required to conduct semi-annual programmatic monitoring visits for subgrantees awarded funding under the Homeland Security Grant Program. A status and performance review for all open grants with each subgrantee will be conducted twice a year to include a review of project progress, vehicle logs, personnel certification (time) forms, MOL's, deployment status of grant funded items, required training for grant funded items, reimbursement requests, subgrantee's Homeland Security Strategic Plan, FY10 SPR Target Capabilities performance measurement reporting (updated on an annual basis), inventory system and record retention practices (see attached June 23, 2011, sample email notification from OHSP grant program liaison to counties reference the semi annual programmatic monitoring visits).

The OHSP will amend the UASI Charter to reflect the forty-five (45) day time frame requirement. The OHSP will effectuate this change via a formal letter from the Director of OHSP to the Chair of the UASI Executive Committee. OHSP will require that the detailed

Appendix C

State of New Jersey Management Comments to the Draft Report

spending plans with budget annexes be submitted to the Grant and Program Management Bureau for the entire 80% local share UASI pass through funds within thirty (30) days from the official DHS award notice. Local share funds that are not dedicated to a project with sufficient information contained within the spending plan will be reprogrammed by OHSP within the forty-five (45) day time frame allowable. On April 20, 2011, the OHSP Grant and Program Management Bureau advised the UASI Executive Committee Chairman about this potential forthcoming finding.

Over the past several years, New Jersey has implemented several administrative solutions to accelerate the "spend down" rate of our HSGP subgrantees. These steps include the below actions:

1. A bi-monthly grant status letter is mailed to the CRO/Administrator and copies to other county staff.
2. OHSP has identified state agencies that will procure on the behalf of local or state subgrantees.
3. The grant cycle planning process has been moved up to August rather than waiting until release of the HSGP Guidance and Application Kit, usually released late November or early December. Subgrantees are instructed to go beyond generality for placeholders and develop a complete implementation plan addressing the who, what, when, where, how and why of the project.
4. OHSP reviews prospective subgrantees' spending history in terms of overall percentage of items/services ordered and as it relates to a specific project prior to making a new award. If rate is slow, new funds are not awarded to the subgrantee.
5. OHSP has informed subgrantees that starting with FY09, any dollars not ordered by the end of the original performance period may be reprogrammed by OHSP. Subgrantees have been advised that they should not expect OHSP to seek extensions beyond the original period of performance.

Even before being made aware of the OIG audit, the OHSP Grant and Program Management Bureau established a policy that requires all subgrantees to obligate originally awarded grant dollars within the original period of performance (see attached email dated June 8, 2011 and two emails dated September 9, 2010). OHSP will seek an extension beyond the original period of performance for subgrantees only when the subgrantee's request for such extension is justified on circumstances well beyond their control or situations that could not have been foreseen by the subgrantee. Dollars for which insignificant justification have been provided will be reprogrammed by OHSP at the end of the original period of performance.

OHSP has amended the Grant Agreement to include language that clearly requires subgrantees to be able to identify equipment purchased with Homeland Security Grant Program funds. In addition, all subgrantees will be required to conduct a physical inventory every two years.

Appendix D

Description of Homeland Security Grant Program

The Homeland Security Grant Program provides federal funding to help state and local agencies enhance their capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The Homeland Security Grant Program encompasses several interrelated federal grant programs that together fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management and administration costs. Programs include:

- **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 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.

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

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

Appendix E

Description of State of New Jersey's Homeland Security Grant Program

In 1999, the Governor of New Jersey established the New Jersey Domestic Preparedness Planning and Coordination Group to assess the State's capabilities and to plan a coordinated response to domestic terrorist acts. In October 2001, less than a month after the terrorist attacks of September 11, 2001, New Jersey statutorily created the Domestic Security Preparedness Task Force, a cabinet-level body. The task force is responsible for statewide coordination and supervision of all activities related to domestic preparedness for terrorist attack. The task force became part of the Office of Homeland Security and Preparedness in March 2006 and is chaired by the Director of the Office of Homeland Security and Preparedness.

In March 2006, Executive Order 5 created the Office of Homeland Security and Preparedness as a cabinet-level agency to administer, coordinate, lead, and supervise New Jersey's counterterrorism and preparedness efforts. This office provides overarching guidance and coordination, develops and administers training programs, conducts exercises, tabletops, and simulations to assess and prepare responses to all hazards, gathers and disseminates intelligence and information on counterterrorism, monitors programmatic and financial activities, and conducts field visits.

The Office of Homeland Security and Preparedness recognizes the need to include all levels of government and related disciplines in the process of homeland security planning. Accordingly, it has created multidiscipline working groups at the state level and each of the 21 counties. The state-level Planning Group Executive Committee is comprised of 22 state departments, agencies, and divisions. This group's focus is on the coordination, cooperation, communication, and integrated planning among agencies likely to participate in the detection, deterrence, protection, and response to a terrorism event or other disasters.

With the advent of the capabilities-based planning model, National Priorities, and the 37 Target Capabilities, the state has identified and directed one state agency to serve as the principal point of coordination for each of the target capabilities. The principal point of coordination is responsible for convening a committee of other stakeholders and subject matter experts to develop a statewide strategy to achieve the desired level of the target capability. To accomplish this mission, each committee assesses existing capabilities, identifies gaps between current and desired levels of capability, determines appropriate agency/discipline roles and responsibilities, and designs implementation plans for initiatives.

Appendix E

Description of State of New Jersey's Homeland Security Grant Program

The 37 committees provide an opportunity for stakeholders to engage in an integrated planning process to create a common blueprint to achieve shared goals and objectives. The committees help prepare the State Preparedness Report and Investment Justifications for review by the State-level Planning Group Executive Committee, and obtain final approval from the Director of the Office of Homeland Security and Preparedness.

In each of the 21 county governments, a mirrored multidiscipline working group is responsible for creating a county homeland security strategic plan, identifying county needs, prioritizing homeland security projects, and developing operational and implementation plans for its funded projects. The county working group is staffed with representatives from various disciplines of first responders and key representatives of the county government structure needed to discuss issues relating to prevention, mitigation, and recovery/response to a terrorist attack. The Office of Homeland Security and Preparedness reviews county initiatives to ensure consistency with the state's overall Homeland Security Strategy and inclusion in Investment Justifications submitted to FEMA.

In addition to the county working groups, the Office of Homeland Security and Preparedness organized the 21 counties into homeland security regions to promote and enhance regionalization. As part of the FY 2007 Homeland Security Grant Program planning process, the State's five homeland security planning regions were consolidated into four regions (Delaware River, Northwest, Shore, and Urban Areas Security Initiative), which were organized based on common hazards and geographic proximity. This regionalization enables New Jersey to leverage subject matter expertise, share specialized assets, enhance capacity, force multiply capabilities, and sustain longer-term response and recovery efforts. Each county working group represents its county within one of the four regions and meets to identify mutual homeland security issues and discuss potential regional initiatives.

New Jersey's one Urban Areas Security Initiative area, which also aligns with its Urban Areas Security Initiative region, represents 7 of the state's 21 counties (Bergen, Essex, Hudson, Middlesex, Morris, Passaic, and Union) and two municipalities (Jersey City and Newark). The FY 2005 Urban Areas Security Initiative program created the Urban Area Working Group, which is responsible for developing and implementing the region's homeland security strategic plan, identifying regional homeland

Appendix E
Description of State of New Jersey's Homeland Security Grant Program

security needs, prioritizing homeland security projects, and developing operational and implementation plans for each project that affects the region.

An executive committee is the strategic planning entity for the local share of Urban Areas Security Initiative grant projects and programs. Local and state-level subject matter experts within the Urban Areas Security Initiative region chair subcommittees to develop regional approaches to increase levels of capability, define appropriate participant roles and responsibilities, and complete Homeland Security Grant Program investment justifications.

Appendix F

New Jersey Grant Funding Compliance Issues

During our asset verification and documentation review, we observed several compliance issues that could have been identified through routine on-site monitoring of subgrantee performance.

- *Improper Payment for Equipping an Emergency Operations Center:* An Urban Areas Security Initiative subgrantee paid a U.S. General Services Administration contractor before goods and services were fully rendered. The subgrantee was reimbursed \$1,500,000 for equipping an Emergency Operations Center. As of March 2011, no equipment had been installed, and less than \$150,000 worth of materials had been procured. In response to this discovery, the state informed the subgrantee that future payments will be withheld and requested the return of the \$1,500,000. On March 22, 2011, state officials informed us that the subgrantee had returned the money and the state was in the process of returning the funds to FEMA.
- *Inadequate Supporting Documentation for Claimed Expenditures:* A state agency subgrantee did not have documentation to support eight expenditures totaling \$861,044. The State agency could not provide purchase orders, invoices, salary and employee benefit records, and equipment records to support claimed expenditures. According to state personnel, the missing documentation could not be located due to personnel turnover. The Office of Homeland Security and Preparedness' grant agreement requires the subgrantee to comply with Code of Federal Regulations Title 28 Part 66, *Retention and Access Requirements for Records*, which requires that all financial records, supporting documents, statistical records, and other records pertinent to an award be retained for 3 years from the date of submission of the final expenditure.
- *Goods and Services Procured Without Full and Open Competition:* An Urban Areas Security Initiative subgrantee awarded without public bidding a series of contracts to a retired local fire battalion chief to provide Community Emergency Response Team and National Incident Management System training. The value of the training contract increased from an initial \$80,000 to \$254,444 over a 3-year period.

Appendix F

New Jersey Grant Funding Compliance Issues

As of October 2010, the contractor has been reimbursed \$239,944 in grant funds. FEMA procurement standards and guidelines require all procurement transactions, whether negotiated or competitively bid and without regard to dollar value, to be conducted in a manner so as to provide maximum open and free competition. The subgrantee passed local resolutions authorizing the award as an “extraordinary unspecifiable services,” but did not indicate why the contractor’s services qualified as such or why the services could not go out for public bidding.

Extraordinary Unspecifiable Services: Services which are specialized and qualitative in nature requiring expertise, extensive training and proven reputation in the field of endeavor.

Source: NJ Public Contract Law
NJSA 40A.11 *et seq.*

Furthermore, this subgrantee did not obtain written approval from the Office of Homeland Security and Preparedness before awarding the series of sole-source contract procurements. FEMA procurement standards and guidelines require all sole-source procurements in excess of \$100,000 to receive prior written approval of the awarding agency. Although the contractor’s initial proposal totaled less than \$100,000 and would not require Office of Homeland Security and Preparedness approval, the contractor submitted a second proposal, increasing the contract value an additional \$44,444 to \$124,444. A third proposal was submitted to extend the training period for a second year and increase the contract value an additional \$130,000 to \$254,444. Accordingly, the subgrantee should have requested Office of Homeland Security and Preparedness written approval prior to confirmation by local government officials.

- *Vehicle Used for Daily Commuting Purposes:* A county subgrantee used a \$30,839 “CBRNE (Chemical, Biological, Radiological, Nuclear, and Explosives) Communications Vehicle” for daily commuting purposes. Documentation provided by the subgrantee indicated that the vehicle was used approximately 39% of the time to commute to and from work. The subgrantee stated that the on-call nature of his duties required him to keep the vehicle on hand at all times. The Office of Homeland Security and Preparedness FY 2009 Grant Agreement requires subgrantees to adequately safeguard assets and ensure that they are used solely for authorized purposes. Daily commuting is not a use authorized by FEMA. The subgrantee’s proposal for the vehicle did not indicate that it would be used for daily commuting or assigned to a single individual.
- *Health Monitors Deployed for Daily Use:* A county subgrantee placed eight “tele-health monitors” in residential homes for daily use by

Appendix F

New Jersey Grant Funding Compliance Issues

private citizens in non-emergency situations. The subgrantee purchased the eight health monitors at a cost of \$25,385 to open bed space in a local hospital in the event of a major health emergency, such as a viral epidemic or natural catastrophe, by moving non-emergency patients into their homes or other private quarters. However, no such event has occurred since the purchase, leaving the current use of the eight monitors unjustified. In response to our finding, the Office of Homeland Security and Preparedness requested and the subgrantee agreed to return the equipment to inventory and reimburse the state for the percentage of lifespan expended.

- *Training Not Provided to Deploy Tactical and Rescue Equipment:* Two county subgrantees have not provided training needed to deploy federally funded tactical and rescue equipment. The first subgrantee purchased five breathing apparatuses along with a set of protective suits in December 2009 and February 2010, respectively, at a combined cost of \$37,166, and has not yet deployed them to the Special Weapons and Tactics Team. A county official noted the diversity of jurisdictions associated with the team, and competing training programs as challenges to scheduling and completing the training needed to deploy the air packs and suits. The second subgrantee purchased 20 fire and rescue rebreathers in November 2009 at a cost of \$175,000, and has not yet deployed them to its first responders. A county official noted that the person who requested the equipment retired and required training fell by the wayside.
- *Memorandums of Understanding Needed to Deploy Utility Trailers:* Five medical support trailers purchased in March 2008 at a cost of \$28,150 have not been deployed because the local subgrantee and its five county hospitals cannot agree on the language of the required memorandums of understanding defining the ownership and use of the equipment. The trailers will allow the county hospitals to store and deploy medical equipment, such as cots, masks, ventilators, and sterile gloves, during a large-scale emergency event when additional hospital beds and medical supplies are needed to treat large groups of persons. Without fully executed memorandums of understanding, the trailers cannot be deployed to enhance the five county hospitals' preparedness to attend to persons in need of medical treatment during a public health emergency.
- *Agreement Between County and State Officials Needed to Deploy Photo Identification System* A county subgrantee purchased a photo identification system at a cost of \$43,988 that is inactive because the subgrantee and the Office of Attorney General disagree on the format of the physical card and data to be collected. Therefore, the county

Appendix F

New Jersey Grant Funding Compliance Issues

subgrantee cannot distribute standard identification cards to its first responders that will allow it to: (1) track first responders at the scene of an incident and (2) mitigate the risk that unauthorized individuals may gain access to physical or logistical assets as a result of improper identity.

- *Frequency Licenses Needed to Deploy Interoperable Equipment:* A county subgrantee did not procure needed frequency licenses before purchasing radio equipment in December 2009, using \$286,499 in State Homeland Security Program funds. The subgrantee purchased the radios to improve interoperability among police, fire, and emergency medical service agencies. However, until the licenses are procured, the subgrantee cannot use the equipment and fully implement its interoperability plan.
- *Computer Equipment Not Deployed:* In July 2009, a state agency purchased three laptops at a cost of \$14,716 that remained unused. A State official reported that the laptops were to be deployed in three specialized vehicles, but the vehicles had yet to be procured because of complications with a state contract. The official also noted that, in case of an emergency, the laptops could be set up quickly for data analysis or other purposes, but have not been assigned to duty officers as intended.

Appendix G
Potential Monetary Benefits

| Classification of Monetary Benefits | | | | | |
|---|-----------------|--------------------------------------|---|---------------------------------|---------------------|
| Finding | Rec. No. | Funds To Be Put to Better Use | Questioned Costs – Unsupported Costs | Questioned Costs – Other | Total |
| Improper Payment for Equipping an Emergency Operations Center | 4 | | | \$ 1,500,000 | \$ 1,500,000 |
| Inadequate Supporting Documentation for Claimed Expenditures | 5 | | \$ 861,044 | | 861,044 |
| Goods and Services Procured Without Full and Open Competition | 6 | | | 239,944 | 239,944 |
| Vehicle Used for Daily Commuting Purposes | 3 | | | 30,839 | 30,839 |
| Health Monitors Deployed for Daily Use | 7 | | | 25,385 | 25,385 |
| Training Not Provided to Deploy Tactical and Rescue Equipment | 8 | \$ 212,166 | | | 212,166 |
| Memorandum of Understanding Needed to Deploy Utility Trailers | 8 | 28,150 | | | 28,150 |
| Agreement Between County and State Officials Needed to Deploy Photo Identification System | 8 | 43,988 | | | 43,988 |
| Frequency Licenses Needed to Deploy Interoperable Equipment | 8 | 286,499 | | | 286,499 |
| Computer Equipment Not Deployed | 8 | 14,716 | | | 14,716 |
| Total | | \$ 585,519 | \$ 861,044 | \$ 1,796,168 | \$ 3,242,731 |

Appendix H
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Appendix I

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