





**Homeland  
Security**

DEC 29 2011

Preface

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

This report addresses the annual requirement to report to Congress on the results of audits of individual states' management of State Homeland Security Program and Urban Areas Security Initiatives grants. It is a summary of the findings from seven individual audit reports, including recommendations to the Federal Emergency Management Agency for states to take corrective measures and actions to improve their grant management programs.

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
SHSP	State Homeland Security Program
UASI	Urban Areas Security Initiative

# OIG

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*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, and annually submit to Congress a report summarizing the results of those audits. This report responds to the annual reporting requirement and summarizes audits of seven states completed in fiscal year 2011. The seven states were: Nevada, New Jersey, New York, Pennsylvania, Tennessee, Texas, and California (Urban Areas Security Initiative only).

The objectives of the state audits were to determine whether each state distributed and spent the grant funds (1) effectively and efficiently and (2) in compliance with applicable federal laws and regulations. We were also to address the extent to which grant funds enhanced the states' ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters. The audits included a review of approximately \$1.7 billion in State Homeland Security Program and Urban Areas Security Initiative grants awarded to the seven states during fiscal years 2006 through 2009.

Generally, the states did an efficient and effective job of administering the grant requirements, distributing grant funds, and ensuring that all of the available funds were used. Most states used reasonable methodologies to assess threats, vulnerabilities, capabilities, and needs, and allocated funds accordingly. We identified five innovative systems that could be considered for use by other jurisdictions.

We identified two major areas for improvement: strategic planning and oversight of grant activities. We also identified almost \$7.5 million in questioned costs. We made 70 recommendations addressing these areas. In its corrective action plans, the Federal Emergency Management Agency concurred with 64 of the recommendations, and concurred with the intent of the remaining 6 recommendations.

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## Background

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the Department of Homeland Security (DHS), Office of the Inspector General (OIG), to annually submit to Congress a report summarizing completed audits of State Homeland Security Program (SHSP) grants and Urban Areas Security Initiative (UASI) grants awarded to states, territories, and the District of Columbia. This report summarizes our fiscal year (FY) 2011 audits of the management of Homeland Security Grant Program funds awarded to seven states, as indicated in table 1. Appendix B provides Internet links to the reports. Table 2 summarizes the status of audits recommendations for FY 2011.

**Table 1: Audits Included in This Report**

State	Fiscal Years Reviewed	Homeland Security Grant Awards (000s)	Audited SHSP Grant Awards (000s)	Audited UASI Grant Awards (000s)
California	2006–2008	\$735,000	0	\$420,790
Nevada	2006–2008	\$58,791	\$23,110	\$26,090
New Jersey	2007–2009	\$186,724	\$67,427	\$106,356
New York	2006–2008	\$624,803	\$142,770	\$422,039
Pennsylvania	2007–2009	\$171,639	\$79,129	\$74,857
Tennessee	2006–2008	\$54,495	\$25,910	\$15,026
Texas	2006–2008	\$353,780	\$125,980	165,357
<b>Subtotal</b>			\$464,326	\$1,230,515
<b>Total</b>		\$2,185,232	\$1,694,841	

The objectives of the individual state audits were to determine whether the states distributed and spent the grant funds (1) effectively and efficiently and (2) in compliance with applicable federal laws and regulations. We were also to address the extent to which grant funds enhanced the states' ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters. Appendices A and C provide additional details on the purpose, scope, and methodology of this report and the state audits.

## Results of Audits

Generally, our audits showed that the states did an efficient and effective job of managing grant programs requirements, distributing grant funds, and ensuring that all of the available funds were used. Most states used reasonable methodologies to assess threats, vulnerabilities, capabilities, and needs. The states generally spent the grant funds in accordance with grant requirements and state-established priorities, and appropriately allocated funding based on threats, vulnerabilities, capabilities, and priorities. We identified five innovative systems that could be considered for use by other jurisdictions.

However, the audit reports identified two major areas for improvements: strategic planning and oversight of grant activities. We made 70 recommendations to the Federal Emergency Management Agency (FEMA) that, when implemented, should strengthen program management, performance, and oversight. In its corrective action plans, FEMA concurred with 64 of the recommendations and concurred with the intent of the remaining 6 recommendations. The recommendations will remain open pending completion of corrective actions by FEMA.

**Table 2: Status of Audit Recommendations**

Areas for Improvement	Issued	FEMA Concurrence		Status:	
		Yes	No	Open	Closed
<b>I. States Need To Improve Their Strategic Planning Processes</b>					
Fully measurable and achievable goals and objectives	12	12	0	11	1
Long-term capability sustainment options	7	7	0	7	0
Prioritize strategic goals and proposed projects	5	5	0	4	1
Statewide strategy for special response teams	3	3	0	3	0
<b>Subtotal</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>25</b>	<b>2</b>
<b>II. States Need To Improve Their Oversight of Grant Activities</b>					
Allocation and obligation of grant funds	5	5	0	5	0
Monitoring of subgrantees activities	13	13	0	10	3
Oversight of investments, costs, and financial management	3	3	0	3	0
Compliance with procurement and property management requirements	22	22	0	20	2
<b>Subtotal</b>	<b>43</b>	<b>43</b>	<b>0</b>	<b>38</b>	<b>5</b>
<b>Total</b>	<b>70</b>	<b>70</b>	<b>0</b>	<b>63</b>	<b>7</b>

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## **States Need To Improve Their Strategic Planning Processes**

Our audits identified system weaknesses in the states' strategic planning processes. The states' strategies lacked fully measurable goals and objectives, sustainment options, priorities, and a statewide strategy for special response teams.

### **State Homeland Security Strategies Lacked Fully Measurable and Achievable Goals and Objectives**

The Homeland Security Strategies for California, Nevada, New Jersey, New York, Pennsylvania, and Texas lacked specific, measurable, achievable, results-oriented, and time-limited goals and objectives applicable to first responder capabilities. Nevada, New Jersey, New York, Pennsylvania, and Texas did not develop adequately defined goals and objectives to use for measuring improvements in their preparedness and response capabilities. California did not have a system in place to measure the benefits produced by grant-funded programs. Without measurable goals and objectives and a mechanism to collect objective, results-oriented data from local jurisdictions and first responders, the states did not have a basis to evaluate the effect of grant expenditures on preparedness and response capabilities. Also, the states were unable to determine progress toward goals and objectives when making funding and management decisions.

### **Long-term Capability Sustainment Options**

California, New York, and Nevada did not prepare contingency plans to address potential funding shortfalls if DHS funding were significantly reduced or eliminated. Funding shortfalls could put at risk critical programs intended to respond to terrorist acts and various catastrophes.

In California, Fusion Centers and Regional Communication Systems are two examples of critical programs at risk during potential DHS funding shortfalls. The Fusion Centers are designed to bring together information sharing capabilities from personnel and systems that are critical for identifying and preventing terrorist acts as well as for law enforcement purposes, such as identifying and prosecuting organized drug, gang, and cross-border crimes. One Fusion Center received \$17.4 million from the Urban Areas Security Initiative's FYs 2006 through 2008 grants. California UASI Fusion Center Directors said that the centers would be closed if federal funds were not available because neither the State

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nor local communities could allocate the resources needed to operate the centers.

Similarly, three large regional communications systems in California would be at risk because the urban areas did not have an assured source of funds to complete and operate the systems. California has invested nearly \$350 million of grant funds in public safety communications systems, two of which were expected to cost more than \$1 billion, without a firm plan for obtaining funding from local sources should grant funds be reduced or eliminated.

New York State may not be able to sustain long-term activities funded by the Homeland Security Grant Program without continued federal funding. Multiple-year projects were approved that extended beyond the grant period without identified state and local funds for completing the projects. As a result, long-term sustainability of capabilities and the completion of projects funded by multi-year contracts may be in jeopardy if the funding for the Homeland Security Grant Program is discontinued or severely reduced. Likewise, Nevada had not prepared contingency plans to address funding shortfalls if grant funds are reduced or curtailed in subsequent years. Although Nevada subgrantees indicated that they would accept financial responsibility for post-grant funding, they offered little substantive support as to how they would address long-term costs, from either an equipment or salary perspective.

### **Prioritize Strategic Goals and Proposed Projects**

Pennsylvania did not prioritize proposed projects submitted by counties and regions as part of their strategic planning process. Instead, it relied on input and decisions made by nine regional task forces without first analyzing the impact of those proposals from a Commonwealth-wide perspective. A Commonwealth-wide perspective is necessary to systematically determine the most critical needs; allocate limited grant resources; and manage county, regional, and Commonwealth project implementation. As a result, the Commonwealth cannot ensure that it is addressing its most critical needs to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

### **Statewide Strategy for Special Response Teams**

Texas had not established a statewide strategy concerning the optimum numbers, types, and locations of special response teams. Also, it had not established requirements or provided guidance and



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direction to existing or potential special response teams concerning standardization of equipment, training, exercises, and capability revalidation. As a result, the special response teams did not benefit from an overall statewide strategy to ensure that the teams were properly equipped, trained, exercised, validated, and interoperable.

## **States Need To Improve Their Oversight of Grant Activities**

Our audits found weaknesses in four areas of the states' oversight of grant activities. The states were not effective in their allocation and obligation of funds to subgrantees. They did not monitor subgrantee performance to ensure that the subgrantees were adequately performing their responsibilities to enhance terrorism prevention, response, recovery, and mitigation capabilities. Furthermore, their oversight of some of the grant recipients did not result in effective and efficient stewardship of federal grant funds, including expenditures, costs, and financial management. Weaknesses were also identified in complying with grant requirements through property and procurement management controls.

### **Allocation and Obligation of Grant Funds**

California, New Jersey, New York, Pennsylvania, and Texas did not allocate or obligate grant funds to subgrantees in a timely manner. Also, the Texas Councils of Government funding allocations to local jurisdictions were not always made using a risk-based methodology. As a result, the opportunity for first responders to be better equipped, trained, and prepared was delayed, and other priority homeland security initiatives were not initiated or completed as timely as possible.

A California urban area did not make grant funds available to subrecipients for 15 to 18 months after the funds were received. As a result, expenditures for approved programs were delayed, the FYs 2006 and 2007 UASI grant performance periods were extended, and administrative costs increased. Most important, these delays prevented timely delivery of needed plans, equipment, exercises, and training to first responders.

New York State obligated grant funds to subgrantees in accordance with federal requirements, but the funds were not available for expenditure for months after the date of obligation because the subgrantees needed to sign contracts with the State before seeking reimbursement. The time available for subgrantees to make expenditures and be reimbursed by the State was significantly reduced and overall expenditure of grant funds was delayed. As a

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result, the opportunity for first responders to be better equipped, trained, and prepared was delayed because it took 8 to 12 months for subgrantees to receive signed contracts from the State.

New Jersey did not make funds available to all UASI subgrantees in accordance with federal pass-through requirements. This occurred because of delays by both the UASI Executive Committee and the state Office of Homeland Security and Preparedness in approving spending plans. New Jersey subgrantees did not always initiate projects in a timely manner, and as a result, SHSP and UASI 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.

Pennsylvania's process for obligating grant funds to subrecipients was time consuming and exceeded the required grant obligation timeline. As a result, the task forces were delayed in acquiring equipment, training, and exercises to be prepared to address all hazardous events, and had limited time to expend obligated funds within the original period of performance for the grants.

In Texas, Councils of Government did not always use a risk-based methodology for funding allocations to their local jurisdictions. Although not required by FEMA, risk management is a way to direct finite resources to areas most at risk of terrorist attack under conditions of uncertainty. Given limited resources, risk management is a structured means of making informed tradeoffs and choices about how to use available resources, and of monitoring the effects of those choices. Texas had not developed a risk-based methodology for the Councils of Government and did not examine the methodology they used to allocate funds to their local jurisdictions. Consequently, the Councils were allowed flexibility in prioritizing and allocating funds to local jurisdictions, as shown in the following examples:

- For FY 2006 funding and prior years, one Council of Government's First Responder Preparedness Committee used a percentage to allocate funding. The region's major city, with a population of about 700,000, received 60% of the funding, while remaining jurisdictions divided the remaining 40% of the funds equally.
- For FYs 2007 and 2008, the Committee divided all funds evenly throughout the eligible jurisdictions with the exception of the Tribal Nation, which received less funding. Risk,

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vulnerability, or consequence in making the equal division were not factors considered, even though populations varied significantly.

Further, Texas's review and approval process for State Agency projects cannot ensure that the most deserving projects were selected from the proposed State Agency projects. This occurred primarily because the State Agency project proposals were not evaluated with the same scrutiny applied to other Homeland Security projects proposed by local jurisdictions. Additionally, State Agency projects were not tracked in the State's automated grants management tracking system. Accordingly, the State's ability to ensure that the State Agency projects were being managed in accordance with federal requirements was diminished.

### **Monitoring of Subgrantee Activities**

Pennsylvania's, Nevada's, and New Jersey's monitoring of grant performance and subgrantees' adherence to federal and state regulations needs to be improved.

Pennsylvania's procedures for monitoring subgrantees have not yet been fully implemented and physical inventories have not been performed. Officials at the State Administrative Agency and subgrantee organizations stated that prior to implementation in July 2009, official written policies and procedures for conducting monitoring were not in place. After the procedures became effective, sufficient resources were not available for full implementation. By not conducting monitoring activities, the State Administrative Agency is limited in its ability to ensure that the grant program is operating efficiently, effectively, and in compliance with federal and Commonwealth regulations. Furthermore, the State Administrative Agency cannot ensure that equipment purchased with grant funds is accounted for properly.

Nevada could enhance the effectiveness of its subgrantee monitoring by following its newly established site monitoring procedures. In January 2009, Nevada hired a Compliance Officer to conduct grant monitoring. Prior to January 2009, the State's primary monitoring activities were desk audits conducted during quarterly financial status reports, periodic program reports, interactions with subgrantee representatives during working group meetings, and occasional visits or undocumented telephone calls with subgrantees. After January 2009, the Compliance Officer developed a structure, including policies and procedures, to

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monitor subgrantee activities. However, it was never fully implemented, and available resources may not be sufficient to fully implement it.

New Jersey could better monitor subgrantees' compliance throughout the grant performance period to ensure that subgrantees are administering Homeland Security Grant Program awards in accordance with federal laws and regulations. The State did not conduct periodic on-site monitoring for ongoing projects to ensure subgrantee compliance with federal requirements. Instead, the State focused its on-site monitoring activities on the grant closeout process. Several issues, such as improper payments or questionable purchases, could have been identified earlier with periodic on-site monitoring of subgrantee performance. For example, we identified \$2,657,212 of improper, unauthorized, or undocumented use of funds and \$585,519 of inefficient use that might have been avoided if timely monitoring had taken place.

### **Oversight of Investments, Costs, and Financial Management**

Financial management and oversight of investments and costs were identified as areas for improvement. Oversight of major investments by California and Texas resulted in ineffective stewardship of federal grant funds, while California, New Jersey, and New York could improve cost oversight and financial management.

#### **Poor Investment Decisions**

In California and Texas, oversight of some major investments did not result in effective and efficient stewardship of federal grant funds. Also, California and Texas cannot demonstrate with sufficient precision that Homeland Security Grant Program funds are being effectively used because the states do not have systems in place to measure the benefits of grant-funded programs. This occurred primarily because the states' review processes focused on fiscal and compliance requirements, and did not consider whether the subgrantee adequately planned for or documented that the equipment acquired for the programs provided the best value for the grant funds expended.

Following are examples where lack of major investment oversight resulted in inefficient or ineffective program results:

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- **Fusion Center Software.** A California urban area spent more than \$700,000 for a specialized software program for its Fusion Center to evaluate criminal incidents obtained from local law enforcement data files. The software did not perform as well as the supplier indicated it would. After about 15 months, the program was replaced with another software program costing \$1,250,000.
  - **Personal Protective Equipment.** Two California urban areas used different strategies to acquire a new version of a protective suit to shield first responders against chemical, biological, radiological, nuclear, and explosive hazards. One urban area bought more than 5,400 suits at a cost of approximately \$2 million as soon as the new design became available. This single purchase was enough to equip most of the first responders in its jurisdictions, but did not fully consider the limited number of first responders who required these suits. The second urban area purchased 400 suits at a cost of approximately \$426,795 to outfit the region's special teams of chemical, biological, radiological, nuclear, and explosive specialists. The costs of these two strategies are significantly different. Although the State approved each purchase, no documentation was available to support the different strategies.
  - **Fusion Center Assessment.** Texas had invested more than \$10 million in the development of seven Fusion Centers, but had not developed systematic state-wide guidance on assessing the performance of the centers. Fusion Center and local officials said that they were left on their own and were still developing performance goals for assessing the centers' effectiveness.

### Questioned Costs

During our asset verification and documentation review in New Jersey, we observed several instances of improper, unauthorized, or undocumented uses of grant funding totaling \$2,657,212, and inefficient uses totaling \$585,519, which went undiscovered or unmitigated as a result of inadequate monitoring.

For example, a UASI 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

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equipment had been installed, and less than \$150,000 worth of materials had actually been procured. (Note that these funds have been returned to FEMA.) Another UASI subgrantee awarded three sole-source training contracts totaling \$254,444 without public bidding or prior written approval from the Office of Homeland Security and Preparedness. As of October 2010, the contractor had received \$239,944 in grant funds.

Elsewhere in this report, we have identified questioned costs relating to procurement weaknesses (New York: \$4.1 million) and inadequate support for salary expenditures (New York: \$143,437).

### Financial Management Practices

Our audits found the following weaknesses in the states' financial management practices:

- Internal controls over reimbursements
- Timely expenditures of grant funds
- Poor monitoring of cash advances
- Inadequate support for salary expenditures

*Internal controls over reimbursements.* California's State Administrative Agency did not require UASI grant fund recipients to provide copies of purchase orders, delivery receipts, and other documentation with their requests for reimbursement of approved grant fund expenditures. As a result, the State's internal controls over grant expenditures did not provide assurance that expenditures reimbursed to UASI recipients were eligible, allowable, and supportable in accordance with federal requirements.

A subsequent review by FEMA of California Homeland Security Grant payments made in FY 2008 showed that more than \$24 million (about 19%) of expenditures were not proper. Most of the improper payments identified were caused by insufficient supporting documents. FEMA recommended that documentation compliance metrics be incorporated throughout the grant process to minimize future improper payments. Also, to help overcome lost and missing documents, FEMA recommended a standardized document retention protocol and corresponding training.

*Timely expenditure of grant funds.* Texas obligated grant funds to subgrantees in accordance with federal requirements, but subgrantees did not always initiate projects in a timely manner. As

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a result, funds were not expended within the original 3-year performance period of the grants. Consequently, first responders were less likely to be timely equipped, trained, and prepared as possible. State officials said that they were considering establishing specific timeframes for grant recipients to initiate and complete certain projects; if projects were not initiated within a set time, the funds might be reallocated to other projects.

New Jersey subgrantees also did not initiate projects in a timely manner, and as a result, SHSP grant funds were not expended within the grant performance period. State officials reported that the unobligated funds consisted 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 technically cannot be encumbered on the state's accounting system. Subgrantees offered several explanations for why grant funds were not spent in a timely manner, including excessive administrative burdens, inadequate staffing, and the practice of waiting until multiple invoices are paid before requesting reimbursement. State officials initiated actions in January 2010 to improve program management of Homeland Security Grant Program funds.

*Poor monitoring of cash advances.* California did not maintain a system for monitoring cash advances and accrued interest for UASI agencies. UASI recipients held funds beyond the time permitted by regulation, and accrued interest was not reported or paid as required because California did not have a system to account for the advanced funds or interest due.

*Inadequate support for salary expenditures.* The New York City Fire Department did not have a reasonable basis to support its claims for salary expenditures, specifically \$143,437 claimed for salaries of personnel backfilling for other employees (participants) who were attending training. The amounts claimed were not based on payroll documents in accordance with federal requirements. Rather, the amounts were based on a model that computed estimated backfill expenditures rather than actual time charges. As a result, the claimed amounts were not supported by adequate documentation. Accordingly, we questioned the \$143,437 claimed for personnel backfill expenses.

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## **Compliance With Procurement and Property Management Requirements**

The audits identified areas for most states to improve in complying with both procurement requirements and property management requirements.

### **Procurement Weaknesses**

California UASI agencies did not always report or justify sole source procurements, or adhere to procurement requirements of FYs 2006, 2007, and 2008 grants. In February 2009, DHS OIG reported problems with sole source procurement among Homeland Security Grant Program purchases in California; however, these practices continued without remediation. Multiple large procurements were made without competition, and in some cases without the state being notified. Other sole source procurements were approved by the State but had insufficient documentation. No sole source procurement that we observed was substantiated with a cost analysis to show that the price obtained was fair and reasonable. Although California officials acknowledged this problem and have made some effort to correct it, we found little progress since the condition was previously reported.

Our February 2009 audit report of California State Homeland Security Program grants also reported that California subgrantee managers and county procurement authorities were not familiar with and did not always comply with federal requirements when procuring equipment using Homeland Security Grant Program funds. Multiple sole source procurements were noted that were unreported, did not receive State approval, and did not include a written cost analysis documenting that the price obtained was fair and reasonable. For example, the following UASI subgrantee sole source procurements did not comply with federal regulations:

- Consulting services – \$563,775
- Public safety radios – \$527,343
- Information technology – \$515,284
- Intelligence analysis software – \$700,000
- Communication system and radios – \$3,928,473
- License plate reader – \$6,226,826

The New York City Police Department awarded contracts without the use of full and open competition, and did not comply with federal requirements in procuring equipment. The New York City



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Police Department used a confidential and special expense purchase process that involved negotiating directly with vendors for purchasing equipment and other items. Using this process, the New York City Police Department purchased 145 items costing more than \$10,000 each without advertising and without the receipt of sealed bids required by New York State law and the subagreement provisions. Because of this noncompliance, we questioned \$4.1 million of equipment purchased through the confidential and special expense process.

### Property Management

New Jersey, New York, Tennessee, and Texas did not always maintain inventory records in accordance with federal requirements. Pennsylvania did not monitor subgrantees to ensure that they perform biannual physical inventories. As a result, the states did not have reasonable assurance that the assets procured with federal funds were adequately safeguarded to prevent loss, damage, or theft.

For example, subgrantees in New Jersey did not always maintain inventory records in accordance with federal requirements or comply with property record requirements. 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 property cost, description, identification number, location, use, and condition. Furthermore, only 1 of the 12 subgrantees could demonstrate that it conducted a physical inventory every 2 years.

New York State subgrantees did not always maintain inventory records in accordance with federal requirements. Three of the 22 subgrantees visited were not in compliance with property record requirements. Inventory records at these three subgrantees did not contain required information such as equipment serial number, location, or evidence that physical inventory had been conducted every 2 years. In addition, 18 of 27 subgrantees visited by the State Fiscal Monitoring Unit did not follow property record requirements.

Tennessee was not enforcing the requirement under its grantee-subgrantee contracts to perform physical inventories of assets. Although subgrantees were maintaining appropriate property records, not all were conducting physical inventories that would provide visual assurances concerning the location, use, and condition of property. Officials from the three non-compliant

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subgrantees said that, once the equipment was purchased and passed down to subrecipients, they believed that they no longer had responsibility for the equipment. After discussing the observation with State officials, all subgrantees were notified to comply with the inventory requirements in the Tennessee grantee-subgrantee contract.

In Texas, 8 of the 10 subgrantees visited were not in compliance with property record requirements. Inventory records at the eight subgrantees did not contain all of the required information. Individually, the control log for each of the eight noncompliant subgrantees was missing between 1 and 10 of the 12 data fields, with an average of 6 missing data fields. Without the required property management records, subgrantees cannot maintain, safeguard, control, or adequately account for assets procured with federal funds.

Pennsylvania did not monitor subgrantees to ensure that they perform biannual physical inventories as required by federal regulations. Only one of the four regional task forces we visited had performed a physical inventory, and that inventory was not complete. At two of the four task forces, we identified federal grant-funded equipment that was not labeled as required by grant guidance.

## **Innovative Practices**

During these performance audits, five potentially innovative systems were identified for possible use by other states and jurisdictions. We believe that FEMA should consider evaluating their potential benefits to help improve grant management and preparedness.

### **Two California Urban Areas Security Initiatives Are Using Innovative Systems That May Be Best Practices**

The San Diego and Los Angeles-Long Beach urban areas were using innovative systems to better invest and manage UASI grant funds.

- San Diego's Technology Clearinghouse helps subrecipients make more informed purchasing decisions. The Clearinghouse initiative is designed to evaluate new technologies and provide local jurisdictions with detailed, independent assessments of equipment and systems being considered by first responders.

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The evaluations feature both technical assessments and testing under realistic conditions by first responders.

- The Invoice Tracking System developed by Los Angeles-Long Beach provides an on-line tool for managing subrecipient programs. The system allows the program teams to digitally record and store all essential program documentation, which is then available for use by UASI managers and the urban area's accounting department. The system allows users to determine program status in real time, view essential documents, review expenditures, and determine the status of reimbursement requests without any need for paper documents, specialized software, or storage.

### **New Jersey's Grant Tracking System**

New Jersey employs an electronic database, the 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 budgeted projects or equipment. The system captures subgrantee spending plans and approvals, award letters, purchase orders, and invoices to facilitate documentation review and approval.

State 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 in administration of federal Homeland Security Grant Program funds.

### **Two Texas Subgrantees Developed Systems That May Be Best Practices**

We identified two practices in Texas that should be considered for potential use by other jurisdictions and states:

- The City of Houston developed an emergency medical service patient tracking system to avoid serious problems that had been experienced during major evacuations from hurricanes. The system tracks patients from the time they arrive in Houston from an evacuated location (e.g., New Orleans) or from the scene of an incident to a health care facility, through discharge from the facility, and to reunion with family or friends.

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- The Texas State Health and Human Services Department used Homeland Security grant funding for a system called the 2-1-1 Information and Referral and Transportation Assistance Registry (Registry). The Registry is for people with disabilities, medical conditions, or other problems that would impede their ability to respond to a mandatory evacuation order because they do not drive or have family and friends to help. All persons in Texas who may need assistance evacuating their homes during a disaster are entered in the Registry. The Registry gives local emergency planners a better idea of the numbers of individuals who may need assistance and the type of assistance they may need during emergencies.

## Appendix A

### Purpose, Scope, and Methodology

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The purpose of this report, prepared in accordance with Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, was to assess and summarize the audit reports completed during FY 2011 on State Homeland Security Program grants and Urban Areas Security Initiative grants awarded to states, territories, and the District of Columbia. Specifically, we were to determine (1) the number of audits conducted and completed; (2) whether findings are applicable to the mandate; (3) whether the funds awarded were used in accordance with the law, program guidance, and state homeland security plans and other applicable plans; and (4) the extent to which funds awarded enhanced the ability of a grantee to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism and other man-made disasters.

The audit reports included in this annual consolidated report to Congress were the result of seven audits conducted by the Office of Inspector General and by independent public accounting firms under contract to the Office of Inspector General. Appendix B provides citations and Internet links to each report.

The audits summarized in this report were conducted in accordance with the *Government Auditing Standards* as prescribed by the Comptroller General of the United States. No additional audit work was performed in preparing this report.

**Appendix B**  
**Audit Reports Included in this Report**

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<b>Report</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Internet Link</b>
The State of Tennessee's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008	OIG-11-29	01/13/11	<a href="http://www.oig.dhs.gov/assets/Mgmt/OIG_11-29_Jan11.pdf">http://www.oig.dhs.gov/assets/Mgmt/OIG_11-29_Jan11.pdf</a>
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The State of Texas's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008	OIG-11-44	02/11/11	<a href="http://www.oig.dhs.gov/assets/Mgmt/OIG_11-44_Feb11.pdf">http://www.oig.dhs.gov/assets/Mgmt/OIG_11-44_Feb11.pdf</a>
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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-11-112	09/26/11	<a href="http://www.oig.dhs.gov/assets/Mgmt/OIG_11-112_Sep11.pdf">http://www.oig.dhs.gov/assets/Mgmt/OIG_11-112_Sep11.pdf</a>

## **Appendix C**

### **Scope of State Grant Program Management Audits**

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The purpose of each state audit was to determine whether the state 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's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters.

The scope of the audits included the plans developed by the states and urban areas 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 states' plans produced strategic performance improvements related to the areas of highest risk, rather than merely producing improvements in a broader sense.

The entire Homeland Security Grant Program and its 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, where applicable, Urban Areas Security Initiative funding, equipment, and supported programs were reviewed for compliance.

The scope of the audits included the State Homeland Security Program and Urban Areas Security Initiative grants, where applicable, for either FYs 2006 through 2008, or FYs 2007 through 2009. Appendix B lists specific years for individual states.

**Appendix D**  
**Report Distribution**

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