

**STATEMENT OF ANNE L. RICHARDS**

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***BEFORE THE***

**SUBCOMMITTEE ON EMERGENCY MANAGEMENT, INTERGOVERNMENTAL  
RELATIONS, AND THE DISTRICT OF COLUMBIA**

**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

**U.S. SENATE**

***CONCERNING***

**ARE WE PREPARED? MEASURING THE IMPACT OF PREPAREDNESS GRANTS  
SINCE 9/11**



Good morning Chairman Begich, Ranking Member Paul, and Members of the Subcommittee:

I am Anne Richards, Assistant Inspector General for Audits at the Department of Homeland Security (DHS) Office of Inspector General (OIG). Thank you for inviting me to testify on the Homeland Security Grant Program (HSGP).

My testimony today will summarize the results of our audits of the homeland security grant program. I will present my testimony in two sections by first discussing deficiencies or challenges we identified and then highlighting some of the best practices being used by various states and urban areas.

HSGP provides funds to State, territory, local, and tribal governments to enhance their ability to prepare for, prevent, protect, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, the Federal Emergency Management Agency (FEMA) administers HSGP, which is an important part of the administration's larger, coordinated effort to strengthen homeland security preparedness. The program includes several interrelated Federal grant programs that fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management and administration. Under HSGP, the State Homeland Security Program (SHSP) provides financial assistance to States and U.S. territories for these activities, and the Urban Areas Security Initiative (UASI) provides funding to high-risk urban areas for the same types of activities.

Since 2007, DHS OIG has audited States and urban areas to determine whether they have implemented their HSGP grants efficiently and effectively, achieved program goals, and spent funds according to grant requirements. In total, as of May 2013, we have completed audits on HSGP grant management in 36 States and 1 territory (U.S. Virgin Islands), some of which included urban areas; we have 17 ongoing audits. We plan to complete audits of all states and territories receiving HSGP grants by August 2014. Our overall objective in these audits remains essentially unchanged—to continue recommending actions that will make grants management more efficient and effective, while strengthening the Nation's ability to prepare for and respond to natural and manmade disasters.

#### Results of FY 2013 Audits

Through our FY 2013 and previous years' audits, we determined that in most instances the States complied with applicable laws and regulations in distributing and spending their awards. However, we noted several challenges related to the States' homeland security strategies, obligation of grants, reimbursement to subgrantees for expenditures, monitoring of subgrantees' performance and financial management, procurement, and property management.

#### Homeland Security Strategies

As reported in recent testimony, many States continue to maintain homeland security strategies that do not include specific goals and objectives and are outdated. According to DHS guidance, States that receive HSGP grants are to create and use strategies aimed at improving preparedness and response to natural and manmade disasters. The goals and objectives in these strategies

should be specific, measurable, achievable, results-oriented, and time-limited. However, the goals and objectives in many strategies were too general for States to use to effectively measure their performance and progress toward improving preparedness and response capabilities. In addition, because some States did not update their strategies, they did not reflect the most current priorities, risks, needs, and capabilities. Using outdated strategies can also hamper decision-making on future expenditures.

In our audits completed through May of FY 2013, we noted that the homeland security strategies for Indiana, Kentucky, Massachusetts, Mississippi, North Carolina, Rhode Island, and Wisconsin did not include some or all of the elements necessary for a successful strategy, such as specific, measurable, achievable, results-oriented, and time-limited goals and objectives.

Kentucky, Massachusetts, and Mississippi also had outdated strategies. For example, Kentucky's strategic plan was drafted in 2005, prior to the issuance of the *National Preparedness Guidelines* of September 2007. Therefore, Kentucky's strategic plan was not updated to align with the revised guidelines. Kentucky's Office of Homeland Security officials said they expected to update their strategic plan by the end of 2012; yet, an interview with FEMA in February 2013 revealed that Kentucky was in the process of updating its plan, and expected to submit it to FEMA for review no later than 6 months after OIG issued the final report. Similarly, the Commonwealth of Massachusetts' Homeland Security Strategy had not been updated since 2007. Officials told us that they delayed the revising their strategy until after FEMA issued the National Preparedness Goals. Mississippi's 2008 plan also served as its strategy for FYs 2009 and 2010. But the strategy contained goals and objectives with target completion dates that had already passed, so it was not current and could not be effective in guiding future actions.

### Obligation of Grant Funds

Our audits also showed that States did not always obligate HSGP grants to subgrantees in a timely manner. In many cases, it took months for State grantees to obligate grant funds. By not obligating funds promptly, grantees may have increased subgrantees' administrative costs. They may have also hindered the subgrantees' ability to complete projects and deliver needed equipment and training, which could ultimately put preparedness and response capabilities at risk. In addition, some State grantees did not promptly reimburse subgrantees for their grant expenditures.

In 2013, we found that Connecticut, Illinois, Indiana, Massachusetts, North Carolina, and Virginia did not obligate funds to their subgrantees in a timely manner. Specifically, the time it took to obligate funds to their subgrantees ranged from 138 days to 842 days.

In Connecticut, grant funds were fully obligated, on average, about 712 days after the 45-day requirement in FY 2008; about 636 days in FY 2009; and about 138 days in FY 2010.

Massachusetts obligated funds 472 days after the required date, and Virginia took as many as 842 days after the required period to obligate funds.

During FYs 2008 through 2011, Massachusetts sent letters to subgrantees notifying them of the amount of HSGP funds they were eligible to receive. Commonwealth officials considered the

date of the letter as the funding obligation date. However, the notification letters did not constitute obligation of funds because they contained conditions that had to be met before the funds would be made available to the subgrantee. For example, the letters required subgrantees to submit budgets and expenditure plans for Commonwealth approval. Upon approval of the budgets and plans, the Commonwealth would enter into a contract with a fiduciary agent representing the subgrantee. According to the letter, subgrantees could not undertake grant-funded activity prior to final execution of the contract with the fiduciary agent, and costs incurred outside the official contract period would not be reimbursed. Consequently, funds were not obligated until the Commonwealth executed a contract with the fiduciary agent.

### Monitoring of Subgrantees' Performance and Financial Management

Many HSGP grantees did not adequately oversee subgrantees' performance or measure their progress toward achieving objectives and goals, nor did they always adequately monitor subgrantees' financial management of grants. Inadequate assessment of subgrantees' performance and progress may have limited the States' ability to assess capabilities and gaps and take corrective actions to improve them. Without performance monitoring, States cannot be certain that they have met program goals and used funds to enhance capabilities, rather than wasting them by not addressing deficiencies. The States also could not ensure that subgrantees' funding requests were aligned with real threats and vulnerabilities. By not adequately overseeing subgrantees' financial management practices, the States could not ensure that subgrantees were using funds efficiently and effectively and complying with Federal and State regulations in administering grants.

In our FY 2013 audits, we determined that seven States needed to improve their monitoring of grant performance and subgrantees' adherence to Federal and State regulations because they did not have procedures to ensure that subgrantees consistently tracked what they accomplished with grant funds, did not always ensure compliance with Federal laws and regulations, or had limited oversight. FY 2013 audits also showed that States needed to improve their financial management practices, performance and financial reporting, transfer of grant funds, management and administrative costs, or grant expenditure reviews.

Illinois' Urban Area and Rhode Island had no evidence of a performance measurement process. Chicago city officials stated that there were informal performance measurement processes in place during FYs 2006 through 2008, but they were not able to explain, demonstrate, or support these assertions. These officials also stated that they collected performance data at the City of Chicago department and agency levels, but there was no indication that such data was being analyzed, reconciled, or used for performance measurement. Rhode Island does not have sufficient performance measures to use as a basis for determining progress toward its security strategy goals and objectives. The State has attempted to measure the results of HSGP funds through a variety of reports, performance assessments, and strategy plans, but it has not gathered results-oriented data that can be measured to show the impact of the grant funds.

Kentucky had no measurable goals in place and our review of the State Preparedness Reports for FYs 2008 through 2010 showed that they estimate preparedness as a percentage based on the type of activity, such as planning or communications, but use inconsistent data from year-to-

year. These reports do not contain Specific, Measureable, Achievable, Results-oriented, and Time-limited—or SMART—performance measurements, so they do not measure the extent of Kentucky’s performance improvements in preparedness as a result of the Commonwealth receiving HSGP funds.

Additionally, Kentucky cannot evaluate its preparedness levels and response capabilities or effectively determine progress toward its goals and objectives. Instead of using a current strategic plan with performance measurements, Kentucky officials said that they use a risk-based approach for making funding decisions.

Virginia did not include measurable target levels of performance to compare with actual achievement. For example, the Commonwealth’s objective to implement the Ready Virginia Communications Plan was not measurable or time-limited. Without measurable target performance levels for goals and objectives, the Commonwealth could not evaluate the effect of grant expenditures on its preparedness and emergency response capabilities.

Massachusetts did not have sufficient performance measures to use in determining its ability to deter, prevent, respond to, and recover from acts of terrorism and natural and manmade disasters.

North Carolina did not develop performance measures to evaluate its ability to respond to an emergency caused by a natural disaster or terrorism, and it could not demonstrate specific improvements and measurable accomplishments of HSGP-funded projects for FYs 2008 through 2010.

North Carolina asserted that it measured its progress toward achieving its goals and objectives through Biannual Strategy Implementation Reports and State Preparedness Reports. Although the information in the State Preparedness Reports was linked with the State strategy’s goals and objectives, we could not verify how the State obtained the information in these reports. Furthermore, these surveys and reports included information on the financial status and completion of projects, but did not measure whether the State had met its strategic goals and objectives and improved its disaster preparedness and response.

#### Compliance with Procurement Regulations

In some audits we conducted since 2007, we identified subgrantees that did not fully comply with Federal and State procurement regulations. For example, in our FY 2013 audits, we identified subgrantees that did not comply with Federal regulations because they did not obtain an adequate number of bids, did not properly justify sole-source procurements, or did not conduct a cost analysis as required for a non-competitive procurement. As a result, the States could not always be assured that subgrantees made fully informed decisions on contract awards, and that they had selected the best offerors.

For example, Illinois did not always comply with Federal and local procurement regulations regarding UASI funded expenditures. We conducted a separate review of UASI-funded procurements for Project Shield interoperable communications equipment in Cook County and identified deficiencies in the procurement process. In addition, we conducted a limited review of

other UASI-funded procurements in both the City of Chicago and Cook County, and determined that Cook County did not have documentation, such as competitive quotations and sole-source justifications, for procurements outside of Project Shield.

Rhode Island and subgrantees did not ensure that Federal regulations were followed for procurements of equipment and services with HSGP funds. We identified several instances of noncompliance with grant requirements concerning cost analysis, quotes, and poor record keeping. For example, one subgrantee procured services totaling \$250,000 through a single-source vendor. The subgrantee provided a sole-source justification for the contract, explaining that the vendor was chosen because of its extensive knowledge of the State's emergency systems, but the subgrantee could not provide a cost analysis as required.

Another Rhode Island subgrantee did not retain quotes for a 2008 Sierra pickup truck procured with FY 2008 SHSP funds. Because of insufficient documentation, we could not determine whether the \$35,399 purchase was acquired under full and open competition. Additionally three subgrantees were unable to provide purchase and procurement documentation such as invoices and purchase orders for equipment purchases totaling \$186,179.

In Massachusetts, a subgrantee did not comply with State procurement requirements by renewing a contract that should have been rebid. A \$98,655 contract was awarded to a technical expert to compile studies, make an assessment, and develop recommendations for interoperable communications. Subsequently, the contract was increased to \$166,000 for design and development work at specific locations.

In another instance, a Massachusetts State agency purchased 16 all-terrain vehicles for \$100,316, and awarded a contract to a company with a prior contract, rather than conducting a competitive procurement. The agency contended that only this vendor could provide what was needed; it also claimed it had researched the unit price and deemed it competitive. According to the State Procurement Manual, however, sole source contracts are not allowable for this type of item.

In Mississippi, the State Board of Animal Health spent \$311,775 for a State food and agriculture vulnerability assessment without conducting a cost analysis before it entered into the agreement. The Board of Animal Health paid \$18,153 for sole-source technical support services without prior State approval or a contractual agreement.

According to Board of Animal Health officials, the agreement for the vulnerability assessment was awarded without competition because the awardee, a State agency, was the only source capable of conducting the study. In addition, the costs incurred for technical services were paid to an unjustified sole source because the service provider developed the program, and according to Board of Animal Health officials, was the only source capable of providing technical support. Furthermore, the State did not produce a contractual agreement to justify payments to this service provider.

### Property Management

We also identified weaknesses in property management in our audits in FY 2013. Specifically, not all subgrantees were regularly inventorying grant-funded equipment, and subgrantees did not

always maintain accurate, complete, and up-to-date property records; did not always include required details in inventory documentation; and did not always properly mark grant-funded equipment as required by DHS. Without adequate property management, States and subgrantees may not be able to make certain that they have the necessary equipment, make well-informed decisions on future equipment needs, and prevent duplicative purchases. Proper inventory practices also help safeguard against loss, damage, and theft. Of the 10 States we audited thus far in FY 2013, two had property management weaknesses, including physical inventories that had not been completed; and inaccurate, incomplete, and missing property records.

### Best Practices

We would also like to highlight some of the innovative and promising practices we have identified through our audits. Several States have implemented processes that can be considered “best practices” and in our audit reports we have recommended to FEMA that they ensure these practices are shared with other jurisdictions.

Kentucky hosts two mandatory grant workshops at various locations throughout the state: a grant application workshop for agencies interested in submitting projects for funding, and a grant compliance workshop for agencies awarded grant funding. These workshops include a review of Federal and State grant requirements, grant responsibilities if awarded, grant application and writing tips, and other available resources. The workshops are held periodically and provide local agencies the opportunity to receive required training while minimizing travel expenses.

Wisconsin uses a comprehensive Web-based system to announce and process HSGP grants, as well as track and report on grant activity, including inventory data, and it is designed to help measure grant performance.

Commonwealth of Massachusetts and Boston UASI officials conducted exercises and prepared after-action reports, which were used to identify areas in need of future HSGP funds. For example, the Boston UASI conducted an exercise called Urban Shield, which tested integrated systems to prevent, protect, respond to, and recover in the greater Boston high-threat, high-density urban area.

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). Individuals in Texas who may need assistance evacuating their homes during a disaster are entered in the Registry. The Registry is for people with disabilities, medical conditions, or other problems that would impede their ability to respond to a mandatory evacuation order because they do not drive or have family and friends to help. Across Texas, 2-1-1 Area Information Centers assist callers by explaining the Registry purpose and process. The Centers capture caller registration data in the Registry database. The Registry gives local emergency planners a better idea of the numbers of individuals who may need assistance and the type of assistance they may need during emergencies.

In California, the Technology Clearing house (San Diego Urban Area) is designed to evaluate new technologies and provide local jurisdictions detailed, independent assessments of equipment

and systems being considered by first responders. The Clearinghouse assists the law enforcement officers, firefighters, or emergency managers by conducting comparisons of detailed specifications, claimed benefits, warranties, compatibility issues, prices, and a myriad of other product issues.

In Florida, one Urban Area (Jacksonville) measures improvements in preparedness by evaluating its capabilities through annual gap analyses that are based on measured outcomes and an assessment of future needs. The gap analysis process uses readiness indicators (target capabilities list) and quantifiable data (i.e., spending trends) to identify gaps in planning, training, exercise, and equipment. The Urban Area Working Group prioritizes the results utilizing a tier system based on risk to the urban area, and incorporates the results into the project worksheets for the next grant cycle process.

Mr. Chairman, this concludes my prepared remarks. I welcome any questions that you or the Members of the Subcommittee may have.