



Department of Homeland Security Office of Inspector General

Letter Report:

Maryland State Police Use of DHS Grants





Homeland
Security

October 24, 2008

MEMORANDUM FOR: The Honorable R. David Paulison
Administrator
Federal Emergency Management Agency
Richard L. Skinner

FROM: Richard L. Skinner
Inspector General

SUBJECT: *Maryland State Police Use of Department of Homeland
Security Grants*

As requested by Secretary Chertoff, my office examined the Federal Emergency Management Agency (FEMA) preparedness grants awarded to the Maryland State Police from FYs 2003 to 2005. The objective of our examination was to determine whether Maryland State Police complied with federal regulations and FEMA guidelines in the use of these funds. Appendix A provides further details on our objective, scope, and methodology.

Maryland State Police complied with limitations and requirements in the use of FEMA preparedness grant awards from FYs 2003 to 2005. During this time, the Maryland Emergency Management Agency and other Maryland recipients received approximately \$161 million in FEMA preparedness grants. Of this amount, the Maryland Emergency Management Agency provided approximately \$5 million in preparedness grant awards to Maryland State Police as a subrecipient. Maryland State Police made no unauthorized purchases using these funds and, along with the Maryland Emergency Management Agency, provided sufficient documentation to support all itemized expenditures. We are making no recommendations in this report.

We discussed the results of our examination with FEMA officials who concurred and provided written comments, which are attached in Appendix B. We also discussed the results with the Maryland Emergency Management Agency and Maryland State Police and they also concurred. Should you have any questions, please call me, or your staff may contact Anne L. Richards, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Maryland State Police Use of Department of Homeland Security Grants

Background

Since 2002, the Department of Homeland Security (DHS) has distributed more than \$19 billion in preparedness grants to enhance the nation's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism and other man-made disasters. The *Post-Katrina Emergency Management Reform Act of 2006*, Public Law 109–295, places the responsibility for allocating and managing these grants with FEMA.

FEMA administers these grants through its Grant Programs Directorate. Initially, DHS administered these grants through the Office of Domestic Preparedness, which transferred from the Department of Justice to DHS in March 2003. The Office of Domestic Preparedness was subsequently consolidated into the Office of State and Local Government Coordination and Preparedness. This office became the Office of Grants and Training, which subsequently became part of FEMA.

The Maryland Emergency Management Agency is the administrative agency appointed by the governor to administer FEMA preparedness grants. These preparedness grants are awarded under FEMA's Homeland Security Grant Program and Infrastructure Protection Activities grants programs. Homeland Security Grant Program awards grants to the State of Maryland. The Maryland Emergency Management Agency is responsible for managing these grant awards according to established federal guidelines and administers subgrants to local, regional, and other state government agencies in Maryland.

The grant guidelines for the DHS State Homeland Security Grants allowed grant recipients to use grant funds for costs directly associated with homeland security preparedness activities such as training, salaries, overtime pay, contract services, planning, administration, travel, and equipment purchases. The guidelines prohibit the use of grant funds for general-use equipment and activities unrelated to homeland security including general planning, administrative and personnel costs, expenditures prior to the award start date of the grant, and expenses that were otherwise budgeted for state or local funds.

In recent months, there was general concern that the Maryland State Police might have inappropriately used DHS grant funds to conduct specific surveillance operations. As a result, the Secretary requested that the Office of Inspector General (OIG) review grant awards to the Maryland State Police to determine whether grant funds were used appropriately. The surveillance in question was funded from FYs 2003 through 2005. We examined grant awards for this period.

Results of Audit

The Maryland State Police complied with limitations and requirements in the use of FEMA preparedness grant awards for FYs 2003 through 2005. The Maryland Emergency Management Agency and other Maryland recipients received approximately \$161 million in preparedness grants from FEMA. The Maryland State Police received approximately \$5 million from these awards.

Files maintained by the Maryland Emergency Management Agency and the Maryland State Police showed that the Maryland Emergency Management Agency reviewed and approved all grant fund requests from the Maryland State Police and subsequently reviewed invoices or purchase receipts. Records also indicated that the Maryland Emergency Management Agency effectively controlled grant drawdowns to ensure expenditures did not exceed grant awards. Maryland State Police documentation showed that the use of funds complied with grant requirements for each grant received. The Maryland State Police made no unauthorized purchases using the funds. Maryland State Police and the Maryland Emergency Management Agency provided documentation to support itemized expenditures. In addition, the State of Maryland General Ledger Report for the grants reviewed matched FEMA's grant totals.

Source of Maryland State Police Grant Funds

From FYs 2003 through 2005, FEMA awarded preparedness grant funds to the Maryland Emergency Management Agency and other state entities. The Maryland State Police received preparedness grant funds as a subrecipient of the Maryland Emergency Management Agency. The sources and amounts of the Maryland State Police grant awards are shown in Table 1.

Table 1: Maryland State Police Homeland Security Grant Awards FY 2003 to FY 2005	
Grants	Awards (Rounded)
FY 2003 State Homeland Security Grant Program Parts I and II: This program provided financial assistance for (1) the purchase of specialized equipment to enhance the capability of state and local agencies to prevent and respond to incidents of terrorism involving the use of chemical, biological, radiological, nuclear, or explosive weapons; (2) the protection of critical infrastructure and prevention of terrorist incidents; (3) the design, development, conduct, and evaluation of chemical, biological, radioactive, nuclear, or explosive weapons exercises; (4) the design, development, and conduct of state chemical, biological, radioactive, nuclear, or explosive weapons training programs; and (5) the update and implementation of each State Administrative Agency's Homeland Security strategy. Part II supplemented funding available through FY 2003 for the State Homeland Security Grant Program to enhance first responder preparedness. State Homeland Security Grant Program Part II funds were also available to mitigate the costs of enhanced security at critical infrastructure facilities.	\$1,805,158
FY 2004 Homeland Security Grant Program: This program integrated the State Homeland Security Grant Program, the Law Enforcement Terrorism Prevention Program, and the Citizen Corps Program. Funding from this combined program was to enhance the coordination of regional efforts to prevent chemical, biological, nuclear, explosive, and cyber attacks.	\$2,680,600
FY 2005 Homeland Security Grant Program: This program integrated the State Homeland Security Program, the Urban Areas Security Initiative, the Law Enforcement Terrorism Prevention Program, the Citizen Corps Program, the Emergency Management Performance Grants, and the Metropolitan Medical Response System Program Grants.	\$500,000
Total	\$4,985,758

Controls Over Maryland State Police Grant Funds

The Maryland Emergency Management Agency had adequate internal controls to ensure that grant funds were spent in accordance to the requisite guidelines. Maryland State Police expenditures complied with requirements in the use of FEMA preparedness grants from FYs 2003 to 2005. The Maryland State Police did not use DHS State Homeland Security Grant funds to conduct surveillance between FYs 2005 and 2006. The Maryland

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State Police used the award funds to purchase equipment and services allowed under FEMA grant guidelines. The FY 2003 funding was used to pay for specialized computer and office equipment, personal protective equipment, and nonsurveillance security overtime. The Maryland State Police used FY 2004 funds to purchase training and office and radio equipment. In FY 2005, grant funding was used to pay for equipment and contractor services.

Table 2 provides a breakdown of the grant funds spent by Maryland State Police by expenditure type and award year.

Table 2: Use of Maryland State Police Homeland Security Grant Expenditures					
FY 2003 to FY 2005 (rounded to the nearest dollar)					
	Equipment	Labor	Contractor Services	Training	Total
2003 State Homeland Security Grant Program Parts I & II	\$1,671,540	\$112,213		\$1,060	\$1,784,813
2004 State Homeland Security Grant Program	\$2,630,402		\$19,672	\$550	\$2,650,624
2005 Homeland Security Grant Program	\$40,059		\$459,284	\$657	\$500,000
Totals	\$4,342,001	\$112,213	\$478,956	\$2,267	\$4,935,437

As part of our review, we evaluated the internal controls of the Maryland Emergency Management Agency. We reviewed financial transactions, journal entries, the memorandum of agreement between the Maryland Emergency Management Agency and Maryland State Police, and grant expenditure approvals and supporting documentation for expenditures under DHS State Homeland Security Grants given to Maryland State Police from FYs 2003 to 2005. We gathered information about the program through analysis and document reviews. We researched applicable grant guidelines and regulations.

Grant files maintained by the Maryland Emergency Management Agency and Maryland State Police contained itemized supporting documentation for expenses charged to FEMA Homeland Security Grant Program awards. These expenditures complied with the applicable grant requirements.

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Given the results of our examination, we are making no recommendations. FEMA officials concurred with the results of our examination presented at an exit conference on September 18, 2008. The Maryland Emergency Management Agency officials also concurred with our results presented at an exit conference on September 25, 2008.

Appendix A

Objective, Scope, and Methodology

The objective of our examination was to determine whether Maryland State Police complied with federal regulations and FEMA guidelines in the use of FEMA preparedness grant funds from FYs 2003 to 2005.

We performed our examination at various locations. We visited FEMA headquarters in Washington, D.C., the Maryland Emergency Management Agency in Reisterstown, Maryland, and the Maryland State Police in Pikesville, Maryland. Our review included all preparedness grants awarded by FEMA to the Maryland State Police for FYs 2003 to 2005. We examined all expenditures made by the Maryland State Police under FEMA preparedness grants to determine whether the expenditures complied with required grant provisions.

In response to our request, FEMA provided a list of all awards given to grantees in the State of Maryland for FYs 2003 to 2005. FEMA does not keep records of subgrantees, which would include the Maryland State Police. However, the agency referred us to the Maryland Emergency Management Agency grant office which does keep those records.

To determine whether the Maryland State Police used DHS State Homeland Security grant funds to conduct surveillance, we reviewed all personnel and labor charges for the officers involved in the surveillance of concern. We reviewed timesheets and overtime records to determine whether DHS funds were used for salaries and overtime pay.

We performed our examination from August to September 2008 under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards.

Our examination was conducted according to standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Maryland State Police use of FEMA preparedness grant funds and performing such other procedures as we considered necessary under the circumstances.

Our examination provides a reasonable basis for our opinion. In our opinion, the activity referred to above presents, in all material respects, Maryland State Police compliance with FEMA grant provisions from FYs 2003 through 2005 based on provisions set forth under FEMA Homeland Security Grant Program guidance. Had we conducted additional audit procedures other issues might have come to our attention.

**Appendix B
Management Response**

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



FEMA

OCT - 8 2008

MEMORANDUM FOR: Richard L. Skinner
Inspector General

FROM: Marko Bourne *MB*
Director
Office of Policy & Program Analysis

SUBJECT: FEMA Response to DHS Office of the Inspector General (OIG) Audit of
the Maryland State Police

The Federal Emergency Management Agency (FEMA) has reviewed the attached draft outline of the OIG's Maryland State Police Audit and has no comments.

We sincerely appreciate the opportunity to provide updated status in our effort to respond to the OIG's recommendations in this report. As FEMA works toward refining its programs, the Office of the Inspector General's independent analysis of program performance greatly benefits our ability to continuously improve our activities. We look forward to continuing this partnership in the future. Questions concerning the attached document should be addressed to Brad Shefka, Chief, FEMA GAO/OIG Audit Liaison Office, 202-646-1308.

Attachment
OIG Draft Outline

Appendix C
Major Contributors to This Report

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Washington, DC 20528.

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