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**Monday, January 9, 2012**

# **EMBARGOED**

# Department of Homeland Security **Office of Inspector General**

## Homeland Security Grant Program Funds Awarded for Project Shield





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Preface

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

This report addresses the effectiveness of Urban Areas Security Initiative Grant funds awarded to the Illinois Emergency Management Agency for Project Shield in Cook County, Illinois. It is based on interviews with employees and officials of relevant agencies, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

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## Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
OIG	Office of Inspector General
UASI	Urban Areas Security Initiative

# OIG

*Department of Homeland Security  
Office of Inspector General*

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## **Executive Summary**

In response to requests from Representative Mike Quigley and Senator Mark Steven Kirk, we audited the Urban Areas Security Initiative grant funds provided by the Federal Emergency Management Agency (FEMA) to the Illinois Emergency Management Agency for Project Shield. The project was for interoperable communication equipment in Cook County, Illinois. The purpose of the review was to determine if the funds were spent efficiently and effectively.

Project Shield was intended to enable first responders to capture and share ongoing video and data from the wireless-equipped first responder vehicles or base station monitors in 128 municipalities within Cook County. Between fiscal years 2003 and 2009, Cook County was reimbursed approximately \$45 million in federal funds for the installation and maintenance of Project Shield equipment.

Urban Areas Security Initiative grant funds for Project Shield were not spent efficiently or effectively. The Urban Area Working Group and Cook County did not adequately plan or manage the project to ensure that the equipment worked properly; the system could be operated in an emergency situation; and the costs were reasonable, allowable, and allocable. This occurred in part because FEMA did not adequately ensure that the State of Illinois effectively monitored Cook County's expenditures of Project Shield grant funds. As a result, the project was not implemented effectively, and millions of tax dollars may have been wasted on equipment that does not perform as intended.

To improve the selection and oversight processes for the Urban Areas Security Initiative grant program, we recommend that FEMA discontinue future Project Shield funds until the grantee validates effective use of the equipment and ensures that the costs were reasonable, allowable, and allocable. We also recommend that the agency establish a review process for new technology projects and ensure that grantees perform proper oversight of subgrantees. FEMA concurred with the recommendations. Written comments to the draft report are incorporated as appropriate and included in their entirety in appendix B.

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## Background

FEMA administers the Urban Areas Security Initiative (UASI) grants program, which provides financial assistance to states to address the unique planning, equipment, training, and exercise needs of high-risk urban areas. These grants also assist in building capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters.

In letters to the Department of Homeland Security (DHS) Inspector General, Representative Mike Quigley and Senator Mark Steven Kirk<sup>1</sup> expressed concerns about the appropriateness of Homeland Security grant funds for Project Shield in Cook County, Illinois. Funding for Project Shield was provided by UASI grant funds awarded to the Illinois Emergency Management Agency in fiscal years (FYs) 2003 through 2009.

The intention of Project Shield was to enhance interoperable communications by installing wireless capability for first responders to access text, image, and video information in a fast, highly secure, and efficient manner. By installing mobile wireless video and data systems in first responder vehicles and fixed cameras at high-risk sites within Cook County, the system would provide high-speed connectivity among first responders, command vehicles, and supporting agencies to permit the strategic deployment of first responders during emergencies. This concept was first tested at the U.S. Open Golf Tournament held in Cook County in June 2003.

In October 2004, the Cook County Board of Commissioners decided to install Project Shield equipment in 128 municipalities. Municipalities generally were to receive two vehicle video systems, a hot spot (site that offers wireless Internet over a local area network), and a tower camera. The equipment was primarily provided to police departments, but also was distributed to some fire and emergency management personnel. The installation was scheduled to be rolled out in phases. The Phase 1 contract was awarded in October 2004 for \$12.8 million to establish systems in 27 municipalities. In November 2005, the county awarded the Phase 2 contract for \$11.3 million to establish systems for an additional 20 municipalities.

Installations on Phase 1 began in March 2005 and continued through June 2006. Shortly after the vehicle video systems were

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<sup>1</sup> At the time of the request, Mr. Kirk served in the U.S. House of Representatives.

installed, the municipalities started to experience equipment problems. As a result, the vehicle installations were stopped while an acceptable solution for the equipment problem was sought.

In 2007, the county decided to terminate the Phase 1 and 2 contractor, which had already received \$23 million. In May 2008, the county awarded a Phase 3 contract to a new contractor for \$10.9 million. The scope of work included new installations at some municipalities as well as repairs to existing equipment in other municipalities.

According to Cook County officials, as of April 5, 2011, Project Shield equipment has been installed in 87 of 128 municipalities, of which 71 have vehicle video systems. Municipalities were still experiencing equipment problems and training issues.

Between FYs 2003 and 2009, Cook County received more than \$112 million in UASI funds, and dedicated more than half of those funds to Project Shield. To date, Cook County has expended more than \$45 million on the project. Table 1 provides an annual breakdown of Cook County grant awards and expenditures for Project Shield.

**Table 1. UASI Grant Awards to Cook County, FYs 2003–2009**

<b>Fiscal Year</b>	<b>Total UASI Award for Cook County</b>	<b>UASI Funding for Project Shield</b>	<b>UASI Funds Expended on Project Shield</b>
2003	\$12,848,927	\$12,399,292	\$12,496,924
2004	\$16,110,715	\$11,303,495	\$9,730,379
2005	\$22,465,000	\$15,836,810	\$13,867,261
2006	\$13,065,000	\$5,210,254	\$3,609,212
2007	\$16,548,000	\$3,000,000	\$2,367,876
2008	\$15,904,525	\$5,331,425	\$3,567,144
2009	\$15,225,309	\$5,622,756	\$0
<b>Total</b>	<b>\$112,167,476</b>	<b>\$58,704,032</b>	<b>\$45,638,796</b>

Source: Office of Inspector General (OIG) Analysis of FEMA Grant Files and State of Illinois Project Shield Expenditures.

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## Results of Audit

UASI grant funds for Project Shield were not spent efficiently or effectively. The Urban Area Working Group and Cook County did not adequately plan or manage the project to ensure that the equipment worked properly; the system could be operated in an emergency situation; and the costs were reasonable, allowable, and allocable. This occurred in part because FEMA did not ensure that the State of Illinois effectively monitored Cook County's expenditures of UASI grant funds for Project Shield. As a result, Project Shield was not implemented effectively, and millions of tax dollars may have been wasted on equipment that does not perform as intended.

We also addressed a concern regarding the retrofitting of the vehicle used by the President of the Cook County Board of Commissioners with Project Shield equipment. This issue is discussed in appendix C.

### Planning

Comprehensive project planning can reduce the potential for problems with the functionality, location, and integration of existing equipment. However, minimal planning occurred prior to implementation of Project Shield. The equipment failed during extreme hot and cold temperatures, was not always targeted at the most critical infrastructure, and at times prevented first responders from accessing critical databases needed to perform their jobs. These problems added to the cost and time to complete the project and reduced the project benefits.

#### Equipment Functionality

Cook County did not ensure that the concept of the project was adequately tested before awarding an initial \$12.8 million contract and subsequent contracts for approximately \$23 million for the project. This project used a combination of technologies to provide secure, wireless, and seamless video communication. Although the concept was tested at the U.S. Open Golf Tournament in Cook County in June 2003, the conditions at this test site were not indicative of the actual conditions expected for Project Shield in terms of weather, location, and integration with existing equipment.

The temperatures during the trial period were far different than the extreme hot and cold temperatures experienced annually in Cook County. For example, during the first encounter with seasonal temperature changes, the hardware did not perform within the required parameters. The temperature fluctuations caused



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equipment failures that were not predictable, resulting in delays as the problems had to be investigated and resolved.

### **Equipment Location and Integration**

Equipment at the municipalities was not always effectively located, and in some situations the Project Shield software would not integrate with existing communications equipment. Cameras were often mounted on police communication towers because of distance limitations, the costs for hardwiring, and reception problems. These cameras often targeted police parking lots, streets, and intersections with questionable homeland security benefits. Fixed cameras were also installed in police station lobbies, which sometimes duplicated existing capabilities.

The county learned during the implementation phase that the software on the Project Shield wireless computers was not compatible with municipalities' central dispatch systems. This resulted in some police officers being unable to access critical databases from their vehicles for such items as criminal records, warrants, license plates, and vehicle registrations.

When asked about the lack of planning, county officials informed us that the project was initiated at a time when funds were not available to conduct planning. Funds were targeted to projects ready for implementation. However, Federal Acquisition Regulation Subpart 34.005-3 states that whenever practical, contracts to be performed during the concept exploration phase shall be for relatively short periods, at planned dollar levels. The county should have used short-term contracts to refine the proposed concept and to reduce the technical uncertainties.

## **Management**

Project Shield funds were not always used appropriately in achieving the project's goals and objectives, and Cook County was not always in compliance with federal regulations, agency administrative requirements, and relevant Office of Management and Budget circulars. Because of ineffective subgrantee monitoring, FEMA and the State lacked assurances that Cook County personnel could use the equipment during an emergency, and that the expenditures for the project were allowable, allocable, and reasonable.

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## **Project Goals and Objectives**

The intent of the project was to transmit video from both mobile and fixed cameras during an emergency to decision makers so they could strategically deploy first responders. However, the county was unable to provide assurances that the municipalities could operate the equipment as intended. During visits to various municipalities with Project Shield equipment, first responders informed us that the equipment was not working, was removed, or could not be properly operated.

Video was transmitted from fixed cameras throughout the county; however, we were unable to obtain adequate assurance that the video from the vehicle cameras could be transmitted. Municipalities were uncertain whether the mobile equipment could transmit video, either because the equipment was deficient or because they could not operate it. Cook County officials stated that the equipment was never officially tested during a Homeland Security exercise. Therefore, the county cannot provide adequate assurance that the equipment could be used effectively in an emergency situation.

Of the 128 municipalities in Cook County, we found that:

- 32 never had equipment,
- 9 left the program after participating in the project, and
- 87 have Project Shield equipment, of which 71 have vehicle video systems.

We visited 15 municipalities, which included 14 police departments and 4 fire departments, and found numerous problems, including equipment malfunctions, unused equipment, and uncertainty on how to operate the equipment. We could not determine the exact cause of the equipment problems but noted that many users of the Project Shield vehicles did not have the necessary training on the equipment.

The results of our 15 visits identified the following:

- 4 of 15 municipalities returned all of their Project Shield vehicle equipment,
- 10 of 15 municipalities complained about either a lack of training or the quality of training provided,
- 7 of 11 municipalities with equipment complained about current service, and

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- 4 of 11 municipalities with equipment were unable to or unsure how to transmit video from the vehicle to the command center.

Discussions with police personnel revealed that their primary interest was to record and obtain video for criminal evidence. They were uncertain whether they could transmit live video to a monitoring station, allowing an emergency event to be managed from a remote location.

We also analyzed trouble tickets (a reporting tool used to track equipment issues) for the last 3 months of calendar year 2010, and found that 62 municipalities submitted 122 trouble tickets for equipment malfunctions, such as the inability to access database records in the vehicle.

### **Compliance With Regulations and Requirements**

Cook County did not always comply with procurement, property, and record requirements. We found missing records, improper procurement practices, unallowable costs, and unaccountable inventory items. We were unable to reconcile invoices with the contracts and modifications, and we could not verify that all incurred costs were reasonable, allowable, and allocable. For example:

- The project was initiated in FY 2005 and incurred approximately \$7 million in maintenance cost for 6 years, even though maintenance costs were not allowed for prior grant year acquisitions until 2010.
- The county awarded a noncompetitive contract on Phase 2 for \$11.3 million.
- Phase 1 and 2 contracts had 218 change orders, and we were unable to obtain documentation for 168 change orders with some changes amounting to as much as \$413,555.
- The county approved major revisions to the Phase 2 contract without evidence of grantee approval. For example, Change Order No. 130-2 altered an \$11 million contract, reducing the line items by more than \$6 million and then substituting new items totaling \$4.3 million, additional maintenance for \$1.1 million, and a \$750,000 contingency fund.
- Sampling of decommissioned equipment from Phases 1 and 2 revealed that 18% of the items were missing from the inventory. Physical inventory reconciliations were not performed as required.

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- The Phase 3 contract had only one change order, which extended the contract 6 months without additional costs. However, this contract increased from \$10.9 million to approximately \$23 million, and the contract period was extended over 2 years.

## Conclusion

FEMA, the State of Illinois, the Urban Area Working Group, and Cook County did not ensure the effective implementation of Project Shield. The lack of planning was evidenced by faulty equipment, questionable locations for the equipment, and inability to integrate with existing communication equipment. The mobile video systems were not adequately tested to ensure that they could be operated effectively during an emergency. Project Shield expenditures were not adequately authorized, supported, and verified. The weaknesses can be attributed to Cook County's inadequate management of the project, as well as the ineffective monitoring by FEMA and the State of Illinois.

## Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

**Recommendation #1:** Develop a review process for new technology projects to ensure that they are properly evaluated prior to project planning, design, and implementation.

**Recommendation #2:** Discontinue funding of Project Shield until the grantee can ensure that the mobile equipment can be operated effectively.

**Recommendation #3:** Determine that Project Shield costs are reasonable, allowable, and allocable.

**Recommendation #4:** Ensure that the grantee performs adequate oversight of UASI projects implemented by subgrantees, including compliance with grant regulatory and administrative requirements.

## Management Comments and OIG Analysis

**Management comments to recommendation 1.** FEMA concurred with the recommendation. FEMA noted that it places greater scrutiny on proposals for “proof of concept” projects during the application phase, because the nature of some proposed

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equipment included in the “proof of concept” projects is often untested. FEMA said that the Investment Justification template developed in FY 2006 and utilized in all subsequent fiscal years requires Homeland Security Grant Program applicants to describe the planning activities for proposed projects during the application process.

According to FEMA, in FYs 2008 and 2009 it required all grantees to allocate 25% of their State Homeland Security Program and UASI grant awards to planning activities. FEMA also said that grant guidance in FYs 2010 and 2011 extensively referenced planning activities to reinforce the critical need for pre-planning associated with technology projects.

We agree that since this project was initiated, FEMA has revised the application process for awarding the UASI grants, and requires more evidence to support the Urban Areas’ planning effort. Homeland Security Grant Program guidance issued for subsequent fiscal years has targeted funding for planning activities. However, FEMA still needs to ensure that it has a process in place that will enable “proof of concept” projects to undergo an independent technical evaluation to determine feasibility prior to project planning, design, and implementation. This recommendation remains unresolved and open.

**Management comments to recommendation 2.** FEMA requested that recommendation 2, as presented in the draft report, be separated into two distinct recommendations in order to effectively address the OIG intent. We agreed and have separated the recommendation into recommendations 2 and 3. We have also relabeled the prior recommendation 3 as recommendation 4.

FEMA concurred with the original recommendation 2, and stated that it will coordinate with the State and Cook County to establish a “current state” action plan and associated timeline that will: (1) identify obligated and unobligated balances from Cook County’s approved Project Shield activities (FYs 2007 through 2010), (2) identify existing technology gaps and hardware/software issues associated with Project Shield, and (3) identify personnel training gaps on existing technology within participating jurisdictions. FEMA indicated that during the period of the development of this plan, it will require that any new expenditures associated with Project Shield be temporarily put on hold and payments for existing expenditures comply with Code of Federal Regulations Title 44 §13.21 (g) (*Withholding payments*).

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FEMA stated that it is confident that this action plan can be completed within 90 days from the date of this report. According to FEMA, in July 2011 Cook County officials communicated to FEMA in writing their intent to cease and desist current Project Shield activities, and requested assistance in establishing a path forward that addresses generally those elements of the proposed action plan above. FEMA stated that it is committed to working with the State and Cook County to complete this plan, using it as the basis to assess the best project strategy moving forward.

Cook County officials acknowledged that there were systemic issues with project management and the functionality of the technology implemented. Cook County did not adequately plan or manage the project to ensure that the equipment performed as intended or operated under foreseeable conditions. Cook County officials also stated that it appears highly unlikely that the installed equipment could be used effectively in an emergency situation, and as a result, they have elected not to move forward with Project Shield. According to Cook County officials, they removed the cameras from the vehicles because of a safety issue, and intend to conduct a Threat and Hazard Identification and Risk Assessment to identify critical infrastructure and locations where enhanced security measures would be recommended. Cook County officials said that based on this assessment, the fixed cameras would be redeployed to the sites warranting this equipment.

The actions proposed by FEMA and Cook County are responsive to the intent of the recommendation and, if properly implemented, should ensure the Project Shield equipment that still has value will be used effectively. This recommendation is considered resolved and open pending FEMA notification and verification that the action plan has been completed.

**Management comments to recommendation 3.** FEMA requested that the new recommendation address *proposed* costs to support Project Shield. However, the intent of our recommendation was to ensure that all *expended* costs for Project Shield be reviewed to ensure that they were reasonable, allowable, and allocable.

In its response, FEMA stated that building on the “current state” action plan for recommendation 2, it will coordinate with the State and Cook County to establish a “future state” action plan and associated timeline, which will be the basis of FEMA’s evaluation to determine if proposed costs to support Project Shield are reasonable, allowable, and allocable. According to FEMA, this

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action plan will include: (1) a revised scope of Project Shield activities, (2) a revised budget that includes equipment details and training needs, (3) a timeline with expected completion dates that aligns proposed future costs with the open grant, and (4) reporting requirements that communicates the status of project details and deadlines from Cook County through the State to FEMA.

FEMA stated that it will review the action plan details in coordination with the grantee and Cook County as a UASI subrecipient, and examine any unobligated balances from open UASI grants specifically approved for Project Shield activities. According to FEMA, this process will conform to the modified project scope to meet Cook County's efforts to ensure that all equipment is installed, functioning, and meeting the needs of the project.

Cook County officials stated that they continue to conduct an internal audit of previous practices with respect to accounting, grant management, and financial transparency. The officials are working to address past issues with respect to procurement, property, and record requirements to ensure a transparent and accountable system that is guided by performance metrics.

Cook County officials also stated that regarding project costs, a sampling of available records indicates that purchases were allocable, reasonable, and with proper authority, allowable. They also stated that the contracts were competitively bid, multiple levels of government performed oversight of the project, and efforts were made to correct a variety of issues.

We disagree with the comments from Cook County officials regarding project costs. The Phase 2 contract was never bid competitively, and approval from the Board of Commissioners does not ensure that the costs were allocable, reasonable, and allowable.

The actions proposed by FEMA are not responsive to the intent of the recommendation, which was to determine whether the costs incurred to date were reasonable, allocable, and allowable. Instead, FEMA requested that the recommendation address proposed (future) costs. We disagree with the change, and request FEMA to address our original recommendation. This recommendation remains unresolved and open.



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**Management comments to recommendation 4.** FEMA concurred with the recommendation. FEMA stated that recognizing that the scope of this audit dated back to activities funded with FY 2003 preparedness program dollars, it has vastly enhanced the guidance development, monitoring, and oversight functions of its programs since that time. FEMA stated that the same holds true for the State, which initiated a robust subrecipient monitoring policy in 2008, which FEMA approved.

FEMA stated that coordination between FEMA headquarters' programmatic and financial personnel and grant management specialists in FEMA Region V enables FEMA to ensure that all grantees perform oversight of subrecipient projects. According to FEMA, its programmatic and financial monitoring of the state measures compliance with federal regulations for subgrants, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and enforcement.

Also according to FEMA, its existing monitoring processes are structured to ensure that all grantees perform adequate oversight of subawards, and mechanisms are in place to identify, report, and recommend any changes needed in subrecipient monitoring protocols at the state level. FEMA also stated that it provides technical assistance and training to grant recipients and subrecipients on all guiding policies, regulations, and directives associated with its federal grant programs.

State officials informed us that although they are the grantee, according to FEMA Homeland Security Grant Program guidance they do not have the ability to make changes to the UASI program. They claim that the Urban Area Working Group is responsible for planning and managing the project, and that the State is only a voting member of the Working Group. State officials said they have a subgrantee monitoring program and through the program were aware of problems with subgrantee equipment inventory records. State officials further claimed that they draw down funds only after a thorough invoice review, do not have the opportunity to manage the project, and are doing all they can legally do regarding implementation of the project. State personnel also pointed out that FEMA did a monitoring review of the State and found no significant problems.

In addition, Cook County officials stated that they are undertaking a complete accounting of all grants, expenditure, accounting, and tracking practices, as well as controls. They stated that a



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comprehensive process-based system will be developed to ensure that procedural safeguards are in place to ensure the proper use, management, and tracking of grant dollars.

We acknowledge that the guidance for UASI has changed over the past few years and that administrative requirements shifted from the State to the Urban Area Working Group. Regardless, the deficiencies cited in this report were significant and should have been detected by both FEMA and the State during their reviews, and corrective actions initiated sooner. We believe that the current system of monitoring UASI grants is flawed, and both FEMA and the State need to improve the review process and perform better oversight of compliance with the grant regulatory and administrative requirements. The actions proposed by FEMA and the State are not responsive to the intent of the recommendation. This recommendation remains unresolved and open.

## Appendix A

### Purpose, Scope, and Methodology

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The purpose of our review was to determine if the funds for Project Shield were spent efficiently and effectively. To address this issue, we reviewed applicable federal laws and regulations, as well as DHS and FEMA guidance, policies, and procedures. We also:

- Interviewed FEMA and Illinois Emergency Management Agency officials concerning the process used to evaluate and award the UASI grants to the Illinois Emergency Management Agency;
- Reviewed UASI award documents, reimbursed expenditures, and monitoring reports from FYs 2003 to 2010;
- Visited the Department of Homeland Security and Emergency Management in Cook County, Illinois, to interview county officials, and to obtain and review records on Project Shield concerning compliance with the applicable administrative requirements and cost principles;
- Interviewed the Cook County contractor responsible for Phase 3;
- Judgmentally selected 15 of 128 municipalities for site visits and examined Project Shield equipment at these locations; and
- Examined property records for Project Shield equipment purchased during Phases 1 and 2 of the project.

We conducted this performance audit between January and June 2011 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.


**Appendix B**  
**Management Comments to the Draft Report**

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SEP 14 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: FEMA's Response to OIG Draft Report (Project Number 11-102-AUD-FEMA), *Homeland Security Grant Program Funds Awarded for Project Shield*

The Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Office of Inspector General (OIG) draft report. The following are our responses to your recommendations for corrective action.

**Recommendation #1:** Develop a review process for new technology projects to ensure that they are properly evaluated prior to project planning, design, and implementation.

**FEMA Response:** FEMA concurs with the recommendation, however, notes that FEMA places greater scrutiny on proposals for "proof of concept" projects during the application phase. This is because the nature of some proposed equipment included in the "proof of concept" projects is often untested. Further, the Investment Justification template developed in FY 2006 and utilized in all subsequent fiscal years under the Homeland Security Grant Program (HSGP), requires applicants to describe the planning activities for proposed projects during the application process. Specifically, the Investment Justification template which applicants are required to use when preparing and submitting their application requires the applicant to identify project milestones; potential challenges to the effective implementation of an investment; and further, how those challenges will be addressed and mitigated. This requirement is seen quite often by FEMA staff during the examination of state supplemental guidance requirements, whereby prospective subrecipients are required by the State Administrative Agency (SAA) to provide specific project detail -- including all related planning activities -- in advance of any subrecipient receiving funding. This information is critical in providing the SAA the detail needed to report progress through FEMA's Biannual Strategy Implementation Report. In more recent years,

## Appendix B

### Management Comments to the Draft Report

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recognizing the critical importance planning plays in any project as well as the overall need for effective planning in support of state, local and regional homeland security activities, FEMA required all grantees to allocate 25% of their State Homeland Security Grant Program (SHSP) and Urban Areas Security Initiative (UASI) grant program award to planning activities in FY 2008 and FY 2009. Finally, though not a requirement in FY 2010 and FY 2011 like the prior two fiscal years, HSGP guidance references planning activities extensively to reinforce the critical need for pre-planning activities associated with all equipment and technology projects. As of this report, all FY 2006 and prior HSGP and UASI grant awards have expired and/or are officially closed for the State of Illinois (based on FEMA records). Based on the details described here and the specificity FEMA requires from grantees for program awards in FY 2007 and forward, FEMA believes we have met the intent of this recommendation and requests that this recommendation be resolved and closed.

**Recommendation #2:** Discontinue funding of Project Shield until the grantee can ensure that the mobile equipment can be operated effectively, and determines that the costs are reasonable, allowable, and allocable.

**FEMA Response:** FEMA concurs with the recommendation, and requests that **Recommendation #2** be separated into two distinct recommendations in order to effectively address the OIG intent. FEMA requests that the modified **Recommendation #2** read as follows: *“Discontinue funding of Project Shield until the grantee can ensure that the mobile equipment can be operated effectively.”* In response to the modified **Recommendation #2**, FEMA will coordinate with the Illinois Emergency Management Agency (IEMA), serving as the SAA, and Cook County Department of Homeland Security and Emergency Management (DHSEM) to establish a current state action plan and associated timeline that will: (1) identify both obligated and unobligated balances from Cook County’s open grants (FY 2007 through FY 2010 UASI), dedicated to previously approved Project Shield activities; (2) identify existing technology gaps and hardware/software issues associated with Project Shield equipment that the County has already identified as needing to be addressed and remedied; and (3) identify personnel training gaps on existing technology within those jurisdictions currently participating in the Project Shield initiative. During the period of the development of this plan, FEMA will require that any new expenditures associated with Cook County’s Project Shield activity be temporarily put on hold and payments for existing expenditures comply with 44 CFR Part 13 § 13.21(g) (*Withholding payments*).

FEMA is confident that this action plan can be completed within 90 days from the date of this report, as Cook County DHSEM has already begun leading this effort. In early July 2011, DHSEM communicated in writing to FEMA their intent to cease and desist on current Project Shield activity and requested assistance in establishing a path forward which addresses generally those elements of the proposed current state action plan above. FEMA is committed to working with both IEMA and DHSEM to complete this plan, using it as the basis to assess the best project strategy moving forward. FEMA believes this satisfies the intent of the recommendation and requests that this recommendation remain resolved and open pending implementation of the stated corrective actions.

## Appendix B

### Management Comments to the Draft Report

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FEMA requests a new recommendation be added to reflect the second issue which the current **Recommendation #2** addresses. This new **Recommendation #3** should read as follows: *“Determine that current proposed costs to support Project Shield costs are reasonable, allowable, and allocable.”* Building on the action plan referenced under the **Recommendation #2** response, FEMA will coordinate with IEMA and Cook County DHSEM to establish a future state action plan and associated timeline which will be the basis of FEMA’s evaluation to determine if proposed costs to support Project Shield are reasonable, allowable, and allocable. This action plan will include: (1) a revised scope of Project Shield activities for Cook County, per FEMA’s Investment Modification request process; (2) a revised budget that includes equipment details and training needs for Cook County and any affected Project Shield partner jurisdictions; (3) a timeline which aligns proposed future costs to the respective open grant, and expected completion dates; and (4) per direction from FEMA, set reporting requirements, to include project details and deadlines, that communicates the status of activity under the future action plan, to be provided by Cook County through IEMA to FEMA. In coordination with the grantee and Cook County as a UASI subrecipient, FEMA will review the future state action plan details (1-4 above) and examine any unobligated balances from open UASI grants (specifically approved for Project Shield activities) that can support current needs. This process will conform to the modified project scope to meet Cook County’s efforts to ensure all equipment is installed, functioning and meeting the intended need of the Project at large. FEMA will provide the timeline for completing this action plan in the response to the final report, as the timeline is dependent on the completion of the corrective actions in the revised **Recommendation #2**. FEMA believes this satisfies the intent of the recommendation and requests that this recommendation remain resolved and open pending implementation of the stated corrective actions.

**Recommendation #3:** Ensure that the grantee performs adequate oversight of UASI projects implemented by subgrantees, including compliance with grant regulatory and administrative requirements.

**FEMA Response:** FEMA concurs with the recommendation. Based on the response to the original **Recommendation #2**, we request that this recommendation be renumbered as **Recommendation #4**. Recognizing that the scope of this audit dated back to activities funded with FY 2003 preparedness program dollars, FEMA has vastly enhanced the guidance development, monitoring and oversight functions of its programs since that time. This same holds true to the State of Illinois’ SAA, which initiated a robust subrecipient monitoring policy in 2008, which FEMA approved.

At the federal level, coordination between FEMA Headquarters’ programmatic and financial personnel and grant management specialists in FEMA Region V contribute greatly to the scope of monitoring and oversight activities. This provides the means for our agency to ensure that all grantees perform oversight of subrecipient projects per 44 CFR Part 13 § 13.37 (*Subgrants*); §13.40 (*Monitoring and reporting program performance*); §13.41 (*Financial reporting*); and §13.42 (*Retention and access requirements for records*); and §13.42 (*Enforcement*). Compliance with these subparts is measured during programmatic and financial monitoring of the state. FEMA also provides technical assistance and training to grant recipients and subrecipients on all guiding policies, regulations, and directives associated with our federal grant programs. These

## **Appendix B**

### **Management Comments to the Draft Report**

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regulations are cited within all of GPD's guidance and application kits, including the Urban Areas Security Initiative (UASI) Grant Program, and have been recently standardized for all of GPD's preparedness grant program application kits in FY 2011. Additionally, FEMA GPD staff is available day-to-day and work closely with grantees and subrecipients in order to provide clarifying guidance, insight and explanation regarding any of our programmatic or financial regulations.

FEMA's existing monitoring processes are structured to ensure that all grantees perform adequate oversight of the subawards issued under the preparedness grant programs. Mechanisms are in place within current financial and programmatic monitoring tools to identify, report, and recommend any changes needed in subrecipient monitoring protocols at the state level which are used to review state subrecipient activity. FEMA will continue to monitor the state's subrecipient monitoring, as per current monitoring protocols, for all future programmatic and financial monitoring visits. FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

Again, we thank you for the opportunity to review and comment on your draft report which contains recommendations aimed at improving the efficiency of our agency. Should you have further questions regarding our response, please do not hesitate to call FEMA's Chief Audit Liaison, Brad Shefka, at 202-646-1308.

**Appendix C**  
**Evaluation of County Board President's Vehicle**

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In a letter to the DHS Inspector General, Representative Mike Quigley and Senator Mark Steven Kirk expressed concerns about the vehicle used by the President of the Cook County Board of Commissioners being equipped with Project Shield equipment. They were concerned that these funds should be used for emergency responders, not for executive transport.

According to Cook County personnel, Homeland Security funds were used to retrofit the vehicle with communication equipment. The rationale for installing this equipment was that the President of the Cook County Board of Commissioners needed access to current information to make real-time decisions during emergency events in the county. We found no specific grant guidance that would disallow this cost.

**Appendix D**  
**Major Contributors to this Report**

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Michael Sivi, Director  
Dennis Deely, Audit Manager  
Tricia Benson, Auditor-in-Charge  
LaTrina McCowin, Auditor  
Kevin King, Auditor  
Enrique Leal, Auditor  
Dawn Eliece Pizarro, Referencer



**Appendix E**  
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