

STATEMENT

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BEFORE  
THE

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ON  
FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND  
INTERNATIONAL SECURITY

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“ASSESSING GRANTS MANAGEMENT PRACTICES AT FEDERAL AGENCIES”

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Submitted  
By

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Good morning Chairman Carper, Ranking Member Brown, and Members of the Subcommittee. I am Elizabeth Harman, Assistant Administrator for the Federal Emergency Management Agency's (FEMA) Grant Programs Directorate (GPD). On behalf of Secretary Napolitano and Administrator Fugate, it is my pleasure to appear before you today to discuss the grants management practices of the Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA).

FEMA fulfills its role as the principal component within DHS responsible for assisting state and local governments to prepare for, protect against, respond to, recover from, and mitigate incidents of terrorism and other all hazards events. To achieve this mission, FEMA relies on Congressional appropriations for state and local programs in emergency management and homeland security. These appropriations provide for grants, training, exercises, and other support activities to assist States, Territories, Tribal governments, local jurisdictions, as well as for-profit and non-profit organizations in furthering their preparedness missions. By providing funds, encouraging State, local and private sector collaboration, and encouraging risk-based investment planning involving the Whole Community, FEMA's grant programs, managed and administered by GPD, have had a positive impact on the Nation's overall preparedness and security.

Since its inception in 2007, and in accordance with the Post-Katrina Emergency Management Reform Act (PKEMRA), GPD has consolidated business operations, systems, training, policy, oversight, and program management of all FEMA grants. GPD is comprised of three legacy organizations inclusive of the FEMA Grants Management Branch, the DHS Office of Grants and Training, Office of Grant Operations, and the Preparedness Programs Division. This consolidation created a single entity responsible for the business and program management of all FEMA grant programs. As a result of changes in GPD's approach to grants management, GPD now successfully provides financial management and administration of 96 federal grant programs, including the programmatic and administrative management of over 19,000 open grants, totaling over \$10 billion dollars in federal funding. Additionally, GPD closely collaborates with other FEMA components including the National Preparedness Directorate, the ten FEMA Regional Offices, the Office of Response and Recovery, other DHS components, and other Federal agencies to create a fully integrated, interdisciplinary system of support services for other stakeholders and partners.

GPD's focus over the past several years has been on improving grants management and related efforts to ensure meaningful and measurable results. By stressing the importance of providing customer service for all grantees as well as for internal and external partners; by engaging State, local, and Tribal stakeholders through consistent outreach and discussion; and by ensuring transparency in the grant process, GPD enhances the Nation's level of preparedness, resiliency, the public's safety, and our overall ability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

Over the past few years, GPD has matured as an organization, making significant improvements to its operations and focusing heavily on the development, management, and oversight of FEMA's grant programs. These improvements include: reducing the personnel vacancy rate; realigning organizational resources and functions; enhancing the grant award and budget review process; standardizing internal operating procedures; implementing drawdown and closeout improvement initiatives; enhancing financial and programmatic monitoring activities; strengthening regional partnerships; improving the grants management infrastructure; formalizing GPD's relationships with its internal and external partners; and enhancing stakeholder involvement with program development and administration.

### Staffing

At the beginning of the third quarter of fiscal year 2010, 20 percent (37 Full Time Employees or FTEs) of GPD Headquarters' 180 authorized positions were vacant in the Preparedness Grant Division and the Grants

Operations Division. With the full support of FEMA's senior leadership, GPD has made major strides in addressing its staffing shortfalls. Currently, GPD's vacancy rate is 10 percent and GPD has filled 168 of its 189<sup>1</sup> authorized positions. GPD's staffing improvements include filling several key leadership positions such as the Deputy Assistant Administrator to GPD, the Director for Grant Operations, and the Director for the Preparedness Grants Division. The decrease in the vacancy rate has led to definitive improvements in GPD's overall operations allowing the Directorate to improve its oversight of grantees.

### Organizational Realignment

In conjunction with the overall hiring initiative within GPD, the Directorate has sought to improve its overall mission effectiveness and financial and program management through a realignment of functions within the organization. To complement and support the hiring of a highly motivated and competent staff, GPD established two distinct but complementary divisions, the Grant Operations Office and Preparedness Grants Division. These GPD components serve as the financial and programmatic resources for GPD, respectively. The realignment has laid a path forward for increased coordination and communication efforts between management and staff, as well as improved collaboration between program and financial functions and responsibilities. As a result, GPD has increased overall mission performance through various grant process improvements that further support the grants management lifecycle.

### Grant Award and Budget Reviews

During fiscal year 2010 and prior, GPD often experienced delays in processing grant awards and releasing funds to grantees. These delays impacted grantee performance by reducing the time available to spend grant funds and in some cases, delayed grantees from proceeding with critical projects. GPD identified delays in two principal areas. The first was the delays associated with GPD review and approval of grantees' budgets, which were historically conducted post-award. The second delay involved the project reviews and approvals required under Federal environmental and historic preservations laws, such as the National Environmental Preservation Act (NEPA). The Directorate's leadership identified both of these areas as opportunities for improvement.

To alleviate the burden on grantees, GPD undertook several internal reforms which resulted in major improvements and shortened both environmental and historic preservation reviews. The most significant of these included:

- Adding Environmental and Historic Preservation (EHP) staff to review EHP applications;
- Improving an EHP screening form to facilitate the application process;
- Developing a Programmatic Environmental Assessment to streamline the review of certain projects; and
- Implementing a formalized process to follow-up with grantees that need to submit additional information in order to process their application.

GPD also took major steps to shorten the budget review process, including setting goals to conduct all budget reviews prior to award. In addition, GPD created a budget review checklist designed to assist grantees by providing guidance on what information is needed for a complete and thorough budget, which served to improve consistency as well as decrease overall review time.

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<sup>1</sup> Between FY2010 and FY2012, the number of authorized positions increased from 180 to 189.

By providing these instructions, grantees were better informed on what materials were needed, were able to ensure that their budget information was complete, and as a result, their budgets were approved more quickly. Overall, steps instituted within GPD streamlined internal processes to make the entire budget review period less than 30 days.

### Standardizing Internal Operating Procedures

The development and adoption of standard operating procedures (SOPs) is critical to the successful, long-term operation of any organization. In 2011, FEMA embarked on an effort to develop SOPs for all of its preparedness grant programs, including the Emergency Management Performance Grant Program (EMPG), the Emergency Operations Center Grant Program (EOC) and the Driver's License Security Grant Program (DLSGP). Those SOPs are now in force and are utilized on a daily basis by both headquarters and regional grants staff. GPD recently completed similar efforts with the Homeland Security Grant Programs including the State Homeland Security Grant Program (SHSGP), the Urban Areas Security Initiative (UASI) Grant Program, Operation Stone Garden (OPSG), the Metropolitan Medical Reserve System (MMRS) Grant Program and the Citizen Corps Grant Program (CCP).

### Expediting Grant Drawdowns

Another issue GPD has focused on is "drawdowns," or the rate at which GPD's grantees, the recipients of preparedness grant funds, spend the monies they receive.

It is important to understand that grant funds currently in the pipeline are not idle. In the vast majority of cases, work is being performed, projects are underway and capabilities are being built in accordance with the rules and guidelines under which these grants were accepted.

In those cases where funds do appear to be idle, GPD engages proactively with grantees to put funds to use. Further, based on input from grantees, DHS and FEMA undertook an effort in the fall of 2011 to evaluate ways to further streamline the grants process and put available funding to work now. In conjunction with the FY 2013 budget roll-out, GPD implemented a number of measures that provide grantees with additional flexibility to accelerate the spending of remaining FY 2007 - FY2012 DHS/ FEMA grant funds by addressing immediate needs and building core capabilities that will support preparedness in the long run, consistent with existing laws, regulations and programmatic objectives. At the same time, similar to the recent Administration effort to expedite Recovery Act funding, grantees are required to take steps to expend, draw down and close out previously awarded grant funding. Specific measures outlined in the Secretary's February 13, 2012 Memorandum titled "Guidance to State Administrative Agencies to Expedite the Expenditure of Certain DHS/FEMA Grant Funding" included:

#### Support Reprioritization

- Allow grantees to apply grant balances towards more urgent priorities.
- Expand allowable expenses under the Port and Transit Security Grant Program, in accordance the SAFE Port Act and 9/11 Act, respectively.
- Allow combating violent extremism activities (CVE) outlined in the Administration's CVE Strategy to be eligible in all grant years.

### Focus on Core Capabilities

- Expand maintenance and sustainment to equipment, training, and critical resources that have previously been purchased in order to build and sustain core capabilities tied to the five mission areas of the National Preparedness Goal.

### Provide Waivers

- Waive the 50 percent cap on personnel costs.
- Waive the match requirements under FY 2008 and 2009 Port Security Grant for public sector grantees and match requirements for Nonprofit Security Grant Program, the Interoperable Emergency Communications Grant Program and Regional Catastrophic Planning Grant Program.

In addition to the measures described above, State Administrative Agencies are encouraged to reduce administrative hurdles that can delay expenditure of funds, as well as decrease delays between receipt of invoices and expenditure of corresponding funds.

Specific guidance was provided as to the timeline grantees were encouraged to follow in spending awarded preparedness grant funds. Pursuant to GPD's Information Bulletin Number 379 issued February 17, 2012, the following timeframes were encouraged.

“Subject to certain exceptions, grantees are required to take steps to expend, draw down and close out DHS/FEMA grant funding by the dates outlined below. If those funds have not been spent by the dates outlined below, DHS/ FEMA will reclaim them to the extent permitted by law.

- All FY 2007 grant funding must be spent by June 30, 2012
- All FY 2008 and 2009 grant funding must be spent by September 30, 2012
- All FY 2010 funding must be spent by September 30, 2013
- All FY 2011 and FY 2012 funding must be spent by the end date cited on the award agreement.

The periods of performance outlined above support the effort to expedite the outlay of grant funding and provide economic stimulus. Agencies should request waivers sparingly, and they will be granted only due to compelling legal, policy, or operational challenges.”

As mentioned above, there are a variety of factors contributing to unspent grant funds, several of which FEMA has addressed directly by reducing administrative requirements, streamlining the grant budget review process and simplifying the EHP Reviews. More broadly, preparedness grant programs have historically been authorized and appropriated by Congress to have up to a five year performance period. This has allowed grantees to apply for and be awarded funding, then follow their own internal processes and state/ local laws as they carry out grant-funded projects. In addition, the body of federal regulations imposed on grantees, including rules on the timing and frequency with which grant dollars can be drawn from the Treasury and pre-disbursement requirements such as environmental and historic reviews have impacted drawdown rates. State laws and regulations governing the allocation of federal grant dollars to state agencies, including those that impact procurement and hiring activities, also impact drawdowns. Often, agencies cannot enter into contracts until award or sub-awards are in hand. Once funds are in hand, contracting processes may take over a year and are subject to state/local procurement laws and local officials who approve budgets/projects and meet infrequently. Other factors that impact drawdown rates include cost share requirements, understaffed state administrative agencies due to layoffs or furloughs, and grantees unfamiliar with the federal grants process.

## Managing Grant Closeouts

GPD has also evaluated ways to improve the grants management closeout process to expedite the financial and programmatic closeout of open, expired grants. As such, in January of 2011, GPD developed the Grant Closeout Task Force specifically designed to provide closeout support for FEMA's grant programs.

To that end, GPD evaluated FEMA's universe of open and closed grants, conducted a current state assessment of the grant closeout process, coordinated and communicated with related stakeholders on process improvements, identified improvement recommendations, and developed and implemented a closeout manual detailing each step of the process and to enhance standardization.

GPD initially focused its efforts on grants awarded in fiscal year 2005 and prior, and within the first three months, GPD effectively closed out 588 out of 611 grants resulting in \$3.2 million in deobligated funding. To date, GPD has successfully closed out approximately 8,000 grants out of 14,000 dating back as far as 1997 due to the creation of the Grant Closeout Task Force. Moving forward, GPD is currently concentrating its closeout efforts on financially and programmatically closing out fiscal year 2007 grants, in conjunction with eligible fiscal year 2008 – 2010 grants.

GPD has taken a pro-active approach to ensuring all current and future grants are programmatically and financially closed in a timely manner. To sustain and maintain continued progress on this effort, GPD has implemented the following action items:

- Implemented a tracking system designed to identify grants nearing closeout within a 30 day period
- Developed a closeout guide defining roles, responsibilities, and processes for stakeholders
- Identified alternate closeout methods to address system closeout limitations
- Established weekly benchmarks based on closeout needs and priority

## Financial and Programmatic Monitoring

FEMA launched a long-term solution to enhance financial and programmatic monitoring. This approach implements risk management principles to direct scarce monitoring resources to grantees and programs with the most need. As part of a multi-year process, FEMA has standardized financial and programmatic monitoring activities and expanded ongoing oversight activities to ensure early identification of issues. This methodology builds upon the established monitoring approach and will drive FEMA toward continuously advancing its grants management capability.

The fiscal year 2012 approach lays the foundation for future financial risk-based monitoring that will support FEMA's and DHS's risk management philosophy. We assess the monitoring needs of each grant selected for monitoring using eight key indicators:

- 1) Spending patterns
- 2) Grant dollar value
- 3) Grantee responsiveness
- 4) New FEMA grantee/grantee with new personnel
- 5) Number of grants managed by grantee
- 6) Prior financial monitoring findings
- 7) Program type
- 8) Priority areas as determined by me and my leadership team

As a result of these efforts over the past two and a half years, GPD is making significant improvements to its grant monitoring activities with the annual development and implementation of its fiscal year monitoring plans.

In fiscal year 2012, we will continue to refine this risk-based monitoring approach. GPD also will begin focusing its efforts on the development of a unified financial and programmatic monitoring plan for fiscal year 2013. This plan will leverage existing relationships and monitoring activities between GPD's financial and programmatic divisions. The purpose of this integrated monitoring plan will be to encourage and promote the coordination of activities and communications between financial and programmatic monitoring staff, and build the foundation for robust integration in fiscal year 2014.

The development of a more closely integrated financial and programmatic monitoring approach is currently underway and identifies the following key initiatives and outcomes:

- Providing a unified source of guidance to conduct financial and programmatic monitoring activities
- Encouraging communication and coordination among financial and programmatic monitoring counterparts
- Supporting informed decision making through the use of a risk-based approach

### Regional Coordination Efforts

Over the past two and a half years, GPD has made significant strides in strengthening capacity in FEMA's regional offices to play a more constructive role in managing grants. Sparked by the new strategic direction set forth by FEMAGPD recognized the importance of increased regional grants collaboration and management as an integral step towards building a robust grants management structure across FEMA. To manage and facilitate this new way forward, GPD established the Regional Coordination and Oversight Branch to provide oversight over the business grants management and program implementation efforts for all FEMA grant programs, such as financial monitoring and compliance oversight and cash analysis. Leveraging this resource, GPD has effectively managed processes and procedures to promote accountability, improved management controls over grants management business functions, and streamlined and standardized monitoring and cash analysis activities.

GPD has developed and implemented a series of initiatives to improve our coordination and communication efforts across FEMA. The most significant of which include the following:

- Transferring full grants management responsibility to the regional offices for six FEMA preparedness grant programs with associated guidance, tools, and operating procedures
- Conducting onsite regional grant business management assessment visits with all ten FEMA regional offices to collect feedback and observations on FEMA operations
- Developing annual financial monitoring plans through various working groups and discussions
- Hosting and facilitating monthly conference calls to discuss financial and programmatic grant related issues and topics
- Implementing a formalized communications and outreach plan to improve customer service to regional partners

Due to the diversity of FEMA's grant programs and the importance of establishing consistencies and financial controls, it remains a critical priority for GPD to monitor the process of regional grants management efforts. Through ongoing outreach activities, including discussions with FEMA Regional Administrators, GPD continues to explore new opportunities for future improvements and collaboration efforts.

## Enhancing Infrastructure

To further enhance the grants management infrastructure of FEMA's preparedness grant programs, GPD developed and implemented the Non-Disaster Grants Management System (ND Grants). This system, which is used to manage approximately 20 preparedness grant programs, began accepting grant applications in fiscal year 2011. GPD has identified system improvements and capabilities that support the consolidation for all of FEMA's non-disaster grant programs into one system that covers the entire grants management lifecycle. Expansion of ND Grants and its improved functionality will provide FEMA with a flexible system that can quickly adapt to changing business needs, reporting requirements, and performance metrics. Once fully deployed, ND Grants will accomplish the following:

- Support the entire grants management life cycle from application to closeout
- Provide real time acknowledgement of information as well as notify FEMA employees and grantees of pending actions
- Offer integrated reporting that effectively measures award outlays and demonstrates how awards impact the overall preparedness of the nation
- Provide a user friendly interface that clearly highlights pending actions to be completed
- Automate and standardize processes to manage the entire grants management lifecycle
- Collect grant data in a structured, searchable format allowing data manipulation and customization for preparation, analysis, and reporting
- Complete the automation of FEMA's Mitigation Directorate's grants

## Formalizing Relationships with Federal Agency Partners

GPD has the programmatic, financial and fiduciary responsibility for the management and oversight of FEMA's grant programs. Working in partnership with a number of Federal agencies, GPD draws on those agencies' expertise and resources in the development and administration of individual Homeland Security Grant Programs. For example, GPD has partnered with the U.S. Coast Guard in the development and administration of PSGP. Similarly, it has partnered with the Transportation Security Administration in the development and administration of TSGP and with Customs and Border Protection in the development and administration of OPSG. Furthermore, GPD participates in the Emergency Communications Preparedness Center (ECPC) Grants Focus Group (GFG), which is an interagency coordinating body of Federal grants administrators whose programs support emergency communications. Through the GFG, GPD has worked with its Federal partners to develop common guidance for these programs, encouraging alignment of programs to national goals, objectives, and priorities, as well as technical standards that promote interoperability.

In order to formalize GPD's relationships with its partner agencies and ensure ongoing stability, GPD has eight (8) MOUs in place with the Department of Homeland Security's Office of Policy, Screening Coordination Office, the Department of Homeland Security's Office of Infrastructure Protection, the Department of Health and Human Services, the Department of Transportation, the Transportation Security Administration, the Department of Homeland Security's Office of Health Affairs, FEMA's Office of Environmental Planning and Historic Preservation, and the Department of Commerce's National Telecommunication and Information Administration.

## Engaging Stakeholders

GPD's partners in the development and administration of the preparedness grant programs are the grantees, and more broadly the stakeholder community. These are the Nation's governors, mayors, tribal leaders, emergency managers, port and transit stakeholders, the law enforcement and fire service communities, and others connected to the Nation's overall preparedness and ability to respond to threats and hazards and who receive homeland security grant funds.

Recognizing that its success is linked to the success of its grantees, GPD has prioritized efforts to reach out to the stakeholder community, listen to their concerns and be responsive to their needs. GPD has actively sought opportunities to address and engage stakeholders at conferences and other formal meetings including, but not limited to, the National Emergency Management Association (NEMA), the International Association of Emergency Managers (IAEM), the National Conference of Mayors, the National Association of Counties, the Urban Areas Security Initiative (UASI) Conference, and the Emergency Communications Planning Consortium (ECPC). GPD leadership meet regularly with State and local leaders including governors, mayors, State and local legislators, representatives of transit and port systems as well as others from the emergency response community. In addition, GPD is making use of emerging technologies to solicit comments and feedback from the public and stakeholders regarding the development of the proposed fiscal year 2013 National Preparedness Grant Program.

## The FY 2013 National Preparedness Grant Program

As we look ahead, and in order to address evolving threats and make the most of limited resources, the Administration proposed a new vision for homeland security grants in the FY 2013 President's budget. The Administration's proposal focuses on building and sustaining core capabilities associated with the five mission areas within the National Preparedness Goal (NPG), helping to elevate nationwide preparedness.

This proposal reflects the many lessons we have learned in grants management and execution over the past ten years. Using a competitive, risk-based model, the proposal envisions a comprehensive process to assess gaps, identify and prioritize deployable capabilities, limit periods of performance to put funding to work quickly, and require grantees to regularly report progress in the acquisition and development of these capabilities. The Administration looks forward to working with Congress and stakeholders on this proposal to enable all levels of government to build and sustain, in a collaborative way, the core capabilities necessary to prepare for incidents that pose the greatest risk to the security of the Nation.

## Conclusion

Over the last several years, FEMA has strived to improve how preparedness grants are managed and administered fiscally and programmatically. I believe we have made significant improvements in this area and will continue to do so moving forward.

Thank you, Mr. Chairman, for providing me this opportunity to appear before you today to discuss these important issues. I look forward to answering any questions you or other members of the Committee may have.