

**DEPARTMENT OF HOMELAND SECURITY**  
**Office of Inspector General**

**The State of New Jersey's Management  
of State Homeland Security Grants  
Awarded During Fiscal Years 2002  
through 2004**





Homeland  
Security

July 12, 2007

Preface

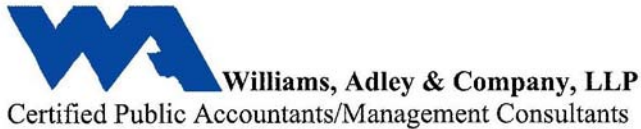
The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports published as part of our DHS oversight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

The attached report presents the results of the audit of the State of New Jersey's management of State Homeland Security Grants awarded during Fiscal Years 2002 through 2004. We contracted with the independent public accounting firm of Williams, Adley & Company, LLP to perform the audit. The contract required that Williams, Adley & Company, LLP perform its audit according to generally accepted government auditing standards and guidance from the Office of Management and Budget and the Government Accountability Office. Williams, Adley & Company, LLP reported that the State (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) generally spent funds in accordance with grant requirements. This report identified three areas where the State of New Jersey's management of the grant funds could be improved. Specifically, the State needs to ensure that (1) expenditures are properly supported with adequate documentation and funds amounting to \$247,199 in unsupported expenditures are returned to DHS, (2) progress reports are submitted and retained, and (3) financial status reports are submitted timely. Williams, Adley & Company, LLP is responsible for the attached auditor's report dated May 14, 2007, and the conclusions expressed in the report.

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. It is our hope that 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 "Richard L. Skinner".

Richard L. Skinner  
Inspector General



May 14, 2007

Mr. James L. Taylor  
Deputy Inspector General  
Office of Inspector General  
Department of Homeland Security  
245 Murray Drive, SW Bldg. 410  
Washington, DC 20528

Dear Mr. Taylor:

Williams, Adley & Company, LLP performed an audit of the State of New Jersey's management of the Department of Homeland Security, State Homeland Security Grants for Fiscal Years 2002 through 2004. The audit was performed in accordance with our Task Order TPD-ARC-06-K-00210 dated May 17, 2006.

This report presents the results of the audit and includes recommendations to help improve the State's management of the audited State Homeland Security Grant Programs. These programs are commonly referred to as First Responder grant programs.

Our audit was conducted in accordance with the applicable *Government Auditing Standards*, 2003 revision. The audit was a performance audit as defined by Chapter 2 of the *Standards* and it included a review and report of program activities with a compliance element. Although the audit report comments on costs claimed by the State of New Jersey, we **did not perform** a financial audit, the purpose of which would be to render an opinion on the State of New Jersey's financial statements or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please call me at (202) 371-1397.

Sincerely,

A handwritten signature in cursive script that reads 'Charbet M. Duckett'.

Charbet M. Duckett, CPA  
Partner

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DHS	Department of Homeland Security
FY	Fiscal Year
OIG	Office of Inspector General

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## Executive Summary

Williams, Adley & Company, LLP completed an audit of the Department of Homeland Security's (DHS) State Homeland Security Grants awarded to the State of New Jersey. The objectives of the audit were to determine whether the State (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) spent funds in accordance with grant requirements. The goal of the audit was to identify problems and solutions that would help the State of New Jersey prepare for and respond to terrorist attacks. (See Appendix A for additional details on the objectives, scope, and methodology of this audit.)

The audit included a review of approximately \$115.3 million awarded by the DHS to the State of New Jersey from the fiscal year (FY) 2002 State Domestic Preparedness Program, the FY 2003 State Homeland Security Grant Program Parts I and II, and the FY 2004 State Homeland Security Grant Program. The Office of the Attorney General, within the Department of Law and Public Safety, managed the programs, commonly referred to as first responder grant programs. (See Appendix B for the Office of the Attorney General's Organization Chart.)

Although the scope of this audit included a review of costs claimed, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on the State of New Jersey's financial statements or the funds claimed in the Financial Status Reports submitted to DHS.

Overall, we found that the State (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) generally spent funds in accordance with grant requirements. However, we found the following exceptions that warrant attention. The body of this report provides detailed discussion of the following findings:

- Supporting documentation and accounting records were not retained for expenditures charged to federal funds totaling \$247,199. This resulted from extensive work by the State to provide sufficient supporting documentation for various expenditures, initially, totaling \$15.9 million. The grantee and subgrant recipients have inefficient internal controls over record retention and failed to adhere to the record-keeping and reporting requirements for the unsupported funds as defined in the Code of Federal Regulations Title 28 § 66.42, *Retention and access requirements for records*.

- The New Jersey Office of the Attorney General did not provide the Categorical Assistance Progress Report for 5 of 27 reporting periods for the FY 2003 grants.
- The Office of the Attorney General did not submit 12 of 46 required Financial Status Reports in a timely manner, within 45 days of the end of the quarter.

We recommend that the Deputy Administrator, National Preparedness Directorate within the Federal Emergency Management Agency require the New Jersey Office of the Attorney General to:

- return to DHS amounts related to the unsupported expenditures;
- evaluate its requirements for subgrant recipients to maintain adequate supporting documentation;
- take steps to ensure the record retention requirements are being followed and records are maintained at a centralized location;
- submit the five Categorical Assistance Progress Reports that were missing; and
- retain evidence that they are complying with the grant terms regarding Categorical Assistance Progress Reports.

We recommend that the Deputy Administrator, National Preparedness Directorate within the Federal Emergency Management Agency strongly encourage the Office of the Attorney General to finalize and implement the written procedures related to the Financial Status Reports to ensure that the reports are submitted timely in the future.

The details of the findings, as well as recommendations, are described in the *Results of Audit* section of the report.

The National Preparedness Directorate officials within the Federal Emergency Management Agency and the State of New Jersey officials provided verbal concurrences with the recommendations contained in this report at their exit conference on April 16, 2007 and April 18, 2007, respectively. Additionally, the State provided a written response to the recommendations on April 20, 2007. See the full body of their response in Appendix C. The National Preparedness Directorate will provide corrective actions and a plan to implement those corrective actions within 90 days.

While this report addresses the State of New Jersey's management of the grant programs listed above, we also identified potential opportunities for improved oversight by the National Preparedness Directorate staff. These opportunities will be considered by the Office of Inspector General (OIG) for reporting under separate cover when the results of other state audits are available.

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## Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security, National Preparedness Directorate within the Federal Emergency Management Agency. The current National Preparedness Directorate, hereafter referred to as DHS, began with the Office of Domestic Preparedness which transferred from the Department of Justice to DHS in March 2003, and subsequently consolidated into the Office of State and Local Government Coordination and Preparedness which, in part, became the Office of Grants and Training. Although the function transferred to DHS, applicable Department of Justice grant regulations and legacy systems are still used as needed to administer the program. For example, the State enters payment data into the Office of Justice Programs Phone Activated Paperless Request System, a drawdown payment system.

The DHS is responsible for enhancing the capabilities of state and local jurisdictions to respond to, and mitigate the consequences of, incidents of domestic terrorism. The DHS provides grant funds to aid public safety personnel (e.g., first responders) acquiring specialized training, exercises and equipment necessary to safely respond to and manage terrorist incidents involving chemical, biological, radiological, nuclear or explosive weapons, including weapons of mass destruction. First responders include firefighters, police, paramedics, and others. The grants are collectively referred to as “first responder” grants. These types of grants within the Homeland Security Grant Program provide federal funding to help states and local agencies enhance their capabilities to prevent, deter, respond to, and recover from threats or acts of terrorism.

State governors appoint a State Administrative Agency responsible for managing and administering homeland security grant funds according to established federal guidelines. The State Administrative Agency also serves as the pass-through entity for funds sub-granted to local, regional, or other state government agencies. The governor of New Jersey designated the Office of the Attorney General within the Department of Law and Public Safety to serve as the State Administrative Agency.

The State of New Jersey received approximately \$115.3 million in funds from the Homeland Security Grant Program during FYs 2002 through 2004. During the period FYs 2002 through 2004 sub-grants were awarded to approximately 45 state agencies, local agencies, and first responder agencies. The Homeland Security Grant Program encompasses several different federal grant programs, including the State Domestic Preparedness Program and the

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State Homeland Security Grant Program. The first responder grants are described in the following paragraphs.

### **First Responder Grant Programs**

**The FY 2002 State Domestic Preparedness Program** grants provided financial assistance to each of the nation's states, including U.S. Territories, the District of Columbia and the Commonwealth of Puerto Rico. This financial assistance was provided for the purchase of specialized equipment to enhance the capability of state and local agencies to respond to incidents of terrorism involving the use of weapons of mass destruction; for the protection of critical infrastructure; for costs related to the design, development, conduct and evaluation of weapons of mass destruction exercises; and for administrative costs associated with the implementation of the statewide domestic preparedness strategies.

**FY 2003 State Homeland Security Grant Program Part I** funding 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) costs related to the design, development, conduct, and evaluation for chemical, biological, radiological, nuclear, or explosive exercises; (4) costs related to the design, development, and conduct of state chemical, biological, radiological, nuclear, or explosive training programs; and, (5) costs associated with updating and implementing each state's homeland security strategy. States allocated these grant funds in accordance with their approved homeland security strategies.

**FY 2003 State Homeland Security Grant Program Part II** provided supplemental funding available through FY 2003 for the State Homeland Security Grant Program to enhance first responder preparedness. The State Homeland Security Grant Program Part II funds were also available to mitigate the costs of enhanced security at critical infrastructure facilities during the period of hostilities with Iraq and future periods of heightened threat.

**The FY 2004 State Homeland Security Grant Program** provided funding for specialized equipment, exercises, training, and planning costs associated with updating and implementing each state's homeland security strategy.



## Grant Funding

The State of New Jersey received approximately \$115.3 million in funds from the Homeland Security Grants Program during FYs 2002 through 2004. See Table 1 for a breakdown by year and funded activity. The awards were allocated to various state agencies, counties, regions, and first responder agencies. The available funding in FY 2002 was used to purchase specialized equipment. In FY 2003 and FY 2004, the State of New Jersey used grant funds for specialized emergency response equipment, training, exercise activities, and planning and administration. Also, in FY 2004, the State focused on security enhancements designed to prevent, detect, and interdict terrorist attacks and to improve responses. The enhancements included security and surveillance, improved communications, a statewide program to detect and defuse explosives, expansion of the Statewide Intelligence Management System, an E-learning network for training, and a Community Emergency Response Team program.

**Table 1**  
**New Jersey Homeland Security Grants Awards**  
**FYs 2002 through 2004**

Funded Activity	Grant Program ('000s)				Totals
	2002 State Domestic Preparedness Program	2003 State Homeland Security Grant Program, Part I	2003 State Homeland Security Grant Program, Part II	2004 State Homeland Security Grant Program	
Equipment	\$7,397	\$9,980	\$32,648	\$42,067	\$92,092
Exercise	352	2,495	N/A	N/A	2,847
Training	N/A	749	N/A	N/A	749
Administration	199	998	N/A	N/A	1,197
Critical Infrastructure	N/A	N/A	5,023	N/A	5,023
Law Enforcement Terrorism Protection	N/A	N/A	N/A	12,483	12,483
Citizens Corps	N/A	N/A	N/A	874	874
<b>TOTALS</b>	<b>\$7,948</b>	<b>\$14,222</b>	<b>\$37,671</b>	<b>\$55,424</b>	<b>\$115,265</b>

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## **State Administrative Agency**

The Office of the Governor, which has the overall responsibility for emergency management in New Jersey, has taken a proactive and engaged approach to protecting New Jersey's citizens, communities and critical facilities, according to the New Jersey Domestic Security Task Force's 2004/2005 Annual Report. The members of the State Legislature have also sustained New Jersey's counter-terrorism and homeland security efforts by authorizing spending of over \$248 million in state funds for homeland security efforts from FYs 2002 through 2004.

In 1999, the Governor established the New Jersey Domestic Preparedness Planning and Coordination Group to assess New Jersey's capabilities and to plan a coordinated response to domestic terrorist acts. In October 2001, less than a month after the terrorist attacks of September 11, 2001, New Jersey statutorily created the Domestic Security Preparedness Task Force (The Task Force), a cabinet level body. The Task Force is responsible for the development of an effective homeland security policy and coordination effort. The Task Force's activities are designed to reinforce and expand New Jersey's existing antiterrorism efforts by enhancing and integrating security, planning and preparedness measures throughout the State. By establishing a joint effort among government agencies at all levels (state, local and federal) and New Jersey's private sector, the Task Force fosters greater unity in coordinating the State's domestic security preparedness and planning.

The Task Force was chaired by the Attorney General who was appointed by the Governor according to the New Jersey Domestic Security Preparedness Act of 2001. Under Executive Order 5 issued by the Governor in March 2006, the Task Force, among other improvements, became part of the Office of Homeland Security and Preparedness and is now chaired by the Director of the Office of Homeland Security and Preparedness.

The Governor initially designated the Office of the Attorney General within the Department of Law and Public Safety to serve as the State Administrative Agency. The Office of the Attorney General working in conjunction with the Division of State Police and the Office of Homeland Security and Preparedness is responsible for programmatic, financial, and administrative aspects of the federal funding. The Office of the Attorney General with the support of the Task Force, the New Jersey Office of Counter Terrorism, the New Jersey Division of State Police, and the County Working Groups has worked cooperatively towards the development of the State of New Jersey homeland security strategy. The strategy documents prepared cooperatively by these groups recognize the need for New Jersey to have statewide and

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regional solutions based upon risks and potential vulnerabilities to people and critical infrastructure. The funding strategies were developed by the Task Force under the supervision of the Office of the Attorney General's Grants Management Office.

The Office of the Attorney General, the Division of State Police, and the Office of Homeland Security and Preparedness have 15 people supporting the first responder's grants. These people include grant coordinators, analysts, and program and finance personnel. Also, the Office of the Attorney General uses 10 auditors and field liaisons to perform monitoring activities.

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## Results of Audit

Since 1999, the New Jersey Governor has established a positive tone from the top by creating the New Jersey Domestic Preparedness Planning and Coordination Group and advocating the cabinet-level Task Force in October 2001. The Governor and State-elected officials have provided state funds of approximately \$248 million from FYs 2002 through 2004 and have continually requested federal funding to ensure that New Jersey which is densely populated with people and critical infrastructure receives funding commensurate with the risks it faces. The Governor tasked the Office of the Attorney General with the responsibility for the grants received from DHS.

The objectives of the audit were to determine whether the State of New Jersey (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) generally spent funds in accordance with grant requirements.

In determining whether the State of New Jersey had effectively and efficiently implemented the first responder grant programs, we answered the following researchable questions:

- Did the State use reasonable methodologies for assessing threat, vulnerability, capability, and prioritized needs?

Yes, the State of New Jersey did use reasonable methodologies for assessing threats, vulnerability, capability, and prioritized needs. Overall, the Office of the Attorney General with the support of the New Jersey Domestic Security Preparedness Task Force (the Task Force), the New Jersey Office of Counter Terrorism, the New Jersey Division of State Police, and the County Working Groups have worked cooperatively towards the development and implementation of the statewide strategies in FYs 2001 and 2003. In the development of the strategies they have recognized and incorporated the skills and resources of the New Jersey citizens, private business and industry, local communities, counties, and the state and federal government.

We noted that the Task Force used jurisdictional threat assessments, intelligence reports, infrastructure specialists, and the County Working Groups to determine the key facilities/infrastructure, current capabilities, skills, and experiences, vulnerabilities, and prioritized needs. The process for compiling the assessment and strategies involved building on existing response capacities; purchasing personal protection equipment; identifying critical infrastructure; developing best practices; developing a “follow the

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hazards” approach; instituting regional planning; and facilitating, developing and coordinating statewide training/exercise.

Specifically, in FY 2002 the State strategically distributed equipment grant funds based on a pattern of needs, vulnerability, threat and regional familiarity. The first responders agencies were selected for FY 2002 funds based on a scoring criteria established by the State to prioritize needs. The scoring criteria involved an assessment of first responders’ and state agencies’ existing response roles, organizational capabilities, suspected/actual weapons of mass destruction responses, current capabilities and expertise in related areas, and their ability to support local agencies in an emergency. Thus, there was a correlation between the implemented strategy and the allocations provided by the State to the organizations and areas of greatest need.

In FYs 2003 and 2004, each County Working Group developed a spending plan that was factored into the State’s overall grant submission strategy. More specifically, in the spending plans, projects related to management and administrative costs; target hardening/physical security initiative; buffer zone protection initiative; basic personal protection; training and exercise programs; follow the hazards; domestic preparedness planner; critical infrastructure planner; and equipment tie back to the priorities established based on needs assessments performed by the County Working Groups and the Task Force.

- Did the State appropriately allocate funding based on threats, vulnerabilities, capabilities, and priorities?

Yes, the State of New Jersey appropriately allocated their funding. We recalculated without exception the allocations for FYs 2002 through 2004 to ensure that the allocations were in accordance with the grant program. From the initial allocations given from FY 2002 program funds, the State has based the funding provided on risks, threats, and prioritized needs. In FY 2002, the State strategically distributed equipment grant funds based on a pattern of needs, vulnerability, threat and regional familiarity. The first responder agencies were selected for FY 2002 funding based on a scoring criteria established by the State. Thus a correlation existed between the strategy and the spending plans. In FY 2003 and FY 2004, each County Working Group and state agency developed a spending plan that was factored into the State’s overall grant submission strategy. The allocations included several regional and state initiatives related to enhanced information technology capabilities including databases for training and exercises.

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- Are the State's procurement methodologies (centralized, local, or combination) reasonable and in conformance with its homeland security strategies?

Yes, currently, the State of New Jersey's procurement methodologies are reasonable and in conformance with its homeland security strategies. The procurement methodologies were primarily localized with limited regional procurement in the FY 2004 grant program. With the FY 2002 grant program, local jurisdictions experienced snags and delays in procurement due to their multilevel approval processes and financing. According to local officials interviewed, some counties faced challenges because the procurement timeframe placed an administrative and financial burden on the local jurisdictions. For example, the less affluent counties had to borrow money to purchase homeland security equipment because the homeland security grant programs are administered on a reimbursement basis. However, in FY 2004, the Governor tasked the Attorney General and the State Treasurer to recommend steps and facilitate cooperation between the State and local agencies to ensure that the municipal reimbursement process worked efficiently and effectively and to promote local awareness of procurement options. Beginning in FY 2004 the local jurisdictions were able to use various procurement options to expedite their spending plan via local, state or federal vendors. Also, in 2004, several local jurisdictions unified to purchase software and hardware through the Division of State Police.

- Is the time it takes the State to get funds/equipment to first responders (from the time the funds/equipment were available to the State until they were disbursed/provided to the jurisdiction) reasonable, and if not, what caused the delays?

The time it took for the State of New Jersey to provide obligation authority to the local jurisdictions has improved steadily over the years from FYs 2002 through 2004. The State reimburses local jurisdictions for the equipment, training, and other purchases and thus no funds are disbursed in advance. We documented certain events for each program grant cycle that revealed it took the State of New Jersey 199 days to obligate the FY 2002 grant funds to local jurisdictions/first responder agencies. No timeline for obligation to local jurisdictions had been established for the FY 2002 grant funds. In FY 2002, the State took longer than in later years because they requested applications from local jurisdictions/first responder agencies and issued awards based on a criteria-based assessment. The State obligated the FY 2003 Part I funds to the local jurisdiction/first responders agencies in 45 days, as required by

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the program guidelines. The State obligated the FY 2003 Part II grant funds to local jurisdictions/first responder agencies in 12 days, exceeding the 45 day requirement. The State obligated the FY 2004 first responder grant funds to local jurisdiction/first responder agencies in 56 days, within the 60 days required. During FY 2004, in order to improve processing, the State held a statewide conference in which procurement, drawdown, and reimbursement procedures were explained.

In determining whether the State of New Jersey achieved the goals of the program, we answered the following researchable question:

- Has the State developed and implemented plans to measure improvements in preparedness as a result of the grants and have such measurement efforts been effective?

Yes, the State of New Jersey has developed and implemented plans to measure improvements in preparedness. We believe these measures to be effective because they provide the State with programmatic and financial status, and areas of strength and weakness for use in corrective actions. Intrinsic in each strategy are methods that the State employs to measure improved preparedness. The methods employed are varied and include, but are not limited to, Comprehensive Reviews of Critical Infrastructure, After Action Reports, workshops, spending plan spreadsheets, Domestic Security Exercise Support Team, and County Working Groups. The State implemented most of these methods in calendar year 2003.

The State measures improvements in preparedness by conducting Comprehensive Reviews of Critical Infrastructure. Also, using the results of its various data gatherings, the Task Force issues an annual report that details how the federal and state funding is used and the effect on New Jersey's preparedness. The Task Force is required by state law to provide a report to the State Senate and Assembly; and the oversight committees. The Task Force also chose to provide a portion to the public. We reviewed the publicized annual reports for FYs 2003 and 2004/2005. We noted that the annual reports are comprehensive and cover the Task Force funding, critical infrastructure, health emergency response, law enforcement response, information sharing and outreach, technology, training, exercises, and emergency response. As a result of exercises performed, critical infrastructure assessments, and Task Force and County Working Group meetings, the reports document several strategies for enhancing preparedness. For example, the strategies involve new legislation, new task forces, 16 Best Practices documents for private industry sectors and associated progress reports on implementation, and a

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revised Task Force Plan of Operation. In the FY 2004/2005 annual report, the Task Force discussed their reassessment of the state efforts and their alignment with the federal mandates.

We reviewed a sample of After-Action Reports prepared by the Domestic Security Exercise Support Team. The Team was organized by the Task Force in April 2003, to coordinate exercises statewide at all levels of government and between government entities and the private sector. The After-Action Report includes an Improvement Action Plan that collects the lessons learned during the exercise and transforms them into corrective actions. The After-Action Report is the tool used to provide feedback to participating jurisdictions on their performance during the exercise and provides the State with information needed to assess the States' preparedness. The State believes these reports to be effective because organizations make corrective actions and shared reports are used by other counties. We believe that the reports are comprehensive and provide reasonable corrective actions and timeframes. As evidenced by the affirmative responses of the first responder agencies to our questions on improved preparedness, as illustrated in the evolution of their strategy, and the progress from FYs 2003 through 2005, the State's efforts to measure improved preparedness appeared to be effective.

Additionally, in April 2005, state officials and representative from each of the 21 counties were trained on how to measure preparedness improvements as a result of a sponsored strategic planning workshop. Also, the State uses the spending plan spreadsheets for justification and evaluates operational usage of equipment to gauge success and measure its progress with goals and objectives identified in the strategy.

In determining whether the State of New Jersey spent funds in accordance with the grant requirements, we answered the following researchable questions:

- Does the State Administrative Agency have procedures in place to monitor the funds and activities at the local level to ensure that grant funds are spent according to grant requirements and State-established priorities? Have these monitoring procedures been implemented and are they effective?

Yes, the State of New Jersey has implemented effective monitoring and oversight procedures for the local jurisdictions. The State has a written plan for oversight and monitoring. They use a combination of monthly reporting from each county and site visits. Also, as part of the monitoring



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performed of subrecipients, reimbursement requests from the local jurisdictions are reviewed and approved by the Division of State Police. We obtained and reviewed the State's written plan and procedures. We reviewed a sample of the monthly reports and determined that they could be used to monitor spending, evaluate and monitor subgrantee performance, and measure the effectiveness of the grant programs.

In addition, during FY 2003, the Office of the Attorney General assigned financial and program staff from the Division of State Police Office of Emergency Management to periodically conduct site visits to subgrantees, in order to evaluate procurement and grant performance. These visits also include assessing the operations and equipment purchased. The site visits resulted in reports provided to the Office of the Attorney General and shared with the Task Force. Based on our review of the oversight report for Gloucester County, for example, the site visit is very comprehensive and covers financial and performance progress.

- Did the State comply with cash management requirements and DHS' financial and status reporting requirements for the grant programs and did local jurisdictions spend grant funds advanced by the State in a timely manner and, if not, what caused the delays?

The State of New Jersey is on a reimbursement basis with DHS and with its subgrantees. Therefore, no local jurisdictions received advances. The State did not fully comply with the timeliness requirements for financial and program status. We verified that all amounts reported on the Financial Status Reports matched the Office of Justice Programs Phone Activated Paperless Request System and the State of New Jersey's accounting system. However, the Financial Status Reports were not submitted in a timely manner for 12 out of 46 periods. The lateness ranged from 8 to 316 days. See further details of the finding and recommendation beginning on page 20.

The Categorical Assistance Progress Reports were prepared and submitted timely except for 5 of 27 reporting periods. We requested the reports; however, the state grant coordinators were unable to locate the reports. Subsequent to our fieldwork, the state officials concluded that the reports were not submitted. The DHS Preparedness Officer said that currently DHS relies on the Biannual Strategy Implementation Report to report progress for program years 2004 and later. The Biannual Strategy Implementation Report's information is reported online by the grantee for program years 2004 and later. See further details of the finding and recommendations beginning on page 18.

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- Were grant funds used according to grant requirements and State-established priorities?

Generally, the State of New Jersey used the grant funds in accordance with the grant requirements and the established priorities except for \$247,199 in unsupported expenditures. We conducted site visits to 16 state and local agency subgrant recipients and four first responder agencies subgrant recipients in five regions. We interviewed the Office of Emergency Management personnel and fiscal agents. We reviewed supporting documentation at the subgrant recipient level for 35 subgrant awards totaling \$40.3 million. We determined that \$40.1 million was spent according to the provisions of the program guidelines. The State spent the grant funds for various types of training, information technology resources, personnel, and equipment for various organizations including, but not limited to, bomb squads, emergency management services, and police. The purchased equipment tested appeared to be used for the purposes intended. However, our audit identified \$247,199 in questioned costs (i.e., costs that lacked sufficient supporting documentation at the time of the audit) out of \$40.3 million sampled. The federal government could require the State to repay any monies not expended according to the grant requirements. Additionally, noncompliance could place future homeland security grant funds at risk. See further details of the finding and recommendations beginning on page 15.

- Are there best practices that can be identified and shared with other states and DHS?

We noted the following effective tools and practices that should be reviewed by the DHS for possible use by and sharing with other states.

The State of New Jersey's Governor, Attorney General, Congressional and State legislators, and Director of the Office of Homeland Security and Preparedness have set a positive tone at the top that emphasizes the importance of homeland security and coordination and collaboration between the various levels of government. Also, the establishment of the New Jersey Domestic Preparedness Task Force in 2001 as a state cabinet level agency with dedicated staff and the fact that the state has appropriated approximately \$248 million in state funding from FYs 2002 through 2004 also supports the positive tone at the top.

In the "Report from the Task Force on State and Local Homeland Security Funding" issued by the Homeland Security Advisory Council in June

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2004, the State of New Jersey was described as a national role model for implementing a strong support network when procuring and delivering emergency response equipment. The State of New Jersey, in conjunction with DHS, has modified their procurement practices to expedite the procurement of equipment and services. This modification allows the counties and other local jurisdictions to procure through established state and federal contracting vehicles, thereby streamlining the process.

Also, New Jersey monitoring and oversight program involves site visits and monthly reporting. The site review team included eight personnel from State Police Office of Emergency Management and two Office of the Attorney General personnel. The State Police personnel included four Field Review Liaisons and two auditors to conduct audits. Also, monthly reports from the county liaisons are used to monitor spending and program performance.

### **Findings**

Overall, based upon the testwork performed and the answers to the researchable questions, we found that the State (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) generally spent funds in accordance with grant requirements.

### **Supporting Documentation for Expenditures Charged to Federal Funds Was Inadequate**

The State did not have documentation to support expenditures totaling \$247,199. According to the state and local officials, the lack of supporting documentation was due in large part to the staff responsible for maintaining the grant files at that time are no longer employed with state/local jurisdictions and, therefore, documentation could not be located. Also, they cited the lack of centralization of records at the state level and the multiple spending points at the state level as contributing factors to their inability to locate supporting documentation when initially requested. The lack of supporting documentation increases the risk that improper expenditures could occur without detection.

The Office of the Attorney General, as the State Administrative Agency, is responsible for ensuring that adequate supporting documentation is retained for all federal grant expenditures incurred to document that the expenditure is appropriate, reasonable, and in compliance with purchasing policies.

As part of our testing, we selected a sample of subgrant awards for each grant year. We requested documentation such as vouchers, invoices, and receiving reports to substantiate the cost, use, and allowability of the expenditures. Initially, as of December 29, 2006, the Office of the Attorney General did not provide sufficient supporting documentation for various expenditures totaling \$15.9 million charged to the grants for FYs 2002 through 2004. Subsequent to our field visit in the intervening months, the Office of the Attorney General and the Department of State Police were able to locate sufficient supporting documentation for those transactions sampled except for transactions amounting to \$247,199. We question these expenditures. Table 2 below represents the summary of unsupported amounts.

**Table 2**

<b>Grant</b>	<b>Amount of Transactions Lacking Sufficient Supporting Documentation</b>	<b>Amount of Sample of Subgrant Awards Tested</b>	<b>Percentage of Sampled Transactions Amount Lacking Sufficient Supporting Documentation</b>
FY 2002 State Domestic Preparedness Program Grant	\$ 92,592	\$ 2,527,593	4%
FY 2004 State Homeland Security Grant Program	\$154,607	\$18,673,837	1%
Total	\$247,199	\$21,201,430	1%

The grant agreement requires the State Administrative Agency, the Office of the Attorney General, to comply with Code of Federal Regulations Title 28 Part 66. The Code of Federal Regulations Title 28 § 66.42, *Retention and access requirements for records* requires that all financial records, supporting documents, statistical records, and other records pertinent to an award must be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the last quarterly or annual financial report, as required. This requirement was also pushed down to the local jurisdiction through a similar grant agreement between the state and the local jurisdiction.

The subgrant recipient personnel and the Office of the Attorney General stated that they could not locate the supporting documentation for sample expenditures. The subgrant recipients' personnel currently responsible for the grant could not explain why supporting documentation for the selected grant expenditures were not in the grant files. They believed that the

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missing documentation resulted from employees that are no longer employed by the local organization. The Office of the Attorney General indicated that they would try to locate the documentation. Also, they cited the lack of centralization of records at the state level and the multiple spending points at the state level as contributing factors to their inability to locate supporting documentation when initially requested. The Office of the Attorney General and the Division of State Police provided us with sufficient documentation to mitigate the initial unsupported amounts subsequent to our site visit. The lack of supporting documentation increases the risk that improper expenditures could occur without detection.

The Office of the Attorney General's is ultimately responsible for the documentation as a result of its officials' acceptance of the grant and signature on the grant agreement. Therefore, the Office of Attorney General should retain all documentation and the local jurisdiction's files should provide backup documentation only.

**Recommendations:**

We recommend that the Deputy Administrator National Preparedness Directorate within the Federal Emergency Management Agency require the Office of the Attorney General to:

1. return to DHS amounts related to the unsupported expenditures.
2. evaluate its requirements for subgrant recipients to maintain adequate supporting documentation.
3. take steps to ensure the records retention requirements are being followed and records are maintained at a centralized location.

**Management Comments:**

We received verbal concurrences on the recommendations from the National Preparedness Directorate officials and the State of New Jersey officials. Additionally, the State of New Jersey has commented that rarely did supporting documentation not exist. The State submitted additional documentation as of April 20, 2007, that supports most expenditure. The State concurs that there are a limited amount of expenditures for which the supporting documentations cannot be found. Also, the State has implemented an automated web-based Grants Tracking System beginning with the FY 2005 Homeland Security Grant Program that tracks all subawards for the entire life cycle. The New Jersey Office of Homeland

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Security and Preparedness, the State Administrative Agency since June 29, 2006, will receive copies of invoices and proof of payments.

The National Preparedness Directorate will provide corrective actions for the three recommendations and a plan to implement those corrective actions within 90 days.

**Auditor Analysis:**

We believe that the State of New Jersey has addressed the recommendations adequately except for the return to DHS of unsupported amounts and the centralization of supporting documentation. In the exit conference the State officials verbally agreed to the recommendations but these areas are not included specifically in writing in the attached response.

The National Preparedness Directorate needs to provide corrective actions for each recommendation and a plan to implement those actions within 90 days.

**Categorical Assistance Progress Reports Were Not Submitted**

The New Jersey Office of the Attorney General did not provide the Categorical Assistance Progress Report for 5 of 27 reporting periods for the FY 2003 grants. The non-filing of the Categorical Assistance Progress Reports represents a noncompliance with the grant agreement requirement for periodic progress reporting. Although, the missing Categorical Assistance Progress Reports do not prevent drawdowns by the grantee as originally required, DHS will not allow a grant to be closed if the grantee has not submitted a Categorical Assistance Progress Report for each required period over the life of the grant.

Grantees are required to submit a Categorical Assistance Progress Report on a semi-annual basis for the life of the grant as stated in the instructions to the report. The semi-annual Categorical Assistance Progress Report is designed to provide DHS with information that it can use to monitor the implementation of the first responder grant. More specifically, the progress reports are supposed to describe in narrative fashion information relevant to the performance of a plan, program, or project.

We were unable to determine whether 5 of the 27 required Categorical Assistance Progress Reports were ever submitted and submitted timely for FY 2003 Part I and II grant programs for the reporting periods ending June

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2005 and December 2005, and for the period ending June 2006 for FY 2003 Part II only.

According to the Code of Federal Regulations Title 28 § 66.40 *Monitoring and reporting program performance*, grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. Quarterly or semi-annual reports are due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support.

The FY 2002, FY 2003 Part I and Part II, and FY 2004 grant agreements - special conditions require that “the recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the Office of Justice Programs Financial Guide.” Thus according to the grant agreements, the State of New Jersey was required to prepare Categorical Assistance Progress Reports per the FYs 2002 and 2005 Financial Guide Part III: Chapter 11. The Chapter 11 Reporting Requirements–Program Reports- (5) Categorical Assistance Progress Report requires that “this report is prepared twice a year and is used to describe the performance of activities or the accomplishment of objectives as set forth in the approved award application.” Also, as required in the section-Reporting Period: “Progress reports must be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31 for the life of the award. The awarding agency may opt, by special condition to the award, to combine the first report into the subsequent reporting period. For example, if the begin date on the award is June 1, the awarding agency may opt to receive the first report 30 days after the December 31 reporting period.” Also, the final report is due 120 days after the end of the performance period.

The Office of the Attorney General was unable to locate the Categorical Assistance Progress Reports listed above. They believe that the reports were not submitted. The non-filing of the Categorical Assistance Progress Reports is a violation of the grant agreement. In 2004, DHS stopped using the Categorical Assistance Progress Report to monitor grant program progress and implemented the Grants Reporting tool for program years 2004 and later. This monitoring tool required grantees to submit the Initial Spending Implementation Plan and the Biannual Strategy Implementation Report to monitor program process. Although, the untimely submission of the Categorical Assistance Progress Report does not prevent the grantee from drawing down federal funds, the grant can not be closed if the grantee has not submitted a Categorical Assistance Progress Report for each required period over the life of the grant.

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Beginning with the FY 2004 grants, the State of New Jersey used the Biannual Strategy Implementation Report to provide the DHS with the progress made by the State of New Jersey in meeting their strategic goals and objectives.

**Recommendations:**

We recommend that the Deputy Administrator National Preparedness Directorate within the Federal Emergency Management Agency require the Office of the Attorney General to:

1. submit the five Categorical Assistance Progress Reports that were missing.
2. ensure that in the future they retain evidence that they are complying with the grant terms regarding Categorical Assistance Progress Reports.

**Management Comments:**

The National Preparedness Directorate officials and the State of New Jersey officials have provided verbal concurrences to the recommendations. The State officials have agreed to implement a checklist beginning with FY 2008, starting July 1, 2007 that will be reviewed on a quarterly basis by a supervisor. See the complete State response in Appendix C.

The National Preparedness Directorate will provide corrective actions for the two recommendations and a plan to implement those corrective actions within 90 days.

**Auditor Analysis:**

We believed that the recommendations have been appropriately addressed going forward but they have not addressed in writing the submission of five late reports that need to be provided.

The National Preparedness Directorate needs to provide corrective actions for each recommendation and a plan to implement those actions within 90 days.

**Financial Status Reports Were Not Submitted Timely**

The Office of the Attorney General did not submit 12 of the 46 FYs 2002 through 2004 Financial Status Reports within the required 45 days after



the end of the quarter. We noted that the Office of the Attorney General did not establish written procedures with preparation and review timelines to ensure that the Financial Status Reports were submitted timely. As a result, the State's access to its awarded funding was delayed until the submissions of the Standard Form 269 reports were current.

For each of the periods of performance listed below, in Table 3, the Office of the Attorney General did not submit the Financial Status Reports within 45 days of the end of the quarter. For 12 of the 46 periods, the Office of the Attorney General did not submit its Financial Status Reports on time.

**Table 3**

Fiscal Year		Reporting Period			Due Date	Date Submitted	Days overdue
1	FY 2002	01/01/03	to	03/31/03	5/15/03	3/31/04	316
		10/01/03	to	12/31/03	2/14/04	6/17/04	123
		01/01/04	to	03/31/04	5/15/04	6/17/04	32
		10/01/04	to	12/31/04	2/14/05	5/2/05	78
2	FY 2003 Part 1	10/01/03	to	12/31/03	2/14/04	6/17/04	123
		01/01/04	to	03/31/04	5/15/04	6/17/04	32
		10/01/04	to	12/31/04	2/14/05	5/13/05	89
		01/01/05	to	03/31/05	5/15/05	5/23/05	8
3	FY 2003 Part 2	10/01/03	to	12/31/03	2/14/04	6/17/04	123
		01/01/04	to	03/31/04	5/15/04	6/17/04	32
		10/01/04	to	12/31/04	2/14/05	4/27/05	73
4	FY 2004	10/01/04	to	12/31/04	2/14/05	2/22/05	8

The State of New Jersey is drafting written financial status reporting procedures. The following is summarized from discussions with various State employees. New Jersey's Financial Status Report is prepared by the administrative analyst, Division of State Police's Grants Unit, on a quarterly basis. The figures reported on the Financial Status Reports are based on the actual expenditures for the quarter as acquired from the accounting system, the Certified Financial System. The Financial Status Report is forwarded to the fiscal control bureau chief, and program manager, in the Division of State Police, for review and approval. After approval, the administrative analyst enters the Financial Status Report information into the drawdown payment system, the Phone Activated Paperless Request System. Because the drawdown system will not allow a recipient to draw down funds when Financial Status Reports are outstanding, during the periods indicated in Table 3, the Office of the Attorney General was unable to receive reimbursement until the Financial Status Reports were submitted.

According to the Code of Federal Regulations Title 28 § 66.41(b) *Financial Status Report*, grantees will use Standard Form 269 or 269A,

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Financial Status Report, to report the status of funds for all non-construction grants and for construction grants when otherwise required. Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. The federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. Final reports will be due 90 days after the expiration or termination of grant support. The quarterly Financial Status Report is required by DHS to monitor the expenditures of the grantee's first responder grant funding.

Also, as stated in the FYs 2002, 2003, and 2004 State Domestic Preparedness Program, *Program Guidelines and Application Kits*, "Financial Status Reports (Standard Form 269A): Financial Status Reports are due within 45 days of the end of each calendar quarter. A report must be submitted for every quarter the award is active (including partial calendar quarters, as well as for periods where no grant activity occurs). The final financial report is due 120 days after the end date of the award period". We used the 45 days required by DHS in preparing Table 3.

The Office of the Attorney General did not establish written procedures with preparation and review timelines to ensure that the Financial Status Reports were submitted timely. This hampered DHS' ability to effectively and efficiently monitor the first responder grant expenditures for the State of New Jersey. Also, the State could not receive reimbursement for their expenditures until the Financial Status Reports were submitted. Therefore, reimbursement was delayed for 8 to 316 days.

**Recommendation:**

We recommend that the Deputy Administrator National Preparedness Directorate within the Federal Emergency Management Agency strongly encourage the Office of the Attorney General to finalize and implement the written procedures related to the Financial Status Reports to ensure that the reports will be submitted timely in the future.

**Management Comments:**

The National Preparedness Directorate officials and the State of New Jersey officials have provided a verbal concurrence to the recommendation. See the State's response in Appendix C.

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The National Preparedness Directorate will provide a corrective action for the recommendation and a plan to implement the corrective action within 90 days.

**Auditor Analysis:**

We believed that the recommendation has been appropriately addressed.

The National Preparedness Directorate needs to provide corrective actions for the recommendation and a plan to implement those actions within 90 days.

The **objectives** of the audit were to determine whether the State of New Jersey effectively and efficiently implemented the first responder grant programs, achieved the goals of the programs, and spent the funds awarded according to grant requirements. The goal of the audit was to identify problems and solutions that would help the State of New Jersey prepare for and respond to terrorist attacks.

The audit further enabled us to **answer** the following researchable questions:

- Did the State use reasonable methodologies for assessing threat, vulnerability, capability, and prioritized needs?
- Did the State appropriately allocate funding based on threats, vulnerabilities, capabilities, and priorities?
- Has the State developed and implemented plans to measure improvements in preparedness as a result of the grants and have such measurement efforts been effective?
- Are the State's procurement methodologies (centralized, local, or combination) reasonable and in conformance with its homeland security strategies?
- Does the State Administrative Agency have procedures in place to monitor the funds and activities at the local level to ensure that grant funds are spent according to grant requirements and State-established priorities?
- Did the State comply with cash management requirements and DHS' financial and status reporting requirements for the grant programs and did local jurisdictions spend grant funds advanced by the State in a timely manner and, if not, what caused the delays?
- Were grant funds used according to grant requirements and State-established priorities?
- Is the time it takes the State to get funds/equipment to first responders (from the time the funds/equipment were available to the State until they were disbursed/provided to the jurisdiction) reasonable (auditor judgment), and if not, what caused the delays?
- Are there best practices that can be identified and shared with other states and DHS'?

The **scope** of the audit included the following grant programs. These programs are described in the Background section of this report.

- FY 2002 State Domestic Preparedness Program
- FY 2003 State Homeland Security Grant Program Part I
- FY 2003 State Homeland Security Grant Program Part II
- FY 2004 State Homeland Security Grant Program

The audit **methodology** included work at DHS/National Preparedness Directorate within the Federal Emergency Management Agency Headquarters, the State of New Jersey's offices responsible for the management of the grants, and various subgrantee locations. In order to achieve our audit objective we analyzed data, reviewed documentation, and interviewed the key state and local officials directly involved in the management and administration of the State of New Jersey's Homeland Security Grant Programs. In addition, we spoke with officials at the DHS/National Preparedness Directorate within the Federal Emergency Management Agency. We conducted site visits and held discussions with appropriate state and local officials from six state agencies, ten counties across the state, and four first responder agencies in order to determine if program grant funds were expended in accordance with grant requirements and state-established priorities.

We conducted site visits at the following six state agencies.

- Division of State Police
- Department of Environmental Protection
- Department of Military and Veterans Affairs
- Department of Transportation
- Office of the Attorney General
- Department of Agriculture

We conducted site visits to 10 of the 21 counties in the State of New Jersey that cover the five New Jersey designated regions.

- Urban Area Security Initiative Region
  - Essex County, Bergen County, Morris County, and Passaic County
- Delaware River Region
  - Burlington County, Gloucester County, and Camden County

- Central Region
  - Middlesex County
  
- Shore Region
  - Atlantic County
  
- Northwest Region
  - Hunterdon County

We also conducted site visits to the following four first responder agencies:

- Essex County Sheriff's Office of Emergency Management/Bomb Squad
- Middlesex County Health Department (Hazmat)
- Morris County Sheriff
- Waterford Township Fire Department (Camden County)

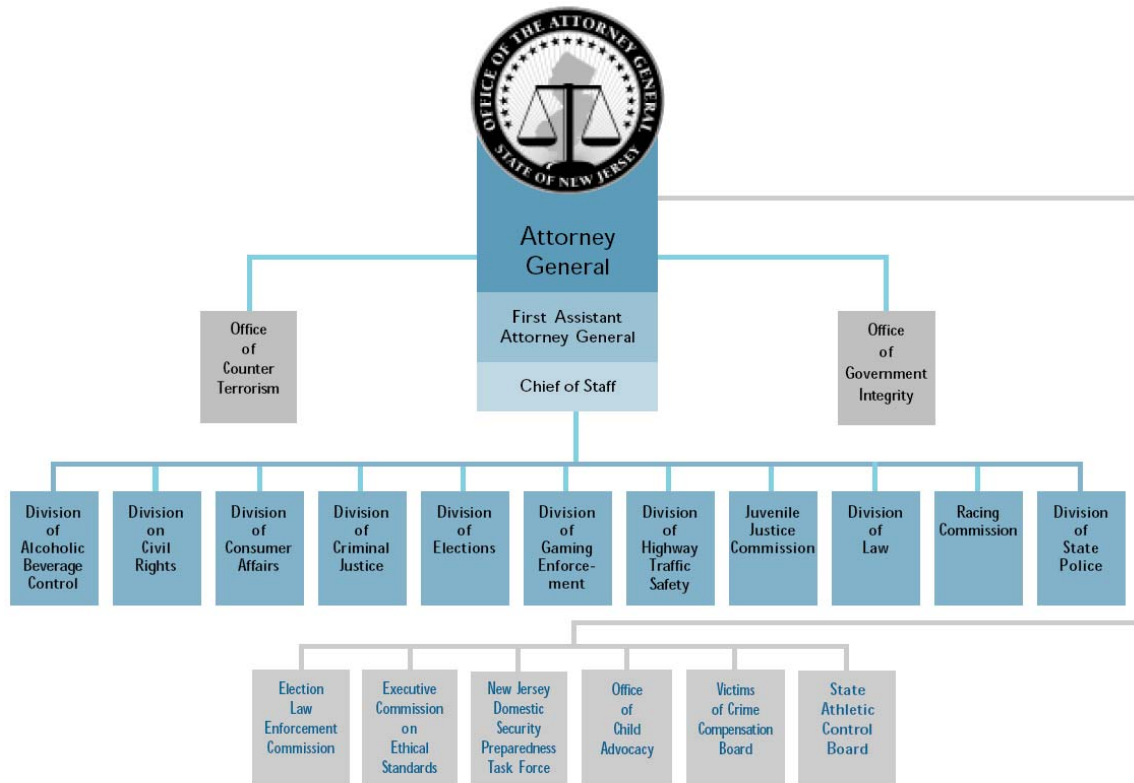
At each location visited, we interviewed responsible officials, reviewed documentation supporting the state and subgrantees management of the awarded grant funds, and physically inspected some of the equipment procured with the grant funds.

We reviewed prior audit reports and coordinated our work with the Office of the Attorney General and the Division of State Police. We conducted fieldwork for the audit between August and November 2006 and performed the work in accordance with the *Government Auditing Standards* prescribed by the Comptroller General of the United States. Additional documentation received subsequent to November 2006 was factored into the findings and recommendations as appropriate.

This was primarily a performance rather than a compliance audit performed by a Department of Homeland Security, Office of Inspector General contractor. We were not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we were neither required nor expressed an opinion on the costs claimed for the grant programs included in the scope of the audit. Had we been required and performed additional procedures or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of New Jersey.

While the audit work was performed and the report was prepared under contract, the audit results are being reported by the Department of Homeland Security, Office of Inspector General to appropriate DHS/National Preparedness Directorate within the Federal Emergency Management Agency and the State of New Jersey officials.

Appendix B  
The Office of the Attorney General's Organization Chart



<p><b>Office of Counter-Terrorism</b></p> <ul style="list-style-type: none"> <li>◆ Intelligence Gathering/Investigation</li> <li>◆ Centralization/Sharing of Intelligence</li> <li>◆ Counter-Terrorism Training</li> <li>◆ Infrastructure Protection</li> <li>◆ Critical Asset Tracking System</li> </ul> <p><b>Office of Government Integrity</b></p> <ul style="list-style-type: none"> <li>◆ Fiscal Integrity in School Construction</li> <li>◆ Criminal Matters</li> <li>◆ Professional Responsibility Unit</li> <li>◆ Attorney General Referrals</li> </ul> <p><b>Division of Alcoholic Beverage Control</b></p> <ul style="list-style-type: none"> <li>◆ Licensing</li> <li>◆ Regulation</li> <li>◆ Enforcement</li> </ul> <p><b>Division of Consumer Affairs</b></p> <ul style="list-style-type: none"> <li>◆ Consumer Protection</li> <li>◆ Securities Industry Regulation</li> <li>◆ Weights and Measures</li> <li>◆ Professional Board Oversight</li> </ul> <p><b>Division on Civil Rights</b></p> <ul style="list-style-type: none"> <li>◆ Civil Rights Enforcement</li> <li>◆ Community Relations</li> <li>◆ Crisis Intervention</li> <li>◆ Administrative Adjudication</li> </ul>	<p><b>Division of Criminal Justice</b></p> <ul style="list-style-type: none"> <li>◆ Criminal Investigation and Prosecution</li> <li>◆ Federal Grants, Policy and Research</li> <li>◆ Police Training and Education</li> <li>◆ Securities and Antitrust Prosecutions</li> <li>◆ State Medical Examiner</li> </ul> <p><b>Division of Elections</b></p> <ul style="list-style-type: none"> <li>◆ State Voter Registration</li> <li>◆ Certify and Publish Election Results</li> <li>◆ Certify Voting Machines</li> <li>◆ State Ballot Questions and Bond Issues</li> </ul> <p><b>Division of Gaming Enforcement</b></p> <ul style="list-style-type: none"> <li>◆ Operations</li> <li>◆ Licensing</li> <li>◆ Investigations</li> <li>◆ Intelligence</li> </ul> <p><b>Division of Highway Traffic Safety</b></p> <ul style="list-style-type: none"> <li>◆ Drunk Driving Enforcement</li> <li>◆ Highway Safety Administration</li> <li>◆ Coordination of Federal Funds</li> <li>◆ Seatbelt Safety</li> </ul> <p><b>Juvenile Justice Commission</b></p> <ul style="list-style-type: none"> <li>◆ Statewide Coordination of Juvenile Services</li> <li>◆ Delinquency Prevention</li> <li>◆ Education &amp; Rehabilitation</li> <li>◆ Skills Training</li> <li>◆ Juvenile Parole Supervision</li> </ul>	<p><b>Division of Law</b></p> <ul style="list-style-type: none"> <li>◆ Legal Services to Client Agencies</li> <li>◆ Civil Prosecution</li> <li>◆ Appeals</li> <li>◆ Litigation Practice</li> <li>◆ Environmental Practice Group</li> </ul> <p><b>Racing Commission</b></p> <ul style="list-style-type: none"> <li>◆ Supervising Live Racing</li> <li>◆ Investigations</li> <li>◆ Licensing</li> <li>◆ Chemical Testing Program</li> <li>◆ Audit Pari-mutuel Wagering</li> </ul> <p><b>Division of State Police</b></p> <ul style="list-style-type: none"> <li>◆ Highway and Marine Safety and Enforcement</li> <li>◆ Target Criminal Activity Enforcement</li> <li>◆ Homeland Security</li> <li>◆ Emergency Preparedness and Response</li> <li>◆ Community Outreach/Anti-crime Partnerships</li> <li>◆ Intelligence Services</li> </ul>
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Source: *New Jersey Office of the Attorney General Annual Report 2005*

**The State of New Jersey's Management of State Homeland Security Grants  
Awarded During FYs 2002 through 2004**





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Governor

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Attorney General  
KIMBERLY S. RICKETTS  
Administrator

RESPONSE TO DRAFT AUDIT REPORT:

The State of New Jersey's Management of State Homeland Security Grants Awarded During  
Fiscal Years 2002 Through 2004

Finding: Inadequate Supporting Documentation of Expenditures Charged to Federal Funds

Response: It should be noted at the outset that rarely did supporting documentation not exist. Financial documentation, however, usually resided in an entity's fiscal or business office, not with the grant program operation. That is, the people using the equipment or whose salaries were reimbursed did not maintain the financial records. Fiscal personnel did. Also, there was some confusion over whether close to \$7.7 million in transactions were identified for further sampling or were selected as the sample. The State has submitted additional documentation as of April 20, 2007 which support most of the expenditures.

The State concurs that there are a limited amount of expenditures for which the supporting documentation cannot be found.

Corrective Action: The State has implemented an automated, web-based Grants Tracking System. Use of this system is mandatory for all recipients of federal homeland security grant funding whether municipal, county, or state agencies. This requirement became effective with the FY05 HSGP. The system tracks the entire life cycle of sub-awarded funding regardless of whether it is a salary or non-salary item including the request for purchase approval, purchase order, receipt of item, deployment of item, invoice for item, payment and reimbursement. Every sub-recipient must submit a spending plan to the State Administrative Agency for approval. When a non-State sub-recipient wants to purchase a budget item on its approved spending plan, it must request approval from the State Administrative Agency before making the purchase. Once making the purchase, the non-State sub-recipient must present proof of purchase to receive reimbursement. The NJ Office of Homeland Security and Preparedness, the State Administrative Agency (SAA) since June 29, 2006, through fiscal staff currently at the Office of the Attorney General, will now receive copies of invoices and proofs of payment for all non-State sub-recipients.

State sub-recipients must submit a spending plan to the SAA for approval. An amount is awarded to the State sub-recipient based on its approved spending plan. The detailed budget items are subsequently entered into the Grants Tracking System and compared against the original spending plan. Ultimately the detailed budget items are approved item by item thereby providing a secondary level of review and approval for allowable expenses.



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The State of New Jersey's Management of State Homeland Security Grants  
Awarded During FYs 2002 through 2004

Response to Draft Audit Report  
Page 2

The SAA, through the NJ Office of the Attorney General fiscal staff, also monitors the use of grant funds by State sub-recipients through the computerized New Jersey Comprehensive Financial System (NJCFS).

Finding: Missing Categorical Assistance Progress Reports

Response: The Office of the Attorney General has no documentation that the Categorical Assistance Progress Reports were ever filed.

Corrective Action: Staff in the New Jersey Office of Homeland Security and Preparedness administering the Homeland Security grants will be required to maintain a checklist of key events in the grant cycle. This requirement will begin with the start of the State's Fiscal Year 2008 beginning July 1, 2007. The responsible staff person will note the completion of any required action related to the key event and the date. The checklist(s) will be reviewed by supervision in the SAA on a quarterly basis to insure that all filing requirements are met.

Finding: Untimely Submission of the Financial Status Reports

Response: The State concurs in this finding.

Corrective Action: The NJ Office of Homeland Security and Preparedness, as the State Administrative Agency, is responsible for ensuring that Financial Status Reports are filed in a timely fashion. Currently, for FY05 HSGP funding and beyond, and on behalf of the SAA, fiscal staff currently at the Office of the Attorney General prepare and file the Financial Status Reports. FY 04 HSGP funding is currently undergoing closeout procedures and all FY03 and prior year funding has been officially closed out. As stated in the previous finding, responsible staff in the New Jersey Office of Homeland Security and Preparedness will be required to maintain a checklist of key events in the grant cycle and the date any action was taken with respect to the key event. Supervision will review these checklists quarterly to insure compliance with any filing requirements.

**Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff  
General Counsel  
Executive Secretariat  
Under Secretary, Management  
Under Secretary, Preparedness  
Chief Financial Officer  
Chief Information Officer  
Assistant Secretary, Public Affairs  
Assistant Secretary, Policy  
Assistant Secretary, Legislative and Intergovernmental Affairs  
Chief Security Officer  
DHS GAO/OIG Liaison  
Chief Privacy Officer

**National Preparedness Directorate within the  
Federal Emergency Management Agency**

Assistant Secretary  
Deputy Administrator, National Preparedness Directorate  
Federal Emergency Management Agency Audit Liaison  
National Preparedness Directorate Audit Liaison

**Office of Management and Budget**

Chief, Homeland Security Bureau  
DHS OIG Budget Examiner

**Congress**

Committee on Homeland Security and Governmental Affairs  
United States Senate

Committee on Homeland Security  
United States House of Representatives

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- Email us at [DHSOIGHOTLINE@dhs.gov](mailto:DHSOIGHOTLINE@dhs.gov); or
- Write to us at:  
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Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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