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Crisis Counseling
Grants Awarded to the
State of New York
after the September 11
Terrorist Attacks



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Highlights of [GAO-05-514](#), a report to congressional requesters

FEDERAL EMERGENCY MANAGEMENT AGENCY

Crisis Counseling Grants Awarded to the State of New York after the September 11 Terrorist Attacks

Why GAO Did This Study

To help alleviate the psychological distress caused by the September 11, 2001, attacks the Federal Emergency Management Agency (FEMA) awarded the state of New York two grants totaling \$154.9 million to provide crisis counseling and public education. Because of questions about whether the program, called Project Liberty, had spent all the funds it received from the federal government, GAO was asked to determine (1) the extent to which the program expended the funds awarded from the federal government, (2) whether the federal government had an effective process in place to determine the amount of funds to provide the program, (3) whether the federal government had adequate financial oversight of the program, and (4) steps taken by the federal government and New York State to assess the program's effectiveness.

What GAO Recommends

GAO makes eight recommendations to (1) help ensure proper and timely expenditure of the remaining grant funds, (2) strengthen federal financial oversight of future crisis counseling program grants, and (3) help ensure that lessons learned from Project Liberty will be used to help improve future crisis counseling programs. FEMA and SAMHSA generally concurred with GAO's recommendations, but took issue with our characterization of SAMHSA's oversight.

www.gao.gov/cgi-bin/getrpt?GAO-05-514.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda Calbom at (202) 512-8341 or calboml@gao.gov.

What GAO Found

For the period September 11, 2001, through September 30, 2004, Project Liberty reported that it had expended approximately \$121 million, or three-quarters of the \$154.9 million in grants awarded by FEMA, leaving a remaining balance of \$33.9 million. The majority of the remaining balance, approximately \$32 million, related to unresolved issues involving the adequacy of supporting documentation for the New York City Department of Education's (NYC DOE) expense claims. As of March 31, 2005, city and state officials told GAO they had accepted alternative forms of supporting evidence related to \$5.2 million in NYC DOE expenses; however, this alternative evidence provides only limited assurance of the propriety of the claimed amounts. It is unclear whether similar alternative sources of evidence will be accepted for the remaining \$26.8 million in NYC DOE expense claims.

FEMA assisted state officials in developing estimated funding needs for Project Liberty immediately after the terrorist attacks. By necessity, these initial budgets were developed using estimates established during the initial stages of the disaster. However, FEMA never required Project Liberty to prepare adjusted budgets to reflect new information or subsequent changes to the program. As a result, FEMA did not have realistic budget information to assess how city and state officials were planning to spend Project Liberty grant funds.

FEMA assigned primary responsibility for oversight and monitoring to the Substance Abuse and Mental Health Services Administration (SAMHSA) through an interagency agreement. Although SAMHSA had procedures in place to monitor Project Liberty's delivery of services, it performed only limited monitoring of financial information reported by Project Liberty about the cost of those services. For example, while SAMHSA received periodic financial reports from Project Liberty, it did not perform basic analyses of expenditures in order to obtain a specific understanding of how the grant funds were being used and, as noted above, did not have updated budget information to gauge how actual spending compared to budgets. As a result, SAMHSA was not in a position to exercise a reasonable level of oversight to ensure that funds were being used efficiently and effectively in addressing the needs of those affected by the September 11 attacks.

Both the state of New York and the federal government have taken steps to assess how Project Liberty delivered services. These assessments were ongoing as of March 2005. FEMA plans to consider lessons learned from Project Liberty when conducting its own internal review of the crisis counseling program.

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Abbreviations

CCP	Crisis Counseling Assistance and Training Program
CMHS	Center for Mental Health Services
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
HHS	Department of Health and Human Services
ISP	Immediate Services Program
NCPTSD	National Center for Post-Traumatic Stress Disorder
NYAM	New York Academy of Medicine
NYC DOEd	New York City Department of Education
NYC DOHMH	New York City Department of Health and Mental Hygiene
NYS OMH	New York State Office of Mental Health
RFMH	Research Foundation for Mental Hygiene, Inc.
RSP	Regular Services Program
SAMHSA	Substance Abuse and Mental Health Services Administration

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United States Government Accountability Office
Washington, D.C. 20548

May 31, 2005

The Honorable Christopher Shays
Chairman, Subcommittee on National Security,
Emerging Threats and International Relations
Committee on Government Reform
House of Representatives

The Honorable Carolyn B. Maloney
House of Representatives

To help alleviate the psychological distress in the New York City area caused by terrorist attacks on September 11, 2001, the Federal Emergency Management Agency (FEMA)¹ awarded the state of New York two grants totaling \$154.9 million to provide crisis counseling and public education services.² Specifically, FEMA awarded the state of New York \$22.7 million for an Immediate Services Program (ISP) on September 24, 2001,³ with subsequent amendments bringing the ISP total to \$22.8 million. In addition, FEMA awarded the state of New York \$132.1 million for a Regular Services Program (RSP) on June 14, 2002.

The state of New York operated the crisis counseling and public education program under the name Project Liberty. Project Liberty was funded under FEMA's Crisis Counseling Assistance and Training Program (CCP), which is an individual assistance program authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act).⁴ The CCP is

¹In March 2003, FEMA became part of the Department of Homeland Security. Most of FEMA—including its disaster assistance efforts—is now part of the department's Emergency Preparedness and Response Directorate; however, it has retained its name and individual identity within the department. We therefore simply refer to FEMA in this report.

²In the past, only individuals from a declared disaster area were eligible to receive counseling services. However, because of the broad impact of the September 11 terrorist attacks, residents from New Jersey, Connecticut, Massachusetts, and Pennsylvania were also eligible to receive services from Project Liberty.

³Although the ISP grant was awarded to Project Liberty on September 24, 2001, the grant gave Project Liberty the authority to reimburse service providers for services they began to provide immediately after the terrorist attacks on September 11, 2001.

⁴Pub. L. No. 93-288, 88 Stat. 143 (1974), as amended. The Stafford Act authorizes the public assistance program that gives FEMA authority to provide assistance, defines basic program criteria and eligibility, and authorizes FEMA to publish regulations.

administered by FEMA and its federal partner, the Substance Abuse and Mental Health Services Administration (SAMHSA), an agency of the Department of Health and Human Services (HHS) responsible for improving the quality and availability of mental health services. Although all crisis counseling services for the general public had been phased out by December 31, 2003, Project Liberty continued to provide these services to New York City firefighters and schoolchildren through December 31, 2004.

Because of concerns that Project Liberty may be discontinuing services without having spent all of the funds it received from the federal government to assist in providing crisis counseling and public education following the September 11 terrorist attacks, you requested that we review and report on the use of funds given to the state of New York by the federal government for crisis counseling services. In response to this request, we reviewed the use of funds given to the state of New York by the federal government by determining (1) the extent to which Project Liberty expended the funds awarded from the federal government, (2) whether the federal government had an effective process in place to determine the amount of funds to provide Project Liberty, (3) whether the federal government had adequate financial oversight of Project Liberty, and (4) steps taken by the federal government and the state of New York to assess the effectiveness of the program in meeting stated objectives and the results of these assessments.

To address these objectives, we (1) reviewed documentation relating to the expenditure of Project Liberty funds through September 30, 2004, the most recent data available as of March 31, 2005, the end of our fieldwork, and found it sufficiently reliable for the purpose of this report; (2) reviewed the grant applications and correspondence used to determine funding; (3) assessed the sufficiency of the federal government's financial oversight of Project Liberty in light of GAO's *Standards for Internal Control in the Federal Government*,⁵ and (4) reviewed assessments of Project Liberty. We performed our work from July 2004 through March 2005 in accordance with generally accepted government auditing standards. Our scope and methodology are discussed in greater detail in appendix I.

We requested written comments on a draft of this report from the Secretary of Homeland Security. We received written comments from DHS. The DHS

⁵GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999), which can be found at www.gao.gov.

comments (reprinted in appendix II) incorporate by reference a letter from SAMHSA to FEMA commenting on the draft (reprinted in appendix III). We also provided excerpts of a draft report for technical comment to the New York State Office of Mental Health (NYS OMH), the New York City Department of Health and Mental Hygiene (NYC DOHMH), and the New York City Department of Education (NYC DOEd). NYS OMH technical comments and the coordinated NYC DOHMH and NYC DOEd technical comments were incorporated as appropriate.

Results in Brief

For the period September 11, 2001, through September 30, 2004, Project Liberty reported that it had expended⁶ approximately \$121 million, or three-quarters of the \$154.9 million in grants awarded by FEMA, leaving a remaining balance of \$33.9 million. The majority of the remaining balance, approximately \$32 million, related to unresolved issues involving the adequacy of supporting documentation for NYC DOEd's expense claims. According to NYS OMH, NYC DOEd had not been fully reimbursed for the Project Liberty expenses it incurred throughout the program because NYC DOEd had not been able to provide support for these expenses that met the CCP documentation standards for reimbursement under federal grants. NYS OMH has been working with NYC DOEd to develop alternative forms of support, including internal control summary memos prepared by NYC DOEd, as a basis to pay NYC DOEd's expense claims. As of March 31, 2005, NYS OMH had paid \$5.2 million of NYC DOEd expense claims based on such alternative support. However, this type of indirect supporting evidence provides only limited assurance of the propriety of claimed amounts, and it is unclear whether it will also be used to justify payment for the remaining NYC DOEd expense claims.

FEMA had processes in place to assist New York in preparing its grant applications and determining the level of funding for Project Liberty immediately after the September 11 terrorist attacks. Because FEMA's processes for determining funding are designed to be implemented quickly after a presidential disaster declaration, the state of New York's ISP and

⁶Reported expenditures represent amounts included in periodic financial reports submitted by the grantee, NYS OMH, to the federal government. According to Project Liberty officials, reported expenditures include program expenditures that have been paid, amounts advanced to service providers, and certain accrued but unpaid expenses. As of the end of our fieldwork in March 2005, the latest expenditure report submitted was for the period ending September 30, 2004.

RSP grant applications were developed during the initial dynamic stage of the recovery effort when damage reports were continuing to be updated and response plans were still being formulated. The budgets included in the grant applications were developed using estimates established during the initial stages of the disaster. Although the budgets submitted with the grant applications were revised by the grantee to satisfy certain conditions of grant award, FEMA and SAMHSA never required Project Liberty to formally submit revised budget requests to reflect new information and subsequent changes to the program. As a result, FEMA and SAMHSA did not have realistic budget information that could be used to effectively assess how city and state officials were planning to spend Project Liberty grant funds.

While SAMHSA did have procedures in place to monitor Project Liberty's delivery of services, it did not have procedures in place to effectively monitor financial information reported by Project Liberty about the cost of those services. SAMHSA's limited financial oversight of Project Liberty was driven in part by its assessment that the program was not high risk, but this assessment did not fully consider the magnitude, complexity, and unique nature of the program and was not revisited even after significant program changes occurred. As a result, SAMHSA was not in a position to exercise a reasonable level of oversight to ensure that funds were used efficiently and effectively in addressing the needs of those affected by the September 11 terrorist attacks.

Both the state of New York and the federal government have taken steps to assess how Project Liberty delivered services. NYS OMH undertook its own assessment of Project Liberty and partnered with the New York Academy of Medicine (NYAM) to obtain information from telephone surveys. SAMHSA contracted with the National Center for Post-Traumatic Stress Disorder (NCPTSD), a center within the Department of Veterans Affairs, to conduct a case study of New York's response to the terrorist attacks on September 11, with a primary focus on Project Liberty. Both NYS OMH and NCPTSD's overall assessments of the program were ongoing as of March 2005. FEMA plans to consider lessons learned from NYS OMH and NCPTSD when conducting its own internal review of the CCP.

To improve accountability for federal grant funds, this report makes recommendations for FEMA to work with SAMHSA to (1) help ensure proper and timely expenditure of the remaining grant funds, (2) strengthen federal financial oversight of future CCP grants, and (3) help ensure that

lessons learned from Project Liberty will be used to improve future programs funded by the CCP.

In commenting on a draft of this report, DHS and SAMHSA generally agreed with our recommendations. However DHS stated that we should give more weight to the unprecedented conditions that led to Project Liberty, and that it was these unique circumstances that led to our findings and recommendations. SAMHSA took issue with our characterization of SAMHSA oversight and stated that overall, the federal oversight of Project Liberty was appropriate, reasonable, and responsive to state and local needs. Our report clearly acknowledges the unprecedented circumstances that led to the establishment of Project Liberty—it was these very circumstances that led us to conclude that Project Liberty required a higher level of federal oversight than was provided by SAMHSA.

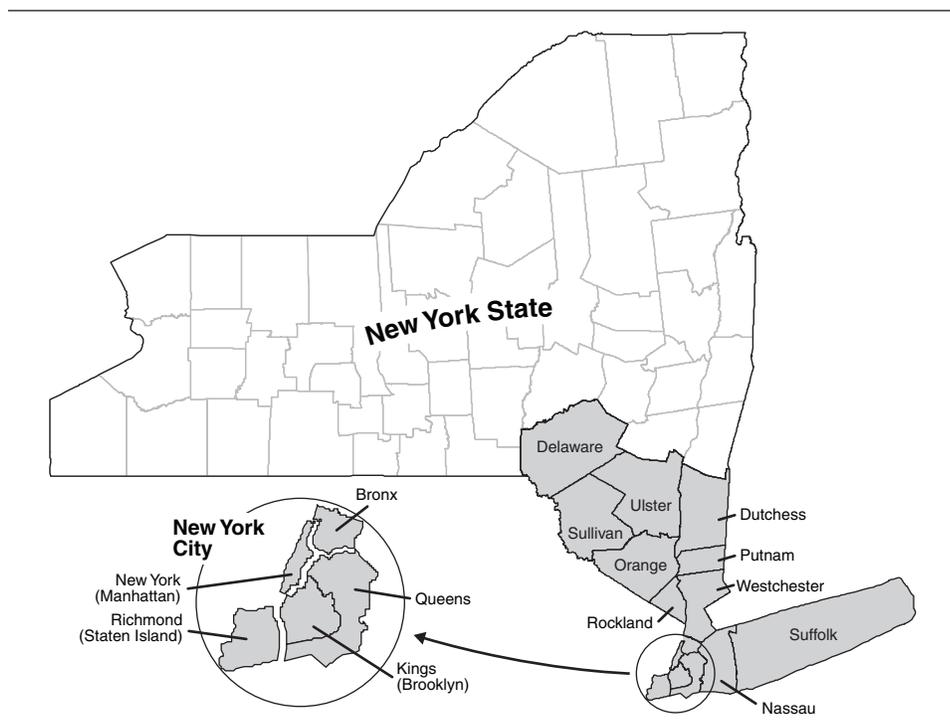
Background

Following the terrorist attacks on September 11, 2001, the President signed under the authority of the Stafford Act a major disaster declaration for the state of New York. The presidential declaration allowed the state of New York to apply for federal assistance to help recover from the disaster. FEMA was responsible for coordinating the federal response to the September 11 terrorist attacks and providing assistance through a variety of programs, including the CCP. The CCP was authorized in section 416 of the Stafford Act to help alleviate the psychological distress caused or aggravated by disasters declared eligible for federal assistance by the President. Through the CCP, FEMA released federal grant awards to supplement the state of New York's ability to respond to the psychological distress caused by the September 11 terrorist attacks through the provision of short-term crisis counseling services to victims and training for crisis counselors.

FEMA relied on SAMHSA to provide expertise related to crisis counseling and public education for Project Liberty. FEMA assigns SAMHSA's responsibilities for the CCP through an annual interagency agreement. These responsibilities included, among other things, providing technical assistance, monitoring the progress of programs conducted under the CCP, and performing program oversight. Within SAMHSA, the Center for Mental Health Services (CMHS) carried out these responsibilities for Project Liberty. CMHS received support from SAMHSA's Division of Grants Management, which provides grant oversight.

NYS OMH established Project Liberty under the CCP to offer crisis counseling and public education services throughout the five boroughs of New York City and 10 surrounding counties free of charge to anyone affected by the World Trade Center disaster and its aftermath. The areas served by Project Liberty are shown in the shaded areas of figure 1.

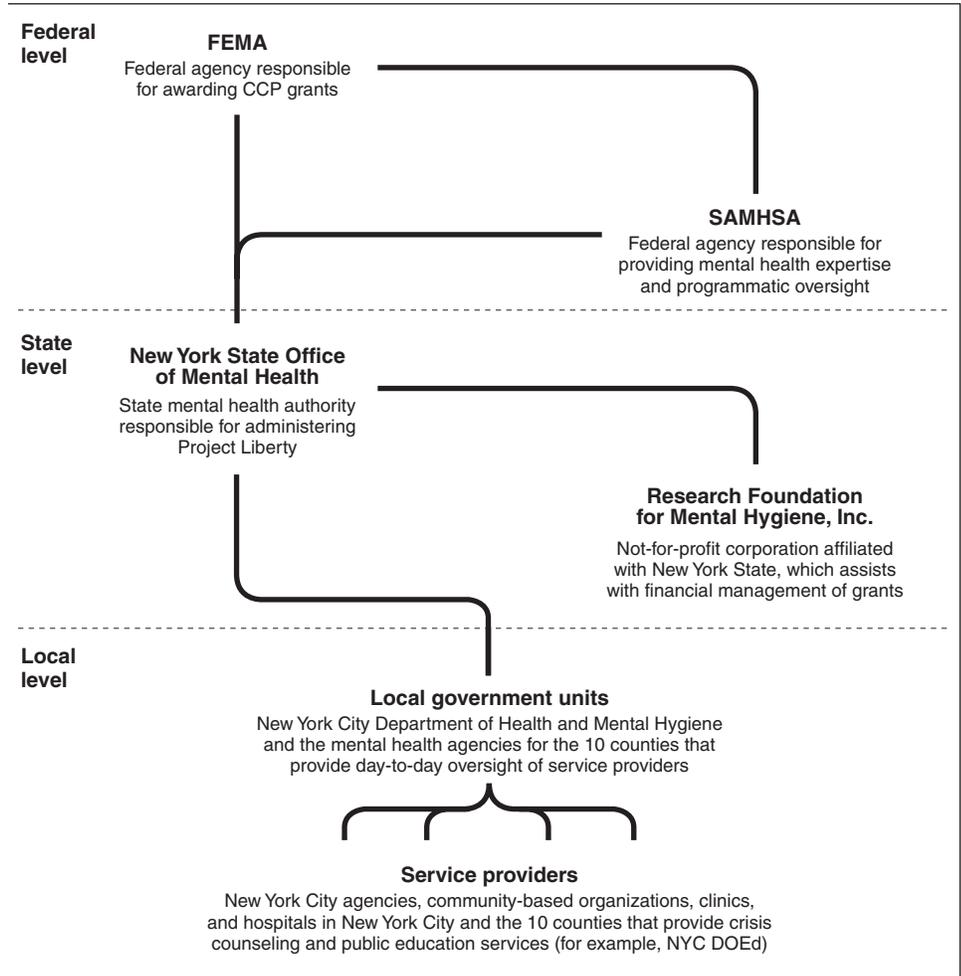
Figure 1: New York Areas Serviced by Project Liberty



Source: GAO analysis of information obtained from Project Liberty.

The state of New York's primary role was to administer, oversee, and guide Project Liberty's program design, implementation, and evaluation and pay service providers, but not to provide services itself. New York City and the surrounding counties contracted with over 200 service providers and were responsible for overseeing day-to-day activities. Figure 2 shows the organization structure of Project Liberty at the federal, state, and local levels.

Figure 2: Organizational Structure of Project Liberty



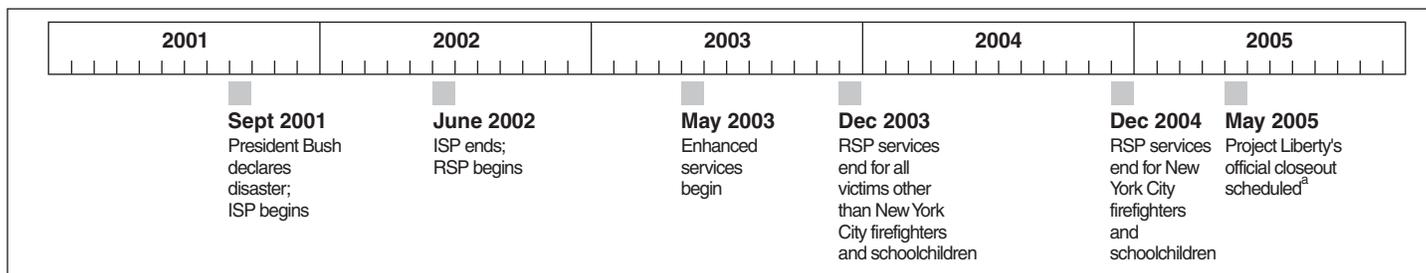
Source: GAO analysis of information obtained from FEMA, SAMHSA, and Project Liberty.

Under the CCP, Project Liberty’s goal was to serve New York City and the 10 surrounding counties by assisting those affected by the September 11 terrorist attacks to recover from their psychological reactions and regain predisaster level of functioning. The CCP supports services that are short-term interventions with individuals and groups experiencing psychological reactions to a presidentially declared disaster and its aftermath. Crisis counseling services were primarily delivered to disaster survivors through outreach, or face-to-face contact with survivors in familiar settings (e.g., neighborhoods, churches, community centers, and schools). Although the

CCP does not support long-term, formal mental health services such as medications, office-based therapy, diagnostic services, psychiatric treatment, or substance abuse treatment, FEMA approved an enhanced services program for Project Liberty. This enhanced services program allowed for an expansion of services, including enhanced screening methods; a broader array of brief counseling approaches; and additional training, technical assistance, and supervision to a set of service providers. These enhanced services were intended to address the needs of individuals who continued to experience trauma symptoms and functional impairment after initial crisis counseling but did not need long-term mental health services.

Project Liberty was funded through two separate, but related, grant programs: the ISP and RSP. The ISP grant was designed to fund Project Liberty for the first 60 days following the disaster declaration. Because there was a continuing need for crisis counseling services, the ISP was extended to last about 9 months, until the RSP began. The RSP grant was awarded and was designed to continue to provide funding for an additional 9 months of crisis counseling services, but was extended to last for 2 ½ years.⁷ Figure 3 shows key milestones for Project Liberty.

Figure 3: Key Milestones for Project Liberty



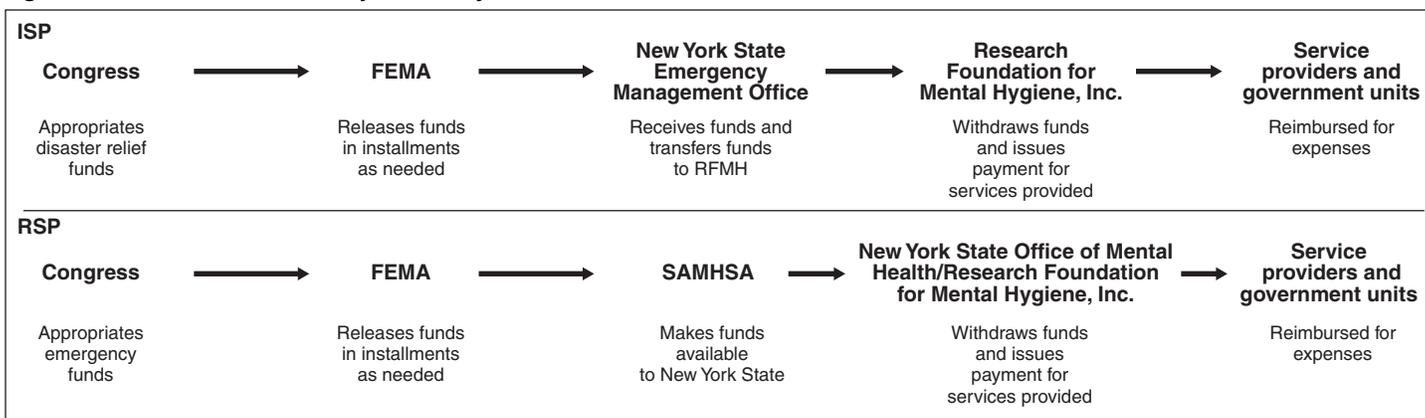
Source: GAO analysis of information obtained from SAMHSA and Project Liberty.

^aAccording to SAMHSA officials, there have been discussions about extending the closeout for Project Liberty through September 30, 2005.

⁷At the time of the RSP grant award for Project Liberty, FEMA's regulations provided for a maximum grant term of 9 months with one extension of 90 days. FEMA amended the regulations effective March 3, 2003, to allow for extensions for more than 90 days for disasters of a catastrophic nature when in the public interest. See 44 C.F.R. 206.171(g)(4)(2004).

For the approved ISP application, FEMA made funds available directly to the state. Under the RSP, after approval, funds were transferred from FEMA to SAMHSA, which awarded the grant to the state of New York through SAMHSA's grants management process. The state of New York, in turn, disbursed funds to the service providers and local governments through the Research Foundation for Mental Hygiene, Inc. (RFMH), a not-for-profit corporation affiliated with the state of New York that assists with financial management of federal and other grants awarded to NYS OMH. Figure 4 shows the flow of funds for Project Liberty's ISP and RSP.

Figure 4: Flow of Funds for Project Liberty

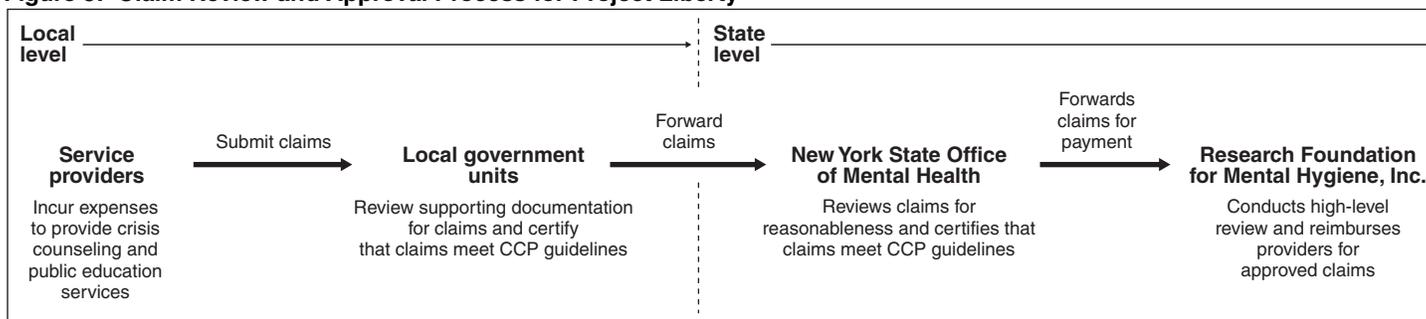


Source: GAO analysis of information from FEMA and Project Liberty.

Service providers were required to submit claims and supporting documentation to receive reimbursement for expenses incurred to provide services. As shown in figure 5, these claims were to have multiple levels of review to determine whether the expenses claimed were allowable under the CCP's fiscal guidelines. This review structure, which placed primary responsibility for reviewing claims on the local government units, was based on the state of New York's existing grant management policies. Additional controls for Project Liberty included (1) NYS OMH site visits to service providers in New York City and surrounding counties; (2) closeout audits by independent auditors of certain New York City service providers to test whether claims were documented and allowable; and (3) annual audits of New York City and surrounding counties conducted under the

Single Audit Act,⁸ which requires independent auditors to provide an opinion on whether the financial statements are fairly presented, a report on internal control related to the major programs, and a report on compliance with key laws, regulations, and the provisions of the grant agreements.⁹

Figure 5: Claim Review and Approval Process for Project Liberty



Source: GAO compilation of information obtained from SAMHSA and Project Liberty.

Our publication, *Standards for Internal Control in the Federal Government*, provides a road map for entities to establish control for all aspects of their operations and a basis against which entities can evaluate their control structures.¹⁰ The five components of internal control are as follows:

- Control environment. Creating a culture of accountability within the entire organization—program offices, financial services, and regional

⁸The Single Audit Act of 1984, as amended (31 U.S.C. § 7502 (a)), required that nonfederal entities that spend \$300,000 or more in federal funding under more than one program undergo single audits. In 2003, the threshold was raised to \$500,000 for fiscal years ending after December 31, 2003.

⁹New York City's Single Audit Act audit for fiscal years 2002 and 2003 resulted in unqualified opinions for the city's financial statements, no reported weaknesses in internal control, and no reported instances of noncompliance.

¹⁰Internal controls are an integral component of an organization's management that provide reasonable assurance that the organization achieves its objectives of (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with laws and regulations. For more information on internal controls, see GAO/AIMD-00-21.3.1, which can be found at www.gao.gov.

offices—by establishing a positive and supportive attitude toward the achievement of established program outcomes.

- Risk assessment. Identifying and analyzing relevant problems that might prevent the program from achieving its objectives. Developing processes that can be used to form a basis for measuring actual or potential effects of these problems and manage their risks.
- Control activities. Establishing and implementing oversight processes to address risk areas and help ensure that management’s decisions—especially about how to measure and manage risks—are carried out and program objectives are met.
- Information and communication. Using and sharing relevant, reliable, and timely information on program-specific and general financial risks. Such information surfaces as a result of the processes—or control activities—used to measure and address risks.
- Monitoring. Tracking improvement initiatives over time and identifying additional actions needed to further improve program efficiency and effectiveness.

SAMHSA and FEMA were responsible for providing oversight to ensure that the state of New York had a reasonable level of controls in place. Although FEMA retained responsibility for providing leadership and direction for Project Liberty, it assigned primary responsibility to SAMHSA for oversight and monitoring through an interagency agreement.

Remaining Grant Funds Primarily Relate to Unresolved Issues at NYC DOEd

Approximately \$121 million, more than three-quarters of the \$154.9 million in federal funds provided to Project Liberty, were reported as expended as of September 30, 2004, leaving a remaining balance of \$33.9 million. About \$32 million of the \$33.9 million pertain to unresolved NYC DOEd expense claims. According to NYS OMH, NYC DOEd had not been reimbursed for the Project Liberty expenses it incurred throughout the program because NYC DOEd had not been able to provide support for these expenses that met the CCP documentation standards for reimbursement under federal grants. NYS OMH began considering alternative indirect forms of evidence, including internal control summary memos prepared by NYC DOEd, to begin paying NYC DOEd’s expense claims. As of March 31, 2005, NYS OMH had accepted alternative forms of supporting evidence to pay \$5.2 million of NYC DOEd expense claims; however, this type of alternative evidence

provides only limited assurance of the propriety of the claimed amounts. NYS OMH was not sure when and how the remaining NYC DOEd expense claims would be resolved.

Timing of Reported Expenditures

For the period September 11, 2001, through September 30, 2004,¹¹ Project Liberty reported that it had expended all of the \$22.8 million ISP grant and about \$98.2 million of the \$132.1 million RSP grant for total reported expenditures of approximately \$121 million, leaving a remaining balance \$33.9 million. Although crisis counseling services had been phased out as of December 31, 2004, Project Liberty will continue to use the remaining grant funds to process claims for reimbursement of program-related expenses incurred through December 31, 2004, and to cover administrative expenses during the closeout period, which at the end of our fieldwork, was scheduled to end on May 30, 2005. Table 1 and figure 6 show the timing and amount of expenditures reported by Project Liberty for the ISP and RSP grants by quarter through September 30, 2004, compared to the total CCP grant awards for Project Liberty.

¹¹Project Liberty's ninth quarterly report, which includes reported expenditures through September 30, 2004, was the last report issued by the end of our fieldwork on March 31, 2005.

Table 1: Reported CCP Grant Activity for Project Liberty from September 11, 2001, through September 30, 2004

Dollars in thousands	
CCP grant funds awarded	
September 2001 - ISP ^a	\$22,777
June 2002 - RSP ^b	132,148
Subtotal	\$154,925
Project Liberty reported expenditures	
September 11, 2001, through September 30, 2004	
ISP - amounts per RFMH	
12/14/2001 ^c	\$6,056
03/14/2002	7,995
06/14/2002 ^d	8,726
Subtotal	\$22,777
RSP - amounts per quarterly reports	
09/14/2002	\$24,217
12/14/2002	7,739
03/14/2003	6,454
06/14/2003	10,264
09/14/2003	18,618
12/14/2003	11,754
03/14/2004	8,813
06/14/2004	7,389
09/30/2004 ^e	2,961
Subtotal	\$98,209
Total reported expenditures	\$120,986
Remaining grant funds as of September 30, 2004	\$33,939

Source: GAO analysis of FEMA, NYS OMH and RFMH data.

Note: All amounts are reported in nominal dollars

^a The ISP award of \$22.7 million was made on September 24, 2001, with subsequent adjustments bringing the ISP total to about \$22.8 million.

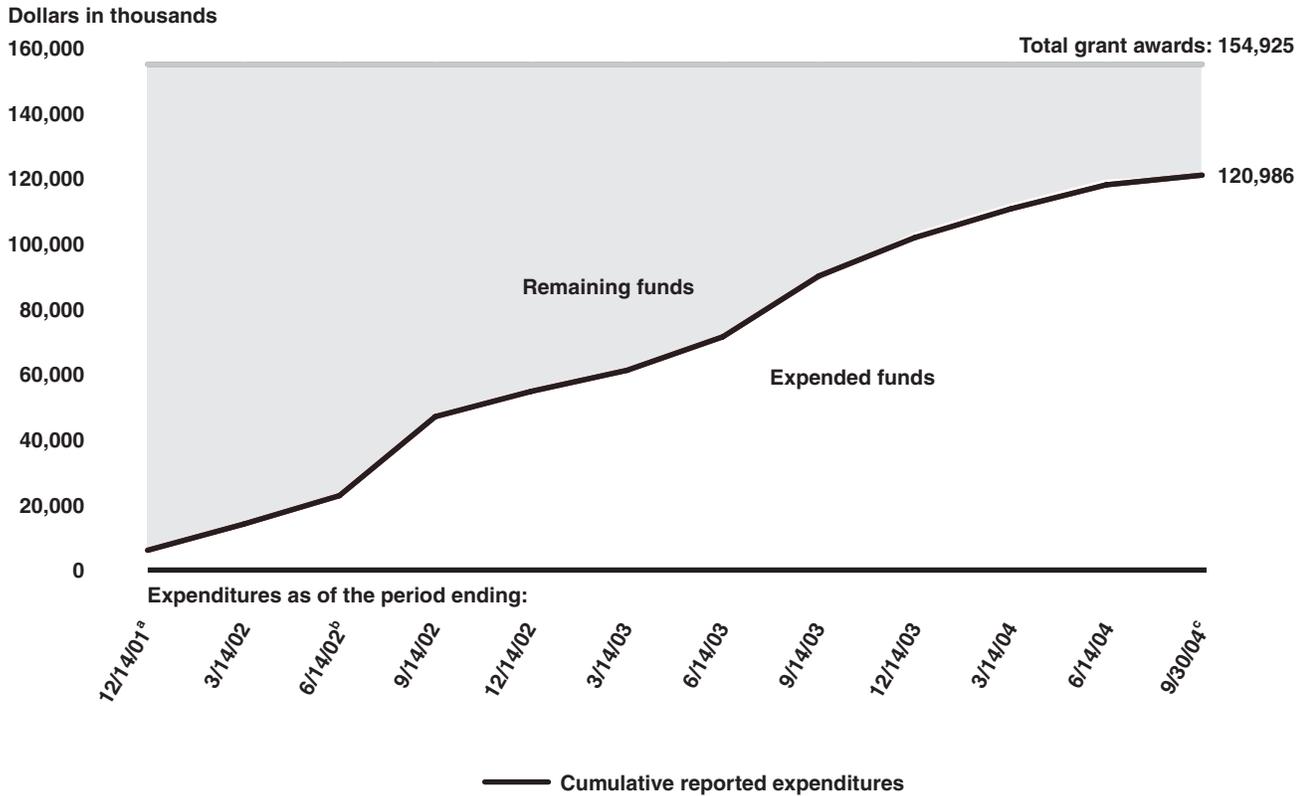
^b The RSP award was made on June 14, 2002.

^c Includes expenditures from September 11, 2001, through December 14, 2001.

^d Includes ISP expenditures incurred after June 14, 2002, and reductions for expenditures transferred to the RSP.

^e Project Liberty modified its reporting period to include expenditures incurred through September 30, 2004.

Figure 6: Project Liberty's Total CCP Grant Awards and Reported Expenditures for the Period September 11, 2001, through September 30, 2004



Source: GAO analysis of NYS OMH and RFMH data.

^aIncludes expenditures from September 11, 2001, through December 14, 2001.

^bIncludes ISP expenditures incurred after June 14, 2002, and adjustments for expenditures transferred to the RSP.

^cProject Liberty modified its reporting period to include expenditures incurred through September 30, 2004.

According to NYS OMH officials, the expenditures reported by Project Liberty from September 11, 2001, through September 30, 2004, included expenses incurred as well as amounts advanced to service providers. During the RSP, Project Liberty made advances to 109 service providers, for a total of about \$25.8 million. As of September 30, 2004, the outstanding

advance balance was \$5.8 million; however, according to an NYS OMH official, the balance had been reduced to \$1.2 million as of March 31, 2005.¹²

NYC DOEd Expense Claims Not Fully Resolved

The vast majority of remaining Project Liberty funds related to unresolved expense claims of NYC DOEd. As of March 31, 2005, NYS OMH officials told us that NYC DOEd had submitted claims for a portion of the \$32 million that was budgeted to NYC DOEd to provide crisis counseling services to New York City school children, and planned to ultimately submit claims for the full amount.

NYS OMH and NYC DOHMH had not approved the majority of NYC DOEd claims for reimbursement incurred during the RSP because NYC DOEd had not provided support for these expenses that met the CCP documentation standards for reimbursement under federal grants. These standards require that the expenditure of grant funds be supported by detailed documentation, such as canceled checks, paid bills, time and attendance records, and contract and subgrant award documents. According to NYC DOEd officials, they could not meet the documentation standards established by NYS OMH because (1) NYC DOEd reorganized on July 1, 2003, which coincided with the delivery of crisis counseling services under the Project Liberty grant, resulting in significant loss of staff, loss of institutional knowledge, and therefore lost or diminished ability to retrieve supporting documentation, and (2) NYC DOEd's complex financial systems cannot produce the type of transaction-specific documentation required by NYS OMH and makes the process of retrieving supporting documentation unwieldy and administratively burdensome.

A SAMHSA official told us SAMHSA was aware of issues involving the supporting documentation for the NYC DOEd expense claims; however, because officials viewed it as a grantee issue, they have had limited involvement with NYS OMH's efforts to resolve these issues. NYS OMH decided to consider alternative evidence, including supplemental supporting documentation in the form of internal control summary memos prepared by NYC DOEd that describe the controls over payments for personnel, other-than-personnel, and community-based organization

¹²In providing technical comments on a draft of this report, NYS OMH officials told us the balance had been reduced to \$483,000 as of May 13, 2005.

expenses.¹³ Personnel expenses include NYC DOEd workers while the other-than-personnel expenses include other costs incurred directly by NYC DOEd. The community-based organization expenses are those incurred by other service providers on behalf of NYC DOEd.

Although NYC DOEd's Chief Financial Officer has signed an attestation stating that the controls described in the summary memos for personnel and other-than-personnel expenses were in place and working during Project Liberty, the level of assurance provided by these internal control summary memos is limited for several reasons. First and foremost, the memos do not provide the type of supporting documentation necessary to verify the validity of the claimed expenses as required by the federal documentation standards. Second, the memos are not certified by an external source, such as an independent auditor. Third, the memos were prepared solely to support NYC DOEd's Project Liberty expenses and may not represent written policies and procedures that existed during the time the claimed expenditures were incurred. And lastly, the memos were prepared toward the end of the program by officials who did not, in all cases, have firsthand knowledge of the controls that existed during the program.

As of March 31, 2005, NYS OMH and NYC DOHMH had reviewed and accepted internal control summary memos that describe the controls over payments for personnel and other-than-personnel expenses, and NYS OMH had used these memos and other alternative forms of evidence to reimburse NYC DOEd for \$5.2 million in expense claims. These other forms of evidence included observations of services being provided during site visits, the existence of encounter logs evidencing that some services had been provided, and general familiarity with service providers. NYS OMH officials were not sure when they would complete the review of the memo covering the controls over payments for community-based organization expenses and how this memo, along with other alternative forms of evidence, would be used to resolve the remaining \$26.8 million in NYC DOEd expense claims.

As part of its approval process for expense claims, NYS OMH relied upon NYC DOHMH to certify that the claims submitted were valid and met the CCP documentation requirements. However, because NYC DOEd did not

¹³The internal control memos use the terms personal services, other-than-personal services, and community-based organization to denote the categories of expenses.

provide the required supporting documentation, NYC DOHMH could not perform the same level of review as it did for the claims of the other Project Liberty service providers.¹⁴ Further, although NYC DOHMH contracted with independent auditors to perform audits of expense claims of certain service providers¹⁵ for Project Liberty, there were no audits performed of NYC DOEd claims, which are expected to total approximately \$32 million.

At the end of our audit fieldwork, it was not clear when and how the remaining expense claims would be resolved. However, if the internal control summary memos and other alternative evidence continue to be the primary supporting documentation for \$32 million in NYC DOEd expense claims, the federal government will have only limited assurance that these payments are an appropriate use of Project Liberty grant funds.

Improvements Needed in the Process for Determining Federal Funding

FEMA's process for determining funding is designed to be implemented quickly after a state requests federal assistance to recover from a presidentially declared disaster. The state of New York's grant applications for Project Liberty were developed during the initial dynamic stages of the recovery effort when damage reports and response plans were subject to frequent change. The budgets submitted with the grant applications were revised by the grantee to satisfy certain conditions of grant award. However, we found that although the budgets were developed using estimates established during the initial stages of the disaster, FEMA and SAMHSA never required the state of New York to formally submit revised budget requests to reflect new information and significant changes to the program that occurred as the needs of the affected population became better identified. As a result, FEMA and SAMHSA did not have realistic budget information that could be used to effectively assess how

¹⁴In providing technical comments on a draft of this report, NYS OMH officials told us that they plan to rely on NYC DOHMH to certify that the NYC DOEd claims are valid and meet the FEMA fiscal guidelines and documentation standards. Further, subsequent to completion of our audit fieldwork in March 2005, NYC DOHMH developed a random sampling methodology that will be used to sample 20 percent of provider claims for each of the NYC DOEd school years.

¹⁵According to RFMH, as of April 28, 2005, audits of 92 providers of service had been completed and 7 were in process. RFMH further stated that these audits will cover approximately \$50.5 million, or 42 percent, of total reported expenses for Project Liberty of \$121 million through September 30, 2004. NYC DOEd, the New York City Fire Department, and certain other organizations were not selected for audit by NYC DOHMH.

responsible city and state officials planned to spend Project Liberty grant funds.

Federal Assistance Application Process

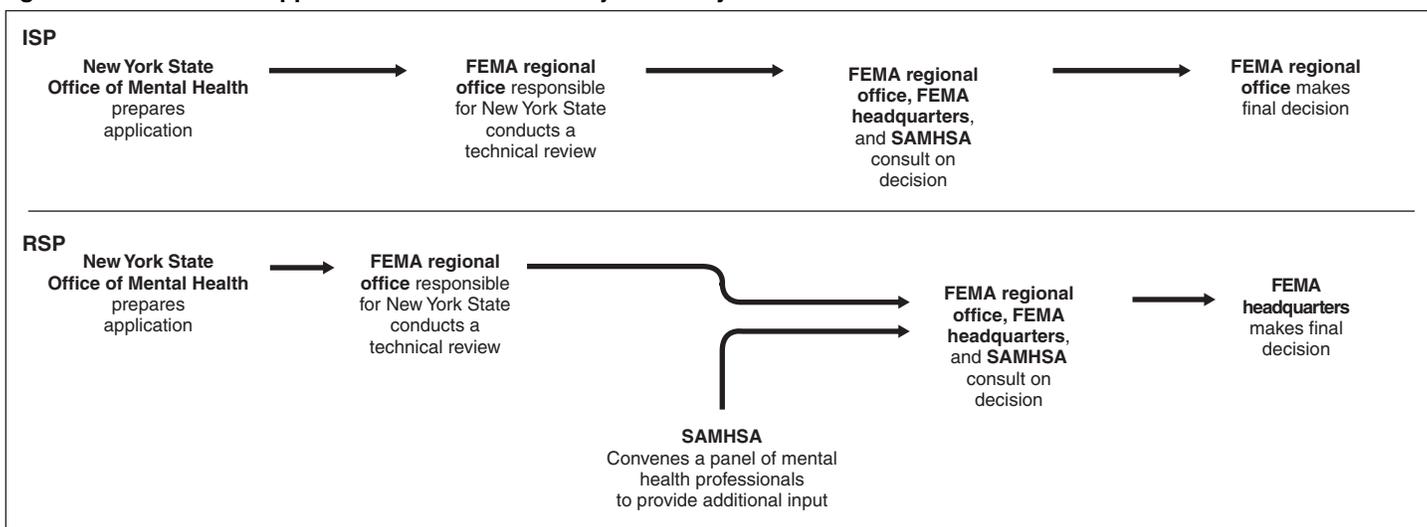
The grant applications that the state of New York submitted to FEMA for Project Liberty were prepared with assistance from FEMA and SAMHSA and included a needs assessment, plan of services, and budget. The needs assessment, which was based on a formula developed by SAMHSA, was the state's estimate of the number of people who would need crisis counseling. The plan of services described the state's plan for treating the identified population, including segments of the population needing special services or outreach methods such as counseling and training in various languages. The budget was developed based on the estimated cost to treat the population identified in the needs assessment through the program outlined in the plan of services.

FEMA and SAMHSA provided the state of New York the flexibility to submit grant applications that reflected its identified and estimated needs, which were based on information available at the time. In preparing the budget, the state of New York relied on SAMHSA's Budget Estimating and Reporting Tool, which was designed to assist states in developing budgets consistent with FEMA guidelines. The state of New York took two different approaches in constructing the ISP and RSP budgets for Project Liberty. The ISP budget used estimates of administrative costs and a simple direct services cost calculation. The direct services costs were based on the estimated number of people needing crisis counseling services, the estimated average length of treatment each person would need, the estimated hourly rate for crisis counselors, and the estimated length of the ISP. The RSP budget, on the other hand, was prepared by the state of New York based on estimates provided by NYS OMH, each of the New York City boroughs, and the 10 surrounding counties eligible for CCP grant funding.

Once the state of New York submitted its ISP and RSP grant applications, FEMA had processes in place to review and approve them. Although the processes differed, both shared common elements. The first step for both applications was a technical review conducted by the FEMA regional office with jurisdiction over the state of New York to ensure that the applications had a direct link to the September 11 terrorist attacks. Once this technical review was completed, the applications were sent to FEMA headquarters and to SAMHSA for review and comment. In addition, the RSP was reviewed by a panel of mental health professionals who had experience with CCP grants. The ISP and RSP review processes also differed in that

FEMA's regional office had final decision authority for the ISP application while FEMA headquarters had final decision authority for the RSP application. Figure 7 shows the application processes for the ISP and RSP.

Figure 7: ISP and RSP Application Processes for Project Liberty



Source: GAO analysis of information from FEMA and SAMHSA.

After the reviews conducted by FEMA and SAMHSA were completed, FEMA awarded the state of New York \$22.7 million for the ISP on September 24, 2001,¹⁶ with subsequent amendments bringing the ISP total to \$22.8 million. In addition, FEMA awarded the state of New York \$132.1 million for the RSP immediately after the ISP ended on June 14, 2002.

Budgets Were Not Adjusted to Reflect New Information or Program Changes

Because FEMA's process for determining funding is designed to be implemented quickly after presidential disaster declarations and official loss numbers were not known at the time the Project Liberty applications were prepared, the state of New York used estimates of the number of

¹⁶The ISP grant was awarded to Project Liberty on September 24, 2001, and authorized Project Liberty to reimburse service providers for expenses it incurred beginning immediately after the terrorist attacks on September 11, 2001.

people who would need crisis counseling services, the length of the program, and the services that would be provided. However, FEMA and SAMHSA never required the budgets to be modified to reflect new information or significant changes to the program.

The estimates used by the state of New York to develop its initial needs assessment, or number of people it believed would need crisis counseling services, included several risk factors and loss categories. In keeping with existing CCP policy, FEMA and SAMHSA encouraged the state of New York to modify the needs assessment formula by adjusting the loss categories of affected persons and the risk factors for each of those loss categories to better reflect the situation in New York. The state of New York also estimated the number of direct victims in each loss category because official numbers were not available. For example, the official number of deaths was not known until more than 2 years after the disaster. As a result of these estimates, the needs assessment for the state of New York's ISP application determined that 2.3 million people would need crisis counseling services as a result of the terrorist attacks on September 11, 2001. With the RSP application, the needs assessment formula was modified to estimate the pervasive reactions to the disaster and to update the loss category numbers, such as the number of people dead, missing, or hospitalized. These modifications increased the estimate of the people who would need crisis counseling to 3.4 million.

We found that based on the approved budgets for the ISP and RSP, Project Liberty estimated that it would need \$154.9 million to provide crisis counseling and public education to the estimated 3.4 million people and training for Project Liberty staff who would be delivering these services, at a cost of approximately \$46 per person. In its report for the period ending September 30, 2004, Project Liberty estimated that it had provided crisis counseling to 1.5 million people at a cost of \$121 million, or approximately \$83 per person.

Another estimate used in preparing the grant applications was the length of time needed to carry out the services identified in the plan of services. The state of New York used the maximum length of service provision allowed by FEMA regulations in its ISP and RSP applications, 60 days and 9 months, respectively. However, crisis counseling services were actually provided for approximately 9 months under the ISP and over 30 months under the RSP.

In addition, the state of New York initially understood that crisis counseling and public education services offered by Project Liberty would be limited to the services normally allowed by the CCP, such as short-term individual and group crisis counseling, community outreach, and training for crisis counselors. However, in August 2002, Project Liberty was authorized to adjust the program to include enhanced services and began providing these services in May 2003.

Other significant changes, which were not reflected in Project Liberty's budget, included a reallocation from New York City's budget to the NYC DOEd, which increased NYC DOEd's budget from \$8.9 million to \$40 million and subsequent reductions of NYC DOEd's budget to \$32 million. Despite these major changes in the program, FEMA and SAMHSA did not require and Project Liberty did not prepare adjusted budgets to reflect their revised plans for meeting the needs of the victims of September 11. Therefore, New York State and City officials did not have realistic budget information to use as a tool to manage program funds, and FEMA and SAMHSA were not in a position to effectively assess the planned use of the funds.

Federal Oversight of Project Liberty's Financial Information Was Limited

While SAMHSA provided oversight of Project Liberty's delivery of services, it provided only limited oversight of financial information reported by Project Liberty about the cost of those services. SAMHSA received periodic financial reports but did not perform basic analyses of expenditures to obtain a specific understanding of how Project Liberty was using federal funds. In addition, as discussed above, budget information was outdated and therefore an ineffective tool to monitor actual expenditures. SAMHSA's limited level of oversight over Project Liberty's financial information was driven in part by its assessment that the program was not high risk, but this assessment did not fully consider the magnitude, complexity, and unique nature of the program and was not revisited even after significant program changes occurred. As a result, SAMHSA was not in a position to exercise a reasonable level of oversight to ensure that funds were used efficiently and effectively in addressing the needs of those affected by the September 11 terrorist attacks.

SAMHSA's oversight for Project Liberty included review of service delivery information and identification of unusual items included in Project Liberty's program reports, eight site visits, and routine communication with NYS OMH and FEMA. These oversight activities helped SAMHSA gain assurance that NYS OMH was delivering appropriate services. However,

SAMHSA's oversight of these services did not directly link with, and therefore did not provide assurance related to, financial information reported by Project Liberty. In addition to requiring Project Liberty to submit budgets to show how it planned to use federal funds, FEMA regulations also required Project Liberty to periodically submit financial reports to show how funds were actually spent. Required financial reports included quarterly expenditure reports, a final accounting of funds, and a final voucher. SAMHSA officials told us they did some high-level review of the financial information provided to determine how quickly the program was using grant funds and when the grant funds should be made available to NYS OMH. However, they did not perform basic analyses of expenditures to obtain a specific understanding of how Project Liberty was using federal funds.

We found that SAMHSA did not use financial information submitted by Project Liberty to conduct basic analytical reviews of how funds were being spent and whether this spending was consistent with the budgeted program expenditures. Table 2 illustrates a basic analysis we performed of Project Liberty's reported and budgeted expenditures for the period June 14, 2002, through September 30, 2004, which identified significant differences by category between reported expenditures and budget.

Table 2: Comparison of Project Liberty's RSP Reported Expenditures to Budget from June 14, 2002, through September 30, 2004

Dollars in thousands

Category	Reported expenditures (6/14/2002 through 9/30/2004)	RSP budget ^a	Difference—reported expenditures (under)/over budget	Difference as a percentage of budget
Personnel	\$25,942	\$93,489	(\$67,547)	(72)
Office space	2,245	674	1,571	233
Consulting/contracts	5,527	10,884	(5,357)	(49)
Media	9,347	8,887	460	5
Crisis counseling	47,912	15,809	32,103	203
Advances	5,798	0	5,798	>100
Other expenses	1,438	2,405	(967)	(40)
Total	\$98,209	\$132,148	(\$33,939)	(26)

Source: GAO analysis of FEMA, HHS, and Project Liberty data.

^aReflects revisions made to the budget by the grantee to satisfy conditions of the grant award.

Notwithstanding the fact that budgets were not updated for major program changes, several of these differences should have raised questions about whether Project Liberty was using federal funds within allowable categories and within its approved budget. For example, the Project Liberty personnel budget was over \$93 million; however, as of September 30, 2004, over 26 months into the program that was initially planned for completion in 9 months, it had reported personnel expenditures of only about \$26 million, for a difference of about \$67 million. A SAMHSA official said that because of the way Project Liberty reported its expenditures, SAMHSA officials could not track its financial reports to its budget. As a result, we found that SAMHSA was not aware of the significant variations between Project Liberty's reported expenditures and budget and did not make inquiries of Project Liberty officials to obtain an understanding of why these variations were occurring. Some of the differences between reported and budgeted expenditures may have resulted from the fact that Project Liberty was not required to formally adjust the initial program budget to reflect significant changes. However, the differences may also have raised questions about whether SAMHSA's

understanding of how the program was planning to spend funds was consistent with actual spending patterns. Comparisons between Project Liberty's reported budget and expenditures could have helped SAMHSA better assess the status of the program to allow it to take effective action to ensure that Project Liberty was using federal funds to provide the most value for victims of the September 11 terrorist attacks.

The differences between Project Liberty's reported budget and expenditures may also have been caused by inconsistencies in financial information submitted by Project Liberty. FEMA and SAMHSA did not provide detailed guidance on how to classify CCP expenditures but instead left Project Liberty to interpret how expenditures should be classified. We found that Project Liberty expenditures were not always consistently reported to FEMA and SAMHSA. For example, Project Liberty did not consistently classify evaluation expenditures. If an NYS OMH employee was evaluating the program, the expenditure was classified as personnel, but if the work was contracted to someone outside of NYS OMH, the expenditure was classified as evaluation. As a result, SAMHSA could not reliably use Project Liberty's financial reports to determine how much it cost to evaluate the program. By obtaining a better understanding of how federal funds were spent by Project Liberty, SAMHSA would have improved its ability to determine whether funds were used most efficiently and effectively in carrying out the objectives of the program.

SAMHSA's limited oversight of Project Liberty's financial information was driven in part by its own assessment that the program was not high risk.¹⁷ SAMHSA's oversight of Project Liberty included an initial assessment of the risk associated with the grantee. SAMHSA applied risk factors identified in HHS regulations regarding grants,¹⁸ including financial management issues, such as financial stability and experience in handling federal grants, to RFMH, the fiscal agent for NYS OMH responsible for making payments to service providers. For example, SAMHSA reviewed the result of RFMH's fiscal year 2001 financial audit that was required by the Single Audit Act and found that RFMH received an unqualified audit opinion while handling a total of about \$62 million in federal funds. SAMHSA concluded that RFMH had a strong track record for handling federal funds and classified RFMH as not high risk. Based in part on this risk assessment, SAMHSA

¹⁷SAMHSA classifies grantees as either high risk or not high risk.

¹⁸See 45 C.F.R. § 92.12 (2004).

officials told us staff with financial backgrounds were not actively involved in the oversight of Project Liberty.

However, we found that SAMHSA's risk assessment only considered risks associated with RFMH and did not consider other potential risks associated with the Project Liberty grant. For example, the assessment did not consider all significant interactions in the complex federal, state, and local government environment that existed for Project Liberty; the amount of the RSP grant award, which was the largest RSP grant¹⁹ ever made by FEMA; or the geographic complexities of the program, including the size of the area affected and the diversity of the community being served. In addition, SAMHSA did not revisit its initial risk assessment even after the program encountered significant changes and challenges, including the design of the first-ever enhanced services program and the documentation issues with NYC DOEd expenses, which have yet to be resolved. As a result, SAMHSA's level of oversight was not in line with the challenges and complexities that increased the risks associated with Project Liberty.

Based in part on its risk assessment process, SAMHSA's oversight of Project Liberty was primarily carried out by its programmatic staff who focused on activities that did not directly link to the financial information being reported by NYS OMH. Without useful financial information, including updated budgets, and without analyses of the financial information Project Liberty was reporting, SAMHSA was not in a position to exercise a reasonable level of oversight to ensure that grant funds were effectively used to address the needs of those affected by the September 11 terrorist attacks.

Assessments of Project Liberty Ongoing

Both the state of New York and the federal government have taken steps to assess how Project Liberty delivered services. NYS OMH is conducting its own assessment of Project Liberty and partnered with NYAM to obtain information from telephone surveys. SAMHSA contracted with NCPTSD, a center within the Department of Veterans Affairs, to conduct a case study of New York's response to the terrorist attacks on September 11, with a primary focus on Project Liberty. Both NYS OMH and NCPTSD's overall assessments of the program were ongoing as of March 2005. FEMA plans

¹⁹The RSP grant award for Project Liberty of \$132.1 million almost equaled the total amount of RSP grant awards by FEMA for crisis counseling in the history of the program.

to consider lessons learned from NYS OMH and NCPTSD when conducting its own internal review of the CCP.

NYS OMH is conducting an evaluation of Project Liberty, which includes designated funding for program evaluation. This nonstatistical evaluation consists of several components, including analysis of data collected by service providers documenting services delivered through encounter data forms, recipient feedback through written questionnaires and telephone surveys,²⁰ provider feedback through written reports and staff surveys,²¹ and other initiatives. The data collected by service providers was the primary method used to assess the services delivered by the program.²² Based on these data, NYS OMH preliminarily found that Project Liberty had reached a large number of people affected by the September 11 terrorist attacks and that it was successful in reaching many diverse communities. NYS OMH reported that 95 percent of providers who responded to its surveys rated the overall quality of services provided as good or excellent. NYS OMH also reported that the majority of respondents to its recipient surveys indicated that they have returned to their predisaster mental health condition, a goal of Project Liberty. However, according to NYS OMH, the recipient surveys were made available beginning in July 2003 to organizations providing crisis counseling for distribution to individuals receiving services and therefore may not be representative of all Project Liberty recipients. NYS OMH did not report the number of providers who

²⁰NYS OMH contracted with researchers at the Mount Sinai School of Medicine to pilot methodologies for obtaining feedback from service recipients. These methodologies included written surveys and telephone interviews. According to NYS OMH, individuals who participated in the written surveys and telephone interviews were representative of those served by Project Liberty in terms of gender, age, race/ethnicity, and preferred language. The written survey that had been piloted was provided to all of Project Liberty's crisis counseling programs for distribution. The written surveys asked service recipients about the Project Liberty services they used, their opinions of the services, and their reactions to the terrorist attacks on September 11. In February 2004, NYS OMH reported results from its recipient surveys based on a total of 357 surveys collected.

²¹In August of 2003, NYS OMH distributed 1,500 surveys to all organizations providing crisis counseling. Each organization's director was asked to give a survey to each staff member. Staff members were asked to rate Project Liberty using a four-point scale (poor, fair, good, or excellent). NYS OMH reported results from its survey based on a total of 265 surveys that were returned.

²²According to NYS OMH officials, service providers' staffs were responsible for completing encounter log forms documenting their encounters with service recipients and providing this information to NYS OMH for analysis. NYS OMH's data collection efforts were supplemented with site visits to service providers, which covered the use of encounter logs.

received surveys and reported a low response rate²³ for recipients. Because the number of surveys offered to providers was not disclosed and because of low response rates for the recipient surveys, we were unable to determine the level of coverage provided by these surveys.

NYS OMH also partnered with NYAM, a not-for-profit organization dedicated to enhancing public health through research, education, public policy, and advocacy. NYAM conducted nonstatistical telephone surveys in 2001 and 2002 of New Yorkers to assess the magnitude and duration of the mental health effects of the terrorist attacks.²⁴ NYS OMH worked with NYAM to assess the reach and recognition of Project Liberty by adding questions to NYAM's ongoing September 11 telephone surveys. NYAM and NYS OMH reported that 24 percent of the respondents interviewed were aware of Project Liberty²⁵ and, among respondents who had heard of the program, 67 percent had a good impression of the program.²⁶ However, because the sampling methodology for the NYAM phone surveys was not disclosed and because of low response rates, we were unable to determine the survey coverage.

Based on these evaluation activities, as well as their own experience with Project Liberty, NYS OMH officials have begun to identify lessons to be learned. For example, they found that emergency mental health plans and resources in place prior to September 11 were insufficient to fully respond to the mental health impact of the terrorist attacks. Much of the infrastructure needed to implement Project Liberty, such as data collection procedures and public education materials, had to be developed in the

²³According to NYS OMH, this low response rate resulted, in part, because of the challenge in obtaining feedback from recipients, who were anonymous as required by the CCP.

²⁴NYAM conducted two telephone surveys. The sampling frame for the first survey was adult residents of Manhattan living closest to the World Trade Center, and the sampling frame for the second survey included all adults in New York City with an oversampling of residents of Manhattan living closest to the World Trade Center to permit comparison between the two surveys. Both surveys used random-digit dialing. NYAM reported that 988 individuals responded to its first survey, and 2,001 responded to its second survey.

²⁵According to NYS OMH, NYAM conducted a third survey, which showed that the percentage of respondents who were aware of Project Liberty increased from January 2002 through September 2002, from 24 percent to 53 percent.

²⁶Sasha Rudenstine and others, "Awareness and Perceptions of a Communitywide Mental Health Program in New York City After September 11," *Psychiatric Services*, vol. 54, no. 10 (2003).

immediate aftermath of the terrorist attacks. In addition, NYS OMH found that the services covered by the CCP were not sufficient to meet the mental health needs of the minority of individuals who developed severe and persistent symptoms that substantially interfered with day-to-day functioning. Although the state of New York was given permission to develop and implement an enhanced services program to meet the needs of the more severely affected individuals, similar intensive interventions are not currently routinely included as part of the FEMA CCP. NYS OMH officials told us that when their evaluation is completed, they expect that they will have comprehensively identified best practices and obstacles encountered and that they will make recommendations to FEMA and SAMHSA for actions needed to better organize a mental health response to future disasters funded by the CCP.

SAMHSA entered into an interagency agreement with NCPTSD, a center within the Department of Veterans Affairs, to conduct a case study of New York's response to the September 11 terrorist attacks. The primary purpose of the NCPTSD case study was to identify lessons to be learned from New York's experience that could be useful to other communities that might have to respond to major disasters, including acts of terrorism. As part of its study, NCPTSD interviewed 103 individuals, including service providers and management from 50 public and private provider organizations in New York City and the surrounding counties.²⁷ NCPTSD used a qualitative methodology to analyze the data to develop findings and recommendations. According to SAMHSA, the NCPTSD report is expected to be issued as soon as all stakeholders' comments have been received and considered.

FEMA officials told us they plan to consider lessons learned from the NCPTSD and NYS OMH assessments of Project Liberty through FEMA's internal review of the CCP that was ongoing as of March 2005.²⁸ This internal review is being conducted in partnership with SAMHSA and, according to FEMA, will consider whether aspects of FEMA's CCP,

²⁷According to NCPTSD, it chose the interview subjects based on input from NYS OMH management.

²⁸In 2002, we reported that FEMA and SAMHSA had not evaluated the effectiveness of the disaster crisis counseling program and recommended that the Director of FEMA work with the Administrator of SAMHSA to evaluate the effectiveness of the program. See GAO, *Mental Health Services: Effectiveness of Insurance Coverage and Federal Programs for Children Who Have Experienced Trauma Largely Unknown*, GAO-02-813 (Washington, D.C.: Aug. 22, 2002).

including its regulations and guidance, need to be improved. For example, FEMA plans to work with SAMHSA to consider the extent to which the enhanced services should be included as a permanent part of the CCP. FEMA officials told us that the internal review will have to be completed in conjunction with their primary work responding to disasters; therefore, they have not established a timetable to complete this review. Given that Project Liberty was awarded the largest RSP grant in the history of FEMA's CCP and that FEMA provided funding to the state of New York to evaluate Project Liberty, the timely assessment of lessons learned from this program would be beneficial to future CCPs.

Conclusions

FEMA and SAMHSA's limited oversight of the planned and actual spending of Project Liberty impeded their ability to monitor whether the grant funds were being used in the most efficient and effective way to meet the needs of those affected by the terrorist attacks of September 11, 2001. Further, until recently, FEMA and SAMHSA had limited involvement in efforts to resolve issues surrounding the outstanding NYC DOEd expense claims; additional oversight in this area could help bring appropriate and timely resolution to these issues. FEMA will have an opportunity to address these oversight issues, as well as lessons learned identified by NYS OMH and NCPTSD, as part of its ongoing internal review of its CCP.

Recommendations for Executive Action

In order to address the issues identified in our report, we recommend that the Secretary of Homeland Security direct the Under Secretary of Emergency Preparedness and Response to take the following eight actions:

To help ensure proper and timely expenditure of the remaining Project Liberty funds, FEMA should work with SAMHSA to

- provide assistance to New York City and State officials in appropriately resolving issues surrounding the NYC DOEd expense reimbursements and
- determine whether an independent review of the propriety of the use of funds for payments to the NYC DOEd is needed.

To strengthen federal financial oversight of future CCP grants, FEMA should work with SAMHSA to

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- require the recipients of CCP grants to submit updated budgets to reflect approved changes to the program;
 - revise the current risk assessment process to comprehensively identify and assess risks associated with CCP grants;
 - establish a process to update the risk assessment for significant program changes;
 - consider developing formal requirements for consistent classifications of expense data; and
 - develop formal procedures to perform more detailed analyses of financial reports, including comparing actual expenditures and budgets to identify variations and obtain an understanding of the reasons for any unusual variations.

To help ensure that the lessons learned from Project Liberty will be used to help improve future programs funded by the CCP, FEMA should establish a clear time frame to complete its internal review of the CCP as expeditiously as possible.

Agency Comments and Our Evaluation

We received written comments on a draft of this report from DHS who generally concurred with our recommendations but expressed reservations regarding our assessment of the adequacy of FEMA and SAMHSA oversight. SAMHSA in a separate comment letter to FEMA, did not object to our recommendations but did take issue with our assessment of its oversight, particularly given the unprecedented circumstances that led to the establishment of Project Liberty. SAMHSA also provided additional information on the NYC DOEd claim issue. DHS's comment letter (reprinted in appendix II) incorporates by reference SAMHSA's letter (reprinted in appendix III). We also received technical comments from NYS OMH, NYC DOHMH, and NYC DOEd on excerpts of the report, which we incorporated as appropriate.

DHS stated that our report should give more weight to the unprecedented conditions that led to Project Liberty, and that it was these unique circumstances that led to our findings and were the basis for our recommendations. It further stated that our recommendations primarily relate to the use of grant funds by NYC DOEd, and that no similar issues

were identified with respect to the use of funds by other program subgrantees.

Our report clearly acknowledges the unique and unprecedented circumstances that led to the establishment of Project Liberty. These unique circumstances were largely the basis for our conclusion that Project Liberty required a high level of federal oversight. A number of red flags signaled the need for a heightened federal role, including: the RSP grant was the largest such grant ever made by FEMA; the program initially designed to last about a year is now over 3 ½ years old and still ongoing, with an extension being considered to September 30, 2005; and reimbursements for approximately \$32 million, representing over 20 percent of the total federal funds awarded, remained unresolved as of May 2005. The fact that the level of federal oversight was not commensurate with the unprecedented circumstances surrounding Project Liberty was what led us to our findings and recommendations in this area.

Five of our eight recommendations relate to strengthening federal financial oversight of future CCP grants; two of the recommendations specifically address the NYC DOEd use of grant funds; and the remaining recommendation calls for ensuring that lessons learned from Project Liberty will be used to improve future programs funded by the CCP. Thus, DHS was incorrect in stating that our recommendations primarily relate to the NYC DOEd issues.

As to FEMA's statement that we did not identify any other issues about the use of grant funds, the scope of our work included determining the extent to which Project Liberty expended grant funds and whether the federal government had adequate financial oversight of Project Liberty. Our work did not address whether payments made, including those made by NYC DOEd, were a valid use of federal resources. We have no basis for reaching the conclusion suggested by FEMA.

SAMHSA's letter also discussed the unprecedented conditions surrounding Project Liberty and, as discussed below, strongly disagreed with our assessment that SAMHSA's financial oversight was limited. SAMHSA also stated that during a recent site visit, NYC DOEd's Chief Financial Officer indicated that documentation was available to support claims as necessary. SAMHSA further stated that it will be recommending that the NYS OMH conduct an independent audit of these claims as one of the conditions of approving an extension of the grant to September 30, 2005. During our fieldwork, we were consistently told by NYC DOHMH officials that NYC

DOEd had not been able to produce documentation for the majority of expenses it incurred on behalf of Project Liberty that met the documentation standards for reimbursement under federal grants. Given ongoing questions about the existence of documentation supporting NYC DOEd claims, the sufficiency of this documentation, or both, we agree that an independent audit is appropriate.

SAMHSA stated that overall, the federal oversight of Project Liberty was appropriate, reasonable, and responsive to state and local needs. SAMHSA outlined several factors to support this statement, including that it received financial data from the state of New York on a routine basis and monitored the allocability, allowability, and reasonableness of project expenditures. While SAMHSA acknowledged that project budget data were not updated comprehensively, it stated that it did request and receive updated budget information in several instances, particularly in conjunction with project extensions. SAMHSA further stated that we had not cited any problems with program expenditures but instead seemed to focus on differences between classification of budgeted and reported expenditures. SAMHSA acknowledged that the budget was not prepared in the same format as reported expenditures, and stated that inconsistent categorization of expense accounts were largely the reason for the classification discrepancies we highlighted in our report.

Our conclusion that SAMHSA's oversight of Project Liberty's financial information was limited was based in large part on the fact that the SAMHSA did not have a basis to reliably monitor how Project Liberty was using federal funds, since, as SAMHSA acknowledged, it did not have updated budget information and the reported expenditure data were not accurate due to classification discrepancies. At the time of our review, SAMHSA was not aware of these discrepancies because it had not been conducting basic analyses, such as comparisons between Project Liberty's budgeted and reported expenses. Further, there were no staff with financial backgrounds involved with the oversight of Project Liberty expenditures. SAMHSA's limited oversight was based in part on the fact that it did not deem the project high risk from a financial standpoint, despite the complex federal, state, and local environment, the fact that this was by far the largest RSP grant ever awarded by FEMA, the size and diversity of the community being served, and the overall challenging and changing circumstances of September 11. Overall, we found that SAMHSA's level of oversight was not in line with these challenges and complexities associated with Project Liberty.

SAMHSA went on to state that in its opinion, classification of Project Liberty as high risk simply based on total estimated project expenditures would be inappropriate. It further noted that there is no regulatory mechanism allowing SAMHSA to assess risk on a complex federal, state, and local government environment as was specified in our report.

We did not suggest that the risk classification should simply be based on total estimated project expenditures. As discussed above, our report clearly delineates a number of different risk factors that should have been considered in the risk classification. Further, we disagree that the current regulatory mechanism would not allow SAMHSA to consider these risk factors in making its risk assessment of Project Liberty. While current regulations do not require SAMHSA to consider programmatic factors in its risk assessment, they do not prevent SAMHSA from considering risk factors other than those delineated in its regulations in its overall assessment of the program and its operations. As noted by SAMHSA in its written comments, Project Liberty was by far the largest and most complex effort in the 30-year history of the CCP and presented unique and unprecedented challenges for government authorities at all levels. We believe these should have been key factors in SAMHSA's risk assessment and should have triggered heightened financial oversight of Project Liberty.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies to appropriate House and Senate committees; the Secretary of Homeland Security; the Under Secretary of Homeland Security for Emergency Preparedness and Response; the Administrator, Substance Abuse and Mental Health Services Administration; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8341 or calboml@gao.gov. Contact points for our Offices of

Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix IV.



Linda M. Calbom
Director, Financial Management and
Assurance

Objectives, Scope, and Methodology

To determine the extent to which Project Liberty spent the Immediate Services Program (ISP) and Regular Services Program (RSP) grant funds received from the Federal Emergency Management Agency (FEMA), we did the following:

- Reviewed various documents, including quarterly RSP expenditure reports for the first (June 15, 2002, through September 14, 2002) through the ninth (June 15, 2004, through September 30, 2004) quarters; a detailed listing of the outstanding advance balances as of September 30, 2004, obtained from the Research Foundation for Mental Hygiene, Inc. (RFMH); a summary of expense claims submitted by the New York City Department of Education (NYC DOEd) as of March 2005; internal control summaries prepared by NYC DOEd for its personnel and other-than-personnel expenses; a draft internal control summary prepared by NYC DOEd for its community-based expenses; Crisis Counseling Assistance and Training Program (CCP) guidance on appropriate uses of grant funds; and FEMA and Department of Health and Human Services (HHS) regulations pertaining to the CCP.
- Interviewed officials from FEMA's headquarters and finance office, the Substance Abuse and Mental Health Services Administration's (SAMHSA) Center for Mental Health Services (CMHS), the New York State Office of Mental Health (NYS OMH), RFMH, the New York City Department of Health and Mental Hygiene (NYC DOHMH), and NYC DOEd.
- Determined that the total expenditures data obtained from RFMH and Project Liberty's quarterly expenditure reports were sufficiently reliable for the purposes of this report by the following:
 - Obtaining and reviewing a copy of the independent auditor's report of RFMH's financial statements for fiscal years ending March 31, 2004 and 2003, and Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* as of March 31, 2004. We determined that RFMH received a clean opinion on its fiscal year 2004 and 2003 financial statements. In addition, the auditor concluded that its tests of RFMH's compliance with certain provisions of laws, regulations, contracts, and grants did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. Finally, the auditor's consideration of internal control over RFMH's financial

reporting did not identify any matters involving the internal control over financial reporting and its operation that it considered to be material weaknesses.

- Analyzing a database obtained from RFMH of the payments made on behalf of Project Liberty for the ISP and RSP from the first payment made on September 25, 2001, through September 30, 2004, including advances made to service providers.
- Determining that the amount of the payments included in the database was consistent with the total reported expenditures in the ISP final report and the RSP quarterly expenditure reports that were prepared by Project Liberty and submitted to SAMHSA and FEMA.
- Comparing the Project Liberty expenditures as reported by RFMH to drawdowns reported by SAMHSA on Project Liberty's RSP grant award.
- Obtaining a written certification of data completeness from the Managing Director of RFMH that the expenditures reported in the database were complete and accurate for all payments made for, or on behalf of, Project Liberty for the ISP and the RSP through September 30, 2004.
- Reviewing Single Audit Act reports for fiscal years 2003 and 2002 of New York City and surrounding counties.

To determine whether the federal government had an effective process in place to determine the amount of funds to provide to Project Liberty, we

- interviewed officials from FEMA headquarters, SAMHSA's CMHS, NYS OMH, and RFMH;
- reviewed various documents, including the state of New York's ISP and RSP grant applications, the ISP and RSP grant awards, and federal guidance for the CCP, including the Robert T. Stafford Disaster Relief and Emergency Assistance Act and FEMA and HHS regulations; and
- reviewed correspondence between officials from FEMA, SAMHSA's CMHS, NYS OMH, and RFMH.

To assess federal oversight over Project Liberty's expenditures, we

- obtained an understanding of CCP oversight roles and responsibilities by reviewing FEMA and HHS regulations, FEMA and SAMHSA's fiscal year 2004 interagency agreement, CCP fiscal guidelines, HHS's grants management manual, summary documents of the CCP's oversight structure prepared by SAMHSA, and GAO reports;
- reviewed available documentation of oversight performed for Project Liberty, including Project Liberty's financial reports and documentation of site visits conducted by FEMA and SAMHSA;
- analyzed Project Liberty's financial reports and compared them to initial grant budgets;
- designed our work to assess the effectiveness of federal oversight and therefore considered but did not assess the controls over Project Liberty payments implemented at the state and local levels;
- interviewed officials from FEMA headquarters and the FEMA regional office that serves New York, SAMHSA's CMHS, SAMHSA's Division of Grants Management, NYS OMH, and RFMH to identify policies and procedures for overseeing Project Liberty; and
- reviewed and used *Standards for Internal Control in the Federal Government* as criteria.

To identify the steps that have been taken by the federal government in partnership with the state of New York to assess Project Liberty, we

- reviewed documentation of assessments performed, including a draft of the National Center for Post-Traumatic Stress Disorder case study of Project Liberty, NYS OMH summaries of survey results, an article written by the Deputy Commissioner of NYS OMH on lessons learned about the mental health consequences of the September 11 terrorist attacks, articles published by the New York Academy of Medicine, and documentation from FEMA related to its internal review of the CCP;
- reviewed various documents related to Project Liberty including the grant applications and the response to conditions of the grant award set out by FEMA and SAMHSA;
- reviewed GAO and FEMA Office of Inspector General reports to determine whether the CCP was evaluated; and

-
- interviewed officials from FEMA headquarters, SAMHSA's CMHS, and NYS OMH.

We requested written comments on a draft of this report from the Secretary of Homeland Security. We received written comments from DHS. The DHS comments (reprinted in app. II) incorporate by reference a letter from SAMHSA to FEMA commenting on the draft (reprinted in app. III). We also provided excerpts of a draft for technical comment to NYS OMH, NYC DOHMH, and NYC DOEd. NYS OMH technical comments and the coordinated NYC DOHMH and NYC DOEd technical comments are incorporated as appropriate.

We performed our work from July 2004 through March 2005 in accordance with generally accepted government auditing standards.

Organizations Contacted

Federal Agencies

Department of Homeland Security, Federal Emergency Management Agency

- Headquarters
- New York Regional Office
- Finance Office

Department of Health and Human Services, Substance Abuse and Mental Health Services Administration

- Center for Mental Health Services
- Division of Grants Management

State of New York

New York State Office of Mental Health

Research Foundation for Mental Hygiene, Inc.

Appendix I
Objectives, Scope, and Methodology

New York City

New York City Department of Health and Mental Hygiene
New York City Department of Education

Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

May 25, 2005

Ms. Linda M. Calbom
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G St., NW
Washington, D.C. 20548

Dear Ms. Calbom:

Thank you for the opportunity to review and provide comments on the Government Accountability Office (GAO) draft report entitled, "Crisis Counseling Grants Awarded to the State of New York after the September 11 Terrorist Attacks," (GAO-05-514). We generally concur with your recommendations and look forward to incorporating your recommendations while monitoring the fiscal closeout of Project Liberty, as well as in preparation for future Crisis Counseling Assistance and Training Programs (CCP).

Given the devastating circumstances surrounding the September 11 terrorist attacks on the World Trade Center, we respectfully request that you give considerably more weight to the unique and unprecedented conditions that led to the subsequent establishment of the Project Liberty Program. It was these unique circumstances that led to your findings and were the basis for the recommendations made in your report.

The report's recommendations relate primarily to the use of CCP funds by one sub-grantee, the New York City Department of Education. No similar issues are identified, with respect to the use of CCP funds, with other program sub-grantees. The final report should indicate this in order to provide a more accurate reflection of the entire program.

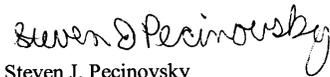
Through FEMA, we will continue to consult with the Substance Abuse and Mental Health Services Administration (SAMHSA) in the incorporation of lessons learned from the terrorist events of September 11, 2001 throughout Federal Emergency Management Agency's (FEMA) internal review of the CCP. FEMA and SAMHSA will revise CCP guidance to require updated needs assessments and budgets to reflect new information or significant changes to individual programs. We will work together with SAMHSA to implement procedures to obtain more accurate classifications of expense data for future CCP projects; therefore ensuring consistent reporting to FEMA and SAMHSA. In addition, concrete timelines for program review completion will be established.

I have enclosed SAMHSA's comments to the draft report, which elaborate our response. Thank you again for the opportunity to provide comments to the draft report.

www.dhs.gov

Appendix II
Comments from the Department of Homeland
Security

Sincerely,



Steven J. Pecinovsky
Director, Departmental GAO/OIG Liaison
Office of the Chief Financial Officer
U.S. Department of Homeland Security

Enclosure

Comments from the Substance Abuse and Mental Health Services Administration



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental Health Services Administration

Center for Mental Health Services
Center for Substance Abuse Prevention
Center for Substance Abuse Treatment
Rockville MD 20857

MAY 23 2005

Mr. Daniel A. Craig
Director, Recovery Division
Federal Emergency Management Agency
U.S. Department of Homeland Security
500 C Street, SW
Washington, D.C. 20472

Dear Mr. Craig:

Thank you for the opportunity to provide comments from the Substance Abuse and Mental Health Services Administration (SAMHSA) on the Government Accountability Office (GAO) draft report on Crisis Counseling Grants Awarded to the State of New York after the September 11 Terrorist Attacks (GAO-05-514). We welcome the opportunity to review program accomplishments and challenges in order to assure accountability in the fiscal close out of Project Liberty as well as to prepare for future disaster crisis counseling needs.

We have reviewed the GAO assessment as well as the recommendations in the report. Based on our review of the draft document, the GAO has identified concerns with the claims process within the New York City Department of Education as well as concerns with SAMHSA's oversight of budget adjustments. After a brief background on the project, we have addressed each area of GAO concern separately, followed by our proposed actions in response to GAO recommendations.

Background on Project Liberty

New York's crisis counseling response to the September 11 terrorist attacks, known as Project Liberty, was by far the largest and most complex effort in the 30-year history of the Crisis Counseling Assistance and Training Program. The project presented unique and unprecedented challenges for government authorities at all levels. While the administrative challenges associated with mobilizing this large scale effort were immense, on balance the record of Project Liberty is one of remarkable achievement.

Given the scope and scale of this major effort, it is also not surprising that there have been administrative and programmatic issues that have challenged our grants processes. Our priority has been to assure that services were delivered in a timely and effective manner while assuring accountability for Federal funds. Overall, we believe that Federal oversight of Project Liberty has been appropriate, reasonable, and responsive to State and local needs.

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Comments from the Substance Abuse and
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Prior to September 11, 2001, there had never been a Federal Emergency Management Agency (FEMA) Crisis Counseling Program grant for services in New York City. In fact, the State of New York's experience with the Crisis Counseling Program prior to September 11, 2001, had been limited to two small grants in 1996 for flooding in areas north of New York City. The New York State Office of Mental Health was engaged in significant disaster preparedness efforts prior to September 11, 2001, but the World Trade Center attacks impacted the entire metropolitan region of New York on a scale and level of severity that were unprecedented.

In the aftermath of the attacks, Federal, State, city and county governments combined efforts to mobilize an outreach and counseling effort involving 10 county governments, two major government departments within the City of New York, and 210 community-based organizations. Project Liberty's success in mobilizing outreach and counseling on such a large scale is notable considering the extraordinary circumstances in which the project was developed. During the chaotic aftermath of the terrorist attacks, fiscal and administrative staff were reassigned from other program areas (often as in-kind contributions), new staff were hired, and fiscal and administrative systems were developed to implement a major new program effort within a matter of weeks. Throughout the program implementation, the project has made quality assurance adjustments to ensure accountability of funds, responsiveness to changing needs and high quality of services.

The accomplishments of Project Liberty are truly noteworthy. As noted in project reports, Project Liberty providers have delivered nearly 812,000 individual or family crisis counseling sessions to approximately 527,000 individuals. An additional 223,000 persons participated in one or more of the 69,000 group crisis counseling sessions held and more than 738,000 people attended one of the nearly 42,000 group public education sessions offered by crisis counseling providers in New York City and in the ten county disaster area. Approximately 453,000 people received one-on-one education about program offerings, common reactions to a disaster, and general disaster mental health topics either in person or over the telephone. Over 19.7 million pieces of educational materials were distributed. Overall, nearly 1.5 million people have been served through face-to-face counseling and group public education.¹

Working with researchers and noted clinical professionals, the project has also created important new models of crisis counseling service delivery that help bridge the gap between immediate crisis response and more intensive clinical services. Even as the project closes down its operations, we are continuing to receive results from State and Federal evaluation efforts, which will help us prepare for future disasters and acts of mass violence.

¹ FEMA-1391-DR-NY Tenth Quarterly Report, received by SAMHSA May 10, 2005

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Response to GAO Concerns about New York City Department of Education Claims

The draft report describes challenges with the process of reimbursing claims from the New York City Department of Education for services delivered to children and youth. Specifically, the GAO report raises questions about the veracity of the New York City Department of Education’s Chief Financial Officer’s attestation that internal controls were in place for payments for personnel, other-than-personnel, and community-based organization expenses. In order to answer the questions raised by the GAO report, SAMHSA is recommending that the New York State Office of Mental Health conduct an independent project audit of these claims. SAMHSA does support the reimbursement of the New York City Department of Education for all supported claims for service delivery. Project Liberty data indicate that approximately 408,000 individuals have been served through face-to-face counseling or public education through the Department of Education.² During a recent site visit, the New York City Department of Education’s Chief Financial Officer indicated that documentation was available to support all claims and that the Department of Education would prepare documentation to support claims as necessary.

Response to GAO Assessment of SAMHSA Oversight

The draft report states that “SAMHSA was not in a position to exercise a reasonable level of oversight to ensure that funds were used efficiently and effectively in addressing the needs of those affected by the September 11 terrorist attacks.” The report states that “while SAMHSA provided oversight of Project Liberty’s delivery of services, it provided only limited oversight of financial information reported by Project Liberty about the cost of those services.” We disagree strongly with both of these statements.

While the challenges of Federal oversight for Project Liberty have been daunting, it is our position that both FEMA and SAMHSA have, in fact, exercised careful stewardship of Federal funds under extraordinarily challenging circumstances. Our oversight has been consistent with the existing legal and regulatory framework for the program, Federal grants management policies and procedures, and existing fiscal and administrative systems at the local and State levels.

In order to oversee a project of this scale, it has been critical to build an oversight and monitoring partnership with the New York State Office of Mental Health. SAMHSA staff worked intensively at the outset to help design a project structure that would assure accountability and appropriate oversight at each level of government while also allowing flexibility to address changing circumstances and needs. As noted earlier in this letter, Project Liberty involved 10 county governments, two major government departments within the City of New York, and 210 community-based organizations. It is neither reasonable nor appropriate for the Federal Government to exercise direct financial control of budget adjustments within each of these jurisdictions and subproviders.

² FEMA-1391-DR-NY Tenth Quarterly Report

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The State of New York did provide financial data on a routine basis for review. Financial reporting has been provided in the SF-269 Financial Status Report format, consistent with standard grants reports, as well as in more detailed fiscal reports. The SF-269 format, which is the OMB approved format for financial reports from grantees, does not include categories that compare to original budgets. In order to provide FEMA and SAMHSA with additional information on the financial status of the project, the State of New York provided additional financial updates on a routine basis. SAMHSA monitored the allocability, allowability and reasonableness of project expenditures.

We acknowledge that the revised budget summarized in the GAO report was not updated comprehensively after the State responded to the conditions of the original award, but we would note that SAMHSA did request and receive updated budget information from the State in several instances, particularly during the period of project extensions. The Regular Services Program (RSP) budget included in the GAO report is not comparable to reported expenditures in part because of expense classification differences. We note that the GAO did not cite problems with actual program expenditures. Instead, concern appears to center on differences between the classification of budgeted and reported expenditures.

The budget referred to by GAO was not prepared in the same format as reported expenditures, which were intended to provide a rapid update to the Federal Government on the status of expenditures while contracts and vouchers were still in process. Based on our discussions with the New York State Office of Mental Health, we believe that inconsistent categorization of expenses accounts in large part for the classification discrepancies in the reporting noted in Table 2. Comparison of Project Liberty's RSP Reported Expenditures to Budget from June 14, 2002 through September 30, 2004. For example, based on our discussions with State staff, the budget line item "crisis counseling," which was originally approved in order to allow implementation of a fee-for-service outreach approach reflects service contracts reported by the New York City Department of Health and Mental Hygiene and includes personnel services.

At several points in the project, the New York State Office of Mental Health has requested approval for major budget adjustments and has provided revised budget documentation in response to SAMHSA requests. Our review of project paperwork disclosed classification inconsistencies. We have discussed the inconsistencies in the classification of expenses with the State and are requesting a review of all expense classifications in preparation for the final report and fiscal close-out of the project.

As noted in the GAO report, SAMHSA reviewed State single audit reports performed on an annual basis in accordance with OMB Circular A-133. The FY 2001, 2002 and 2003 audits disclosed unqualified audit opinions over both financial statements and the State's administration of Federal programs. The reports cite no reportable conditions and no

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material weaknesses. Results of the single audits are one of the tools SAMHSA uses to assess project and grantee risk. Results of these audits disclose no risk with this grantee.

Classification as high risk simply on the basis of total estimated project expenditures would, in our opinion, be inappropriate. It should be noted that Federal regulations assign responsibility for monitoring sub-awards to the grant recipient. There is no current regulatory mechanism allowing SAMHSA to assess risk on a “complex Federal, state and local government environment” as specified in the GAO report.

SAMHSA Response to Recommendations in Draft GAO Report

The draft report includes recommendations specifically related to Project Liberty, as well as general recommendations related to the Crisis Counseling Assistance and Training Program.

Recommendations Regarding Project Liberty

The GAO report recommends that to ensure proper and timely expenditure of remaining Project Liberty funds, FEMA should work with SAMHSA to:

- Provide assistance to New York City and State officials in appropriately resolving issues surrounding the New York City Department of Education expense reimbursements; and,
- Determine whether an independent review of the propriety of the use of funds for payments to the New York City Department of Education is needed.

SAMHSA Response

SAMHSA has no objections to these specific recommendations related to the close-out monitoring of Project Liberty. SAMHSA is prepared to work with FEMA to determine whether an independent review of the propriety of the use of funds for payments to the New York City Department of Education is needed.

FEMA and SAMHSA are currently in the process of reviewing an administrative extension of the RSP grant to New York that supports Project Liberty. SAMHSA has proposed conditions that will help address concerns raised in the GAO draft report. Based on recent site visits and plans presented in the State extension request, we expect that remaining fiscal close-out issues involving the New York City Department of Education can be addressed between now and the proposed extension date of September 30, 2005.

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The proposed conditions of the extension are as follows:

1. The State of New York must conduct an independent project audit of claims made by the New York City Department of Education.
2. The State must provide bi-weekly written updates on the process of fiscal close-out, with particular emphasis on progress in completing the process of certification and reimbursement of claims by the New York City Department of Education, as well as updates on the process of audits and audit recoveries among other service providers.
3. By July 1, 2005, the State shall provide an estimate to SAMHSA of all remaining funds required for program close-out so that SAMHSA can recommend and FEMA can release all necessary remaining funds by September 30, 2005.
4. In reviewing program documentation, SAMHSA has noted that although the State submitted a revised budget in response to original award conditions, the classifications of budget categories have not been consistent with the major budget categories of the SF-424. For example, personnel expenditures by subcontract agencies are most appropriately classified under the heading of subcontracts for the purpose of State budgets. The State must review expense classification to ensure consistency with the classifications of the SF-424. SAMHSA's Office of Grants Management is available to provide guidance on appropriate documentation according to the SF-424 categories. In preparation for program close-out and the final program report, the State must evaluate the classification of its expenditures for the project and report on expenditures using categories from the originally approved budget appropriately classified within the SF-424 categories.

Recommendations Regarding Oversight of Future Crisis Counseling Program Grants

To strengthen Federal financial oversight of future Crisis Counseling Program (CCP) grants, the GAO report recommends that FEMA should work with SAMHSA to:

- Require the recipients of CCP grants to submit updated budgets to reflect approved changes to the program;
- Revise the current risk assessment process to comprehensively identify and assess risks associated with CCP grants;
- Establish a process to update the risk assessment for significant program changes;
- Consider developing formal requirements for consistent classifications of expense data; and,

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- Develop formal procedures to perform more detailed analyses of financial reports, including comparing actual expenditures and budgets to identify variations and obtain an understanding of the reasons for any unusual variations.

In addition, the GAO recommends that FEMA should establish a clear time frame to complete its review of the CCP as expeditiously as possible to ensure that the lessons learned from Project Liberty will be used to help improve future programs funded by the CCP.

SAMHSA Response

SAMHSA has no objections to the general recommendations regarding the Crisis Counseling Program, but we would note that these recommendations would need careful consideration to ensure appropriate implementation. Because the Project Liberty response to the September 11 attacks was dramatically different in scale and complexity than most FEMA Crisis Counseling Program grants, FEMA and SAMHSA must consider potential thresholds (e.g., size of grant, scope of impact) that may trigger more intensive processes of review and oversight, as well as more intensive Federal technical assistance. At the same time, we must recognize that State grant recipients, especially in the early stages of grant implementation, are likely to be overwhelmed. We must maintain high standards of accountability while being careful not to overburden State systems faced with the challenge of organizing service delivery in emergency situations.

SAMHSA concurs that administering the September 11 grant will provide valuable experience for future projects. As part of an overall program review, SAMHSA staff will work with FEMA to develop more formalized processes for budget modification, particularly for large or unusual programs with multiple extension requests or major program modifications. Likewise, SAMHSA will work with FEMA to formalize requirements for consistent classifications of expense data.

As we have noted in meetings with GAO staff, FEMA and SAMHSA are currently engaged in a comprehensive review of program procedures to assure Federal monitoring and technical assistance efforts within the Crisis Counseling Assistance and Training program are of high quality. We are proud of our record of service to communities impacted by the September 11 attacks and will work with FEMA to strengthen the program's ability to meet future challenges.

Sincerely,



Charles G. Curie, M.A., A.C.S.W.
Administrator

GAO Contact and Staff Acknowledgments

GAO Contact

Linda Calbom, (202) 512-8341.

Acknowledgments

Robert Owens (Assistant Director), Donald Neff (Auditor-in-Charge), Lisa Crye, Edward Tanaka, and Brooke Whittaker made key contributions to this report.

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