

Massachusetts Emergency Management Agency

Background

The Massachusetts Emergency Management Agency (Agency) provides protection to the citizens of the Commonwealth by carrying out emergency functions to minimize the effects of either natural or man-made disasters. The Agency assists Massachusetts communities in conducting similar efforts at the local level. The Agency has a comprehensive emergency management plan which provides for preparedness for response to and recovery from all types of disasters and hazards.

During fiscal year 1998, the Agency administered state appropriated funds of approximately \$18 million. In addition, the Agency coordinated state and local efforts with the Federal Emergency Management Agency to recover from the October 1996 floods. The Agency distributed approximately \$9 million of state and federal funds to cities, towns and state agencies for the floods and another \$686 thousand for prior year disasters and hazard mitigation.

The federal funding to this Agency is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Agency's major program was:

CFDA# Federal Program Description

83.516 Disaster Assistance

83.544 Public Assistance Grants

Findings on Compliance with Rules and Regulations

Finding Number 27: \$1,893 in Overpayments and \$9,059 in Underpayments Pertaining to the October 1996 Floods

The Massachusetts Emergency Management Agency (MEMA) still needs to resolve over- and under payments reported in the prior audit. The fiscal year 1997 Single Audit reported that the Federal Emergency Management Agency (FEMA) authorized and approved MEMA to pay cities and towns for emergencies incurred because of the October 1996 flood. A review of these payments disclosed \$1,893 in overpayments and \$9,059 in underpayments, resulting in a net underrecovery of \$7,166. The prior auditors reviewed 25 payments, 20 to subrecipients and 5 to vendors totaling \$948,350 of the \$5 million expended in the Disaster Assistance Program during fiscal year 1997. The prior audit recommended that MEMA continue working with FEMA to review all claims for allowability.

During the current audit, it was disclosed that MEMA had not paid any of the underpayments or

recovered the overpayments. MEMA indicated that it had discussed the over- and underpayments with FEMA and that their position is that no further action is necessary because FEMA had originally reviewed all expense documentation provided by the applicant cities and towns. The documentation had been returned to the communities with a required notification, that the Disaster Assistance Program allowed a 60-day appeal process during which any city or town officials need only file an appeal summarizing their detailed objections to the reimbursement amount. MEMA indicated that none of the communities appealed the final payments authorized by FEMA and made by MEMA. MEMA indicated that it shared the audited information with FEMA and that FEMA's position was that the \$9,059 underpayment fell outside the 60-day appeal period and thus required no further action. Also, regarding the \$1,893 in questioned costs both MEMA and FEMA felt no further adjustment is necessary. MEMA however stated that all decisions have been verbal and had not obtained written decision from FEMA.

The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §400 (d) (5), which details federal awarding agency responsibilities, requires FEMA to

" Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action."

Furthermore, Section 405 Management decision.

a) General. (Says) The management decision shall state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. MEMA needs to obtain a written decision from FEMA to resolve this issue. (*Federal Emergency Management Agency – Disaster Assistance Program 83.516; Fiscal Year 1997 Single Audit Finding 28*)

Recommendation:

MEMA should obtain a written decision from FEMA explaining action it expects MEMA to take regarding these over and under payments.

Department corrective action plan:

MEMA will obtain a written statement from FEMA on what action FEMA will recommend to MEMA.

Completion Date: December 31, 1998

Responsible Individual: Cris McCombs, Disaster Recovery Manager

Findings Not Repeated from Prior Years

1. The Massachusetts Emergency Management Agency (Agency) had not established a system for identifying total federal awards to subrecipients. The Agency established a written policy in its Internal Control Guide and uses the information warehouse to identify subrecipients that received \$300,000 or more in federal funds during fiscal year 1998 and requested copies of the audit reports. It also reviewed the audit report of the only subrecipient it gave \$300,000 to in 1997. (*Fiscal Year 1997 Single Audit Finding 27*)
2. The Agency did not obtain certificates from subrecipients stating that they were not suspended or debarred from participating in federal awards. The Agency has modified its disaster relief assistance agreement to incorporate the necessary language to obtain the required certifications. (*Fiscal Year 1997 Single Audit Finding 29*)

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