

Massachusetts Emergency Management Agency

Findings on Compliance with Rules and Regulations

Finding Number 1: Information Supporting the Comprehensive Annual Financial Report was Not Properly Completed

The Massachusetts Emergency Management Agency (MEMA) has corrected some reporting of information on its GAAP (Generally Accepted Accounting Principles) report filed with the Office of the State Comptroller (Comptroller) but still needs to correct lease information. The GAAP report is required to be filed by state agencies to provide the Comptroller financial information to be reported in the Comprehensive Annual Financial Report (CAFR). The prior audit identified that MEMA did not properly complete the information required to present the CAFR in accordance with GAAP during fiscal 1997. A fixed asset with a cost exceeding \$15,000 was not recorded in the fixed asset subsystem as required by Commonwealth regulations 802 CMR 6.04. In addition, certain capital and operating lease detail was not provided and administrative fees due from the federal government were not reported.

The prior report recommended that MEMA establish formal procedures to identify all GAAP adjustments and meet Commonwealth of Massachusetts reporting regulations. MEMA responded that the error had been corrected and that it would review existing procedures.

Our current audit revealed that MEMA's staff took the necessary actions to remedy two of the three deficiencies noted for this compliance area. MEMA properly completed information, during fiscal year 1998 required to present the CAFR for the fixed asset purchased in fiscal 1997 that had not been recorded. During the fiscal year 1998, MEMA properly completed the information in the fixed asset subsystem as required for their fixed assets purchased with a cost exceeding \$15,000. MEMA also reported administrative fees of \$212,648, due from the federal government, by using the modified accrual system on the fiscal year 1998 GAAP report.

Furthermore, MEMA did report FY99 lease expenses of \$2,184 but did not report \$2,184 of lease expenses for the year 2000. This operating lease is a five-year lease that began July 1, 1995 through June 30, 2000. MEMA officials explained that this reporting was consistent with the verbal instructions received from Comptroller, when this operating lease was recorded on the fiscal year 1996 GAAP report. Comptroller instructed MEMA not to enter any fiscal year 2000 lease expenses due to the potential year 2000 computer problem. MEMA's Chief Fiscal Officer stated that the MEMA fiscal year 1999 GAAP report would list their FY 2000 operating lease expense. (*Fiscal Year 1997 Report Finding 1*)

Recommendation:

The Massachusetts Emergency Management Agency should identify and contact the Comptroller to

comply with their current procedures and regulations to ensure full disclosure of the required future capital and operating leases.

Department corrective action plan:

The Massachusetts Emergency Management Agency will contact the Comptroller to amend the GAAP report to include the fiscal year 2000 lease expense of \$2,184.

Implementation Date: December 31, 1998

Responsible Individual: Kenneth J. McBride, Chief Financial Officer

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