



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued March 3, 2016

Massachusetts Emergency Management Agency

For the period July 1, 2013 through December 31, 2014





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Mr. Kurt N. Schwartz, Director
Massachusetts Emergency Management Agency
400 Worcester Road
Framingham, MA 01702

Dear Mr. Schwartz:

I am pleased to provide this performance audit of the Massachusetts Emergency Management Agency. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2013 through December 31, 2014. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Massachusetts Emergency Management Agency for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

FEMA	Federal Emergency Management Agency
MEMA	Massachusetts Emergency Management Agency
MMARS	Massachusetts Management Accounting and Reporting System
NIMS	National Incident Management System
OSA	Office of the State Auditor

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Massachusetts Emergency Management Agency (MEMA) for the period July 1, 2013 through December 31, 2014. The objectives of this audit were to review certain aspects of MEMA's administration of its Public Assistance and Hazard Mitigation Grants, its Emergency Management Performance Grants, and the training courses it provided to its employees.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 7	MEMA did not maintain complete documentation for its Public Assistance Grants.
Recommendations Page 8	<ol style="list-style-type: none">1. MEMA should not process any public-assistance reimbursements until it ensures that all the required related documents have been received, properly approved, and kept on file.2. MEMA should establish controls that require monitoring of its project files to ensure compliance with its policies in this area.
Finding 2 Page 9	Although MEMA had established policies and procedures for training its employees, not all its employees completed training within the required timeframe.
Recommendation Page 11	MEMA should establish adequate training policies and procedures to ensure that all staff members funded by the Emergency Management Performance Grant Program receive their required training and stay within MEMA's established timeframe in the future. These could include a policy requiring scheduled email notifications to employees; follow-up notifications; and notification of the consequences of noncompliance.

OVERVIEW OF AUDITED ENTITY

The Massachusetts Emergency Management Agency (MEMA) was established under the Massachusetts Civil Defense Act, Chapter 639 of the Acts of 1950. Section 18 of Chapter 6A of the Massachusetts General Laws placed MEMA within the Executive Office of Public Safety. According to its 2013 strategic plan, MEMA is “responsible for coordinating the statewide emergency management program for the Commonwealth” and its mission is to “enhance the Commonwealth’s capacity and capability to protect against, prevent, prepare for, mitigate, respond to, and recover from major emergencies.” It is responsible for developing plans for effective response to all forms of threat from natural or technological hazards, such as hurricanes, winter storms, floods, fires, hazardous-material incidents, tornadoes, earthquakes, nuclear accidents, and terrorism. MEMA also provides assistance to local governments and certain nonprofit organizations for emergency work related to hazards or disasters and the repair or replacement of disaster-damaged facilities through the Federal Emergency Management Agency’s (FEMA’s) Public Assistance Grants, and for actions taken to prevent or reduce long-term risk to life and property from natural hazards through FEMA’s Hazard Mitigation Grant Program.

MEMA receives funding through state appropriations, which totaled \$1,808,000 for fiscal year 2014. In addition, MEMA receives funding through FEMA’s Emergency Management Program Grants, which totaled \$5,210,106 during fiscal year 2014, to help local governments prepare for hazards. MEMA’s headquarters are in Framingham, and its other regional offices are in Tewksbury, Bridgewater, and Agawam.

MEMA provides funding to various governmental and private organizations through several grant programs as follows.

1. Public Assistance Grant Program

Grants under this program provide assistance for emergency work and disaster repair. To be eligible, a county must have incurred hazard-related costs that exceed a population-based threshold established annually by FEMA as well as an aggregate statewide cost threshold. During our audit period, MEMA expended \$43,443,035 from 11 Public Assistance Grants.

2. Hazard Mitigation Grant Program

Funding under this program can be provided to any county in Massachusetts to help prevent or reduce long-term risks associated with natural hazards. During the audit period, MEMA expended \$6,769,118 for hazard mitigation.

3. Emergency Management Performance Grants

These grants are provided by FEMA to each state's emergency-management agency and are used by those agencies to assist local governments with hazard preparation. During our audit period, MEMA expended \$7,295,768 of these grants.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Massachusetts Emergency Management Agency (MEMA) for the period July 1, 2013 through December 31, 2014.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did MEMA have proper authorizations and approvals in place for its Public Assistance and Hazard Mitigation Grants to ensure that payments made to subrecipients were in accordance with the Federal Emergency Management Agency's (FEMA's) policies and procedures and other federal and state requirements?	No; see Finding <u>1</u>
2. Did MEMA follow the approved requirements for expenditures made from its Emergency Management Performance Grant Program?	Yes
3. Did MEMA employees complete the training courses required by the terms of the Emergency Management Performance Grant within the timeframe established by MEMA's training policy?	No; see Finding <u>2</u>

To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. We determined that internal controls over the following areas were relevant to our audit objectives:

- Public Assistance Grants and Hazard Mitigation Grants
- Emergency Management Performance Grants
- employee training

To accomplish our audit objectives, we performed the following activities:

- Through interviews with MEMA officials and a review of agency records, including organizational charts, we obtained an understanding of the types of departments and programs within MEMA and used this information to perform a risk analysis.
- To gain an understanding of MEMA's activities, goals, and objectives, we examined its Comprehensive Emergency Management Plan and the Massachusetts Emergency Management Program Multiyear Strategic Plan.
- Through interviews with MEMA's chief administrative officer, we obtained an understanding of MEMA's process for administering its programs for Public Assistance Grants, Hazard Mitigation Grants, and Emergency Management Performance Grants.
- We reviewed policies and procedures to determine eligibility requirements and the process of reimbursing subrecipients under MEMA's Public Assistance Grants Program.
- We interviewed MEMA's Training Unit personnel to obtain an understanding of training requirements for MEMA employees and how training records are maintained.
- We obtained financial data from the state's Massachusetts Management Accounting and Reporting System (MMARS), which we used in our audit testing. From our current audit work and OSA's data-reliability assessment of MMARS's information-technology controls,¹ we determined that the data obtained for this audit were sufficiently reliable for the purposes of this report.
- We selected certain transactions for further examination by using nonstatistical sampling. (Since these samples were nonstatistically selected, we did not project the sample results to our entire population.) More specifically,
 - For MEMA's Public Assistance Grants Program, we reviewed the authorization and approval controls over reimbursement payments to subgrantees. MEMA's Public Assistance Grant Program had a total of 11 active grants. Using a risk-based method, we selected the 2 highest-expenditure grants, which accounted for 79% of the expenditures during the audit period. A combined total of 676 transactions had been made with these grants. We selected 10 reimbursement transactions. These 10 transactions were the highest reimbursements made to subgrantees seeking disaster relief. In addition, we tested a nonstatistical sample of 30 more transactions.
 - For MEMA's Hazard Mitigation Grants, we reviewed payments for approved projects to subrecipients. We used a nonstatistical sample and judgmentally selected the 8 highest transactions from a total population of 25.
 - For Emergency Management Performance Grants, we used a nonstatistical sample and judgmentally selected 18 transactions as follows: 7 of 281 transactions from grants to public

1. In 2014, OSA performed a data-reliability assessment of MMARS. As part of this assessment, we tested general information-technology controls for system design and effectiveness. We tested for accessibility of programs and data, as well as system change management policies and procedures for applications, configurations, jobs, and infrastructure.

entities; 3 of 99 transactions from administrative payroll; 3 of 11 transactions from grants to nonpublic entities; and 5 of 1,325 transactions related to other administrative expenses.

- For employee training, we selected and reviewed 4 of 105 employee files to determine whether employee training records were updated in accordance with FEMA and MEMA training policies. We then tested a nonstatistical sample of 20 employee files to determine whether employees were completing training courses as required for the Emergency Management Performance Grant Program and by MEMA's training policy. To determine whether courses were completed within the established timeframe, it was necessary for us to review records and obtain information on agency operations outside the audit period.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Massachusetts Emergency Management Agency had missing or unsigned documentation for its public-assistance reimbursement process.

The Massachusetts Emergency Management Agency (MEMA) could not provide evidence of supervisory review for certain stages of the process of reimbursing various subrecipients through the Public Assistance Grant Program. During the audit period, MEMA provided \$43,443,035 in disaster-relief assistance to various subrecipients under this program. We tested authorizations and approvals for 40 individual reimbursements, totaling \$12,339,168, made to these subrecipients. We found that some documents that were required as evidence of supervisory review were missing or unsigned. Without proper documented supervisory review, there is inadequate assurance that the amounts applied for and awarded to subrecipients are the appropriate amounts.

MEMA uses a PA Project Worksheet Review Checklist to review the scope of work and cost estimates for each approved disaster-relief project. Once the checklist is completed, it is reviewed, signed, and dated by a MEMA disaster recovery program coordinator. This signature is a control that signifies that supporting documentation has been received from the subrecipient.

MEMA also uses a Project Worksheet Review Form to outline the required forms that must be returned or be on file with MEMA in order for the contract to be processed and payments issued. The Contract Review section of this form is intended to list all the contractual documents necessary to properly execute a contract, according to MEMA policy. Once all information is returned to MEMA, a MEMA disaster recovery contract specialist initials the Contract Review section of the form.

In our review of 40 reimbursements, we found that two PA Project Worksheet Review Checklists were missing and three had not been signed by the disaster recovery program coordinator. In addition, two Project Worksheet Review Forms did not have their Contract Review sections initialed by a contract specialist who had ensured that the subrecipient had submitted all the required information.

Authoritative Guidance

MEMA's 2013 Administrative Policies and Procedures for Implementation of the Federal Emergency Management Agency's Public Assistance Program specifically require, for each project, that the disaster

recovery program coordinator create and maintain a Project Worksheet Review Checklist and sign it when it is complete.

Although MEMA's policies and procedures do not specifically require that the Project Worksheet Review Form be initialed, the fact that MEMA has developed this form indicates that it considers it an essential control over the review and approval process for this funding. Therefore, sound business practice would require some documentation, such as an employee signature or initial, to indicate that this critical step in the application process has been performed and to document who performed it, in order to establish proper accountability for this task.

Reasons for Documentation Issues

MEMA's management acknowledged the documentation issues we identified in this area but could not explain why they had occurred. MEMA did not have adequate monitoring controls in place to ensure that the grant documents in question were completed and authorized in accordance with agency policy and retained in the appropriate files.

Recommendations

1. MEMA should not process any public-assistance reimbursements until it ensures that all the required related documents have been received, properly approved, and kept on file.
2. MEMA should establish controls that require monitoring of its project files to ensure compliance with its policies in this area.

Auditee's Response

As indicated in the report, MEMA's [Public Assistance, or PA] Policies and Procedures do not specifically require that the Project Review checklist be signed or initialed by the MEMA staff reviewing the project, and the utilization of this checklist is one of many tools used by MEMA program staff to assist in the review of FEMA-written project worksheets. Prior to any grant reimbursement, both MEMA program and fiscal staff must review and initial required forms to indicate all requirements have been met prior to actual payment/reimbursement. MEMA provided these documents during the audit and provided explanation for the payments noted in the finding. While the audit identified less than a handful of instances where checklists were not signed or were missing, MEMA does not feel the issue is widespread or systemic and believes that there are adequate controls in place to ensure reimbursements are only processed for FEMA-approved work. The process undertaken by MEMA and documented at time of payment demonstrates more than adequate assurance that payments are made in the proper amounts and for allowable costs. MEMA will continue to review, revise, improve and implement PA policies and procedures as necessary to further strengthen the agency's administration of FEMA's Public Assistance Program.

Auditor's Reply

It is the responsibility of MEMA's management to ensure that all agency policies and procedures are adhered to and that there is adequate documentation to substantiate that all Public Assistance Grant Program documents have been properly reviewed and approved. During our audit, we found some problems with the Public Assistance Grant documentation, including two PA Project Worksheet Review Checklists that were missing, three that were not signed by the disaster recovery program coordinator, and two Project Worksheet Review Forms that were not initialed by the contract specialist. While we agree with MEMA's assertion that these problems were not widespread, they do represent instances where there was a breakdown in the controls that MEMA has established to ensure the integrity of this grant process, and therefore they need to be addressed.

We do not question whether reimbursements made by MEMA to its subrecipients were appropriate; we acknowledge that when documents were missing or did not have initials or signatures indicating that the information had been reviewed, MEMA was still able to provide documentation to substantiate that the reimbursed expenses had been incurred. Rather, our audit identified certain internal control problems within MEMA's records in the project-review phase of the Public Assistance Grant process that we believe warrant management attention.

Based on its response, we believe MEMA is taking measures to address our concerns in this area.

2. MEMA's employees did not complete all the required training within its established timeframe.

Not all MEMA staff members who are funded by the Emergency Management Performance Grant Program completed the required training within the timeframe established by MEMA's policy. In our review of the personnel files of a random sample of 20 MEMA employees who were funded by this program and had been employed with MEMA for at least one year, we found that 13 of these 20 employees had not completed all 11 required courses within this timeframe. Four of the 13 did complete the courses after the one-year timeframe. As of the date of our testing, the remaining 9 had yet to complete between 1 and 8 of the 11 required courses. As a result, MEMA could potentially lose future funding for the Emergency Management Performance Grant.

Authoritative Guidance

MEMA's Emergency Management Performance Grant, issued by FEMA, states that all personnel funded by the grant must complete the following training and record proof of completion. MEMA established a policy dated April 14, 2012 that requires the courses to be completed within a year after hire.

National Incident Management System (NIMS) Training

1. IS 700—National Incident Management System
2. IS 800b—National Response Framework, An Introduction
3. ICS 100b—Introduction to Incident Command System
4. ICS 200b—ICS for Single Resource and Initial Action Incidents

In addition to the NIMS courses, FEMA also requires the following independent professional courses.

FEMA Professional Development Series

1. IS-120.a—An Introduction to Exercises
2. IS-230.d—Fundamentals of Emergency Management
3. IS-235.b—Emergency Planning
4. IS-240.b—Leadership and Influence
5. IS-241.b—Decision Making and Problem Solving
6. IS-242.b—Effective Communication
7. IS-244.b—Developing and Managing Volunteers

Reasons for Unmet Training Requirements

MEMA's policies state that its Training and Exercise unit will provide periodic updates to employees and managers on progress toward completing the required courses. However, these policies do not include specific dates and types of follow-up action, including consequences for noncompliance. Therefore, this control is inadequate in ensuring that all personnel funded by the Emergency Management Performance Grant Program actually receive the required training. We brought this to the attention of MEMA's chief administrative officer.

Recommendation

MEMA should establish adequate training policies and procedures to ensure that all staff members funded by the Emergency Management Performance Grant Program receive their required training and stay within MEMA's established timeframe in the future. These could include a policy requiring scheduled email notifications at various times during the year to employees who are at risk of not completing the required courses. If they do not respond, follow-up notifications could be sent, requiring employees to provide a response specifically stating when they will complete each required course and informing them of the consequences of noncompliance.

Auditee's Response

In furtherance of our continuing commitment to training and professional development, MEMA has adopted minimum training requirements for all employees. The fact that we impose these training requirements on all staff, and not just staff that are paid for with [Emergency Management Performance Grant, or EMPG] funds, is evidence of this commitment. Additionally, many staff members participate in other training and professional development programs, above and beyond those that are required by MEMA and the EMPG. The audit correctly notes that at the time of the audit, MEMA was not fully compliant with the training requirements. But . . . all but one staffer had made significant progress in completing the required courses and the agency was on track to be fully compliant by the fall of 2015. Indeed, shortly after completion of the audit, MEMA reached full compliance with the minimum training requirements imposed by the agency and the EMPG. . .

MEMA provides annual updates to FEMA on our compliance with the training requirements for staff paid for with EMPG funds. FEMA was aware of our progress and efforts towards compliance and at no time were we in jeopardy of losing our EMPG funding.

Auditor's Reply

We acknowledge that MEMA took measures to comply with the Emergency Management Performance Grant training requirements as soon as we brought this matter to its attention. We again recommend that MEMA implement our recommendations to better ensure that its employees meet training requirements on time in the future.