

# Audit Report

---

## Maryland Department of Emergency Management

May 2025

---



**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

### **Joint Audit and Evaluation Committee**

|  |                                      |
|--|--------------------------------------|
| Senator Shelly L. Hettleman (Senate Chair) | Delegate Jared Solomon (House Chair) |
| Senator Joanne C. Benson                   | Delegate Steven J. Arentz            |
| Senator Benjamin T. Brooks, Sr.            | Delegate Andrea Fletcher Harrison    |
| Senator Paul D. Corderman                  | Delegate Steven C. Johnson           |
| Senator Katie Fry Hester                   | Delegate Mary A. Lehman              |
| Senator Cheryl C. Kagan                    | Delegate David H. Moon               |
| Senator Clarence K. Lam, M.D.              | Delegate Julie Palakovich Carr       |
| Senator Cory V. McCray                     | Delegate Emily K. Shetty             |
| Senator Justin D. Ready                    | Delegate Stephanie M. Smith          |
| Senator Bryan W. Simonaire                 | Delegate M. Courtney Watson          |

### **To Obtain Further Information**

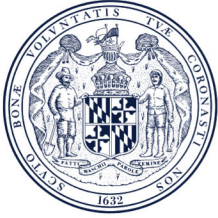
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201  
Phone: 410-946-5900  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [webmaster@ola.state.md.us](mailto:webmaster@ola.state.md.us)  
Website: [www.ola.state.md.us](http://www.ola.state.md.us)

### **To Report Fraud**

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

### **Nondiscrimination Statement**

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



Victoria L. Gruber  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE  
Legislative Auditor

May 12, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Emergency Management (MDEM) for the period beginning October 1, 2021 and ending September 15, 2024. MDEM is primarily responsible for ensuring the State is prepared to deal with emergencies beyond the capabilities of local authorities. MDEM also coordinates disaster preparedness activities with its federal and local counterparts and is responsible for administering loan and grant programs that provide funding to volunteer fire companies.

Our audit disclosed that MDEM did not ensure that it requested federal reimbursement for all public assistance grant expenditures. As a result, MDEM did not recover \$691.6 million timely, including \$255.7 million that was still outstanding as of January 2025, and lost investment income totaling at least \$19.2 million. MDEM also did not verify that all federal fund reimbursement requests were subsequently received.

Our audit also disclosed that MDEM was unable to support the propriety of an accrued federal fund revenue entry for COVID-related funds totaling approximately \$882.1 million or the subsequent recovery of certain of the funds. Specifically, MDEM had only recovered \$520.9 million of this amount as of December 2024. While some or all of the remaining \$361.2 million may ultimately be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits.

Finally, our audit disclosed that MDEM did not have sufficient processes to ensure Volunteer Company Assistance Fund loan activity was properly recorded,

related loan payments were properly deposited, and delinquent loan payments were pursued as required.

MDEM's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address the audit issues. While MDEM generally agrees with the recommendations in this report, we identified one statement in its response requiring an "auditor's comment."

We wish to acknowledge the cooperation extended to us during the audit by MDEM.

Respectfully submitted,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
Legislative Auditor

## **Table of Contents**

|  |                 |
|--|-----------------|
| <b>Background Information</b>  | <b>4</b>        |
| Agency Responsibilities  | 4               |
| Status of Findings From Preceding Audit Report   | 5               |
| <b>Findings and Recommendations</b>  | <b>6</b>        |
| <b>Federal Funds</b>   |                 |
| Finding 1 – The Maryland Department of Emergency Management (MDEM) did not ensure federal reimbursement was obtained for all public assistance grant expenditures, resulting in the failure to recover \$691.6 million timely and lost investment income totaling at least \$19.2 million. | 6               |
| Finding 2 – MDEM did not ensure all federal funds requested for reimbursement were received.   | 7               |
| <b>Accrued Revenue Transactions</b>  |                 |
| Finding 3 – MDEM could not support the propriety of an accrued federal fund revenue entry totaling approximately \$882.1 million recorded at the end of fiscal year 2024 or the subsequent recovery of certain of these funds.   | 8               |
| <b>Volunteer Company Assistance Fund Loans</b>   |                 |
| Finding 4 – MDEM did not have sufficient procedures and controls to ensure Volunteer Company Assistance Fund loan activity was properly recorded, related loan payments were properly deposited, and delinquent loan payments were pursued as required.                                    | 9               |
| <b>Audit Scope, Objectives, and Methodology</b>  | <b>11</b>       |
| <b>Agency Response</b>   | <b>Appendix</b> |

## **Background Information**

### **Agency Responsibilities**

The Maryland Department of Emergency Management (MDEM) was created by Chapters 287 and 288, Laws of Maryland 2021 as a principal department in the Executive Branch effective October 1, 2021. MDEM coordinates Statewide efforts in the event of emergencies and disasters that are beyond the capabilities of local authorities. MDEM also coordinates disaster preparedness activities with its federal and local counterparts and, through mitigation services, strives to reduce or eliminate the impact of future disasters. Additionally, MDEM is responsible for administering loan and grant programs (such as the Volunteer Company Assistance Fund) that provide funding to volunteer fire companies for facilities and equipment. These activities were previously the responsibility of the former Maryland Emergency Management Agency, a unit within the Department of Military.

The aforementioned legislation also transferred certain responsibilities for the Maryland 9-1-1 Board (Board) from the Department of Public Safety and Correctional Services (DPSCS) to MDEM. The Board is funded by, and responsible for, the 9-1-1 Trust Fund (Fund), which consists of revenue received from State and local fees, and a fee charged on prepaid wireless services (as well as investment earnings on the fund). MDEM is responsible for budgeting and disbursing the State portion of the funds to cover internal costs to support the Board and to the counties for eligible projects. Activity related to receipt of fees and accuracy of fee totals remitted to the State are included in our audit of the Comptroller of Maryland (COM).<sup>1</sup>

As noted in Figure 1, according to the State's records, during fiscal year 2024, MDEM's expenditures totaled approximately \$905.1 million, the majority of which were funded with federal funds. During the period from fiscal year 2022 through 2024, MDEM had vacancy rates that ranged from 11.8 to 40.6 percent. As of June 30, 2024, approximately 20.4 percent of the total 98 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

---

<sup>1</sup> Chapter 605, Laws of Maryland 2020, effective May 8, 2020, require the COM, in consultation with the Board, to adopt procedures for auditing surcharge collections and remittance by telephone companies and commercial mobile radio service providers of 9-1-1 fees collected. In addition, the law authorizes the COM to compel compliance with a related audit.

**Figure 1**  
**MDEM Positions, Expenditures, and Funding Sources**

| Full-Time Equivalent Positions as of June 30, 2024 |                      |
|--|----------------------|
|  | Positions            |
| Filled   | 78                   |
| Vacant   | 20                   |
| <b>Total</b>                                       | <b>98</b>            |
| Fiscal Year 2024 Expenditures                      |                      |
|  | Expenditures         |
| Salaries, Wages, and Fringe Benefits               | \$ 11,227,468        |
| Technical and Special Fees                         | 5,939,065            |
| Operating Expenses                                 | 887,889,766          |
| <b>Total</b>                                       | <b>\$905,056,299</b> |
| Fiscal Year 2024 Funding Sources                   |                      |
|  | Funding              |
| General Fund                                       | \$ 11,249,336        |
| Special Fund                                       | 160,917,629          |
| Federal Fund                                       | 732,260,142          |
| Reimbursable Fund                                  | 629,192              |
| <b>Total</b>                                       | <b>\$905,056,299</b> |

Source: State financial and personnel records

## Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of one of the six findings contained in our DPSCS – Central Operations audit report dated November 20, 2019. See Figure 2 for the results of our review.

| Figure 2<br>Status of Preceding Findings |  |                       |
|--|--|-----------------------|
| Preceding Finding                        | Finding Description  | Implementation Status |
| Finding 6                                | The annual report of 9-1-1 Trust Fund activities was not submitted as required by law. | Not repeated          |

## Findings and Recommendations

### Federal Funds

#### Background

The Maryland Department of Emergency Management (MDEM) administers various federal grant programs. According to State records, MDEM's federal fund grant expenditures during fiscal years 2022 through 2024 totaled approximately \$1.37 billion. Our review focused on MDEM's accounting of public assistance grants, which accounted for \$1.14 billion (84 percent) of expenditures during this period.

#### Finding 1

**MDEM did not ensure federal reimbursement was obtained for all public assistance grant expenditures, resulting in the failure to recover \$691.6 million timely and lost investment income totaling at least \$19.2 million.**

#### Analysis

MDEM did not ensure that it requested federal reimbursement for all public assistance grant expenditures. MDEM advised that it submitted quarterly reimbursement requests to the federal government based on federal grant expenditures recorded in the State's accounting records. Our review disclosed that MDEM did not periodically reconcile its federal public assistance grant expenditures to the amounts requested from the federal government to ensure all eligible costs were recovered. As a result, MDEM did not recover all federal funds timely.

We analyzed MDEM's COVID related grant activity, which totaled \$1.13 billion fiscal years 2022 through 2024 (virtually all of its public assistance funding). Our analysis disclosed that, as of December 2024, MDEM had not requested reimbursement for \$255.7 million in federal fund expenditures dating back to February 2022. For example, MDEM had not requested reimbursement for expenditures made between April and June 2022 totaling \$30.8 million.

In addition, reimbursement for expenditures totaling \$435.9 million was requested between 2 to 27 months after the expenditures were eligible for federal reimbursement. For example, MDEM did not request reimbursement for expenditures totaling \$25.4 million made in the first quarter of fiscal year 2022 until July 2024.



Based on our calculations, the failure to timely recover these funds resulted in lost investment income<sup>2</sup> totaling at least \$19.2 million as of October 2024; MDEM will continue to incur additional lost interest until the aforementioned \$255.7 million is recovered. MDEM advised that it believed this amount was still recoverable but as of January 2025 it had not requested the funds from the federal government.

### **Recommendation 1**

**We recommend that MDEM**

- a. periodically reconcile federal fund expenditures to amounts requested from the federal government;**
- b. identify any amounts not recovered and determine whether the funds are still available for recovery; and**
- c. timely recover any amounts determined to be recoverable, including the amounts noted above.**

### **Finding 2**

**MDEM did not ensure all federal funds requested for reimbursement were received.**

### **Analysis**

MDEM did not ensure all federal fund reimbursement requests were subsequently received and credited to the designated MDEM account by the Office of the State Treasurer (STO).<sup>3</sup> As a result, MDEM lacked assurance that the funds were ultimately received.

Our test of 10 material grant disbursements totaling \$190.4 million did not identify any instances in which the related federal fund reimbursement request was not received. Nevertheless, given the significant amount of federal funds associated with these grants and the STO acting as an intermediary for the collection of the funds, MDEM should establish a documented procedure to ensure each federal fund request is received.

### **Recommendation 2**

**We recommend that MDEM perform documented verifications to ensure that all federal funds requested were received.**

---

<sup>2</sup> Lost investment income refers to the amount that the State would have earned if the funds had been invested by the State Treasurer (based on the State's actual return on investment) instead of being used to finance federal fund expenditures.

<sup>3</sup> Although federal funds are requested by MDEM, the STO actually receives the funds from the federal government, which is documented by the STO posting the receipt activity to the appropriate account.

## Accrued Revenue Transactions

### Finding 3

**MDEM could not support the propriety of an accrued federal fund revenue entry totaling approximately \$882.1 million recorded at the end of fiscal year 2024 or the subsequent recovery of certain of these funds.**

### Analysis

MDEM was unable to provide documentation to support the propriety of an accrued federal fund revenue entry for COVID-related funds totaling approximately \$882.1 million or the subsequent recovery of the funds. At the end of fiscal year 2024, MDEM recorded five accrued federal fund revenue entries totaling \$903.6 million, consisting of three positive accrued revenue entries totaling \$891.3 million and two negative accrued revenue entries totaling \$12.3 million.

#### MDEM Could Not Support an Accrued Revenue Entry

Our test of one accrued revenue entry<sup>4</sup> totaling \$882.1 million disclosed that MDEM recorded the entry to offset the negative balance in one account without verifying that the amount recorded was valid and collectable from the federal government. The amount accrued seemed questionable because MDEM management advised us that it pursued federal reimbursement quarterly, and the amount accrued exceeded the total fiscal year 2024 expenditures of \$698.8 million.

#### MDEM Could Not Document Recovery of Recorded Accrued Revenue

MDEM also could not readily document that it had requested and collected certain of the amounts accrued. As of December 6, 2024, MDEM had only recovered \$520.9 million of the \$882.1 million (59 percent). As of January 15, 2025, MDEM was still in the process of investigating the disposition of the remaining \$361.2 million. While some or all of the remaining funds may ultimately be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits.

The Comptroller of Maryland – General Accounting Division’s year-end closing instructions provide that accrued revenue transactions should reflect amounts that are collectable within 60 days of the end of the fiscal year and that revenue should be recognized in the same fiscal year the expenditure is made. The closing instructions also require that detail documentation to support the transactions be

---

<sup>4</sup> We selected this test item based on materiality.

maintained. This condition was also disclosed in our report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2024*.

### **Recommendation 3**

**We recommend that MDEM**

- a. ensure that all year-end revenue transactions are properly supported,**
- b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and**
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management to resolve any related deficits.**

## **Volunteer Company Assistance Fund Loans**

### **Finding 4**

**MDEM did not have sufficient procedures and controls to ensure Volunteer Company Assistance Fund (VCAF) loan activity was properly recorded, related loan payments were properly deposited, and delinquent loan payments were pursued as required.**

### **Analysis**

MDEM did not have sufficient procedures and controls to ensure VCAF loan activity was properly recorded, related loan payments were properly deposited, and delinquent loan payments were pursued as required. VCAF provides loans to volunteer fire companies for the purchase, replacement, or improvement of firefighting and rescue equipment.<sup>5</sup> According to MDEM records, as of October 2024, there were 62 active VCAF loans with receivable balances totaling \$23.1 million.

### **Loan Activity Was Not Independently Reviewed for Propriety**

MDEM did not have an independent review process to ensure that loan activity was properly recorded in its loan system. Specifically, one employee was unilaterally responsible for authorizing loan fund disbursements, updating the related accounts receivable records, changing loan terms, and reconciling loan activity to State's accounting records. As a result, errors and/or improper activity

---

<sup>5</sup> The Maryland State Firefighters Association, on behalf of volunteer fire companies, submits approved VCAF loan applications for final approval by the Board of Public Works and subsequent loan servicing by MDEM.

could occur without detection. Our test of 10 loans<sup>6</sup> totaling \$7.8 million did not identify any discrepancies or improper activity.

#### MDEM Did Not Verify that Loan Payments Were Deposited

MDEM did not verify that loan payments were deposited into the State's bank account. According to MDEM's records, between February 2022 and August 2024 VCAF loan payments totaled \$7.8 million. The Comptroller of Maryland's *Accounting Policies and Procedures Manual* requires independent verification of collections to deposit. MDEM advised that this process was not implemented due, in part, to staffing shortages. Our test of 10 days' collections<sup>7</sup> during this period totaling \$2.1 million disclosed that all 10 were deposited intact.

#### MDEM Did Not Track and Pursue Collection of Delinquent Loan Payments

MDEM did not track and pursue collection of delinquent loan payments and did not assess late fees as permitted by the loan agreements. Our review of 227 payments totaling approximately \$3 million related to 27 loans<sup>8</sup> disclosed that 19 payments totaling approximately \$514,900 associated with 10 loans were made between 1 to 12 months late. MDEM could not document that it pursued collection of delinquent loan payments and did not assess late fees as permitted by the loan agreements.

### **Recommendation 4**

#### **We recommend that MDEM**

- a. establish procedures that independently ensure all existing loans have been properly recorded in the loan system and future loans or changes to loan terms are entered accurately and timely,**
- b. perform an independent reconciliation between MDEM's loan system and the State's accounting records,**
- c. ensure that a documented independent verification of recorded collections to deposit is performed, and**
- d. pursue collection of accounts receivable in accordance with loan agreements and assess appropriate late fees for delinquent payments.**

---

<sup>6</sup> We selected material loans from the 17 loans totaling \$11 million issued during our audit period.

<sup>7</sup> The test items were selected based on the materiality of deposit in our audit period.

<sup>8</sup> We arbitrarily selected 36 payments from the 10 days' collections selected for testing and identified if the payment was late. For the payments that were late, we expanded to test all payments in our audit period for the related loans.

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Maryland Department of Emergency Management (MDEM), for the period beginning October 1, 2021 and ending September 15, 2024. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MDEM's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements and disbursements, federal funds, grants, Volunteer Company Assistance Fund loans, Maryland 9-1-1 Board disbursements, and payroll. Our information systems security and control review addressed general controls, authentication controls, firewall security and intrusion prevention, malware prevention, and cloud computing. In addition, we reviewed one of the six findings contained in our audit report on the Department of Public Safety and Correctional Services – Central Operations dated November 20, 2019.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MDEM's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MDEM.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of October 1, 2021 to September 15, 2024, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MDEM's operations. Generally,

transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MDEM's grants management system for the purpose of selecting test items and performing data analytics. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MDEM's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MDEM, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MDEM's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MDEM that did not warrant inclusion in this report.

MDEM's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDEM regarding the results of our review of its response.



May 8, 2025

Brian S. Tanen, CPA, CFE  
Legislative Auditor  
Office of Legislative Audits  
351 West Camden Street, Suite 400  
Baltimore, MD 21201

Dear Mr. Tanen:

Thank you and the Office of Legislative Audits team for working with the Maryland Department of Emergency Management (MDEM) on our recent audit. Enclosed is our agency response form to the Legislative Audit Report for the period beginning October 1, 2021, and ending September 15, 2024. This is MDEM's first audit as a Department, an agency less than four-years old during the audit period.

MDEM has implemented control processes and made progress in areas described in this report, including filling key vacancies that may have contributed to the findings. The vast majority of MDEM's Federal grants are reimbursable grants. These require adherence to a precise, extensive Federal process that adds time to the reimbursement process.

MDEM has administered over \$2.1 billion in obligated FEMA public assistance awards for the COVID-19 disaster alone during this audit period. MDEM has ensured Federal reimbursement of public assistance grant expenditures follow Federal policy. The period of performance for these grants has not ended and remains open—we will continue to seek reimbursements for eligible activities until the end of the grant.

The Department takes audit findings seriously. We believe our corrective actions will sufficiently resolve any findings. Please contact Anna Sierra, Assistant Secretary, Strategy & External Affairs at [anna.sierra1@maryland.gov](mailto:anna.sierra1@maryland.gov) if you have any questions.

Sincerely,

Russell Strickland



# Maryland Department of Emergency Management

## Agency Response Form

### Federal Funds

#### Finding 1

**MDEM did not ensure federal reimbursement was obtained for all public assistance grant expenditures, resulting in the failure to recover \$691.6 million timely and lost investment income totaling at least \$19.2 million.**

**We recommend that MDEM**

- a. periodically reconcile federal fund expenditures to amounts requested from the federal government;**
- b. identify any amounts not recovered and determine whether the funds are still available for recovery; and**
- c. timely recover any amounts determined to be recoverable, including the amounts noted above.**

| Agency Response  |   |                            |           |
|--|---|----------------------------|-----------|
| Analysis   | Not Factually Accurate  |                            |           |
| Please provide additional comments as deemed necessary.              |   |                            |           |
| Recommendation 1a  | Agree   | Estimated Completion Date: | 5-31-2025 |
| Please provide details of corrective action or explain disagreement. | MDEM has established procedures to regularly reconcile federal fund expenditures to amounts requested from the federal government. MDEM is making significant changes as the Federal Government lifts the grant funding pauses. MDEM will be filling vacant positions in the Finance branch to manage this process. In addition, the Public Assistance (PA) grants' team will initiate and collaboratively complete the drawdown process of federal funding within 30 days of the funds being disbursed to the subgrantee. Ensuring that the itemized requests will be smaller as they will consist of fewer projects and should be less prone to error. Smaller, more frequent drawdowns will increase efficiency and allow for more thorough reviews. |                            |           |
| Recommendation 1b  | Agree   | Estimated Completion Date: | 6-30-2025 |
| Please provide details of corrective action or explain disagreement. | The amount remaining to draw is \$119m. The remaining funds will be requested, in compliance with Federal timelines for reconciliation and closeout. The grant has not reached the end of its performance period therefore, all amounts are determined recoverable.   |                            |           |
| Recommendation 1c  | Agree   | Estimated Completion Date: | Completed |

# Maryland Department of Emergency Management

## Agency Response Form

|   |  |
|---|--|
| <b>Please provide details of corrective action or explain disagreement.</b> | Of the \$691m mentioned, MDEM has requested \$572 mil. The grant has not reached the end of its performance period; the remaining amounts are recoverable. |
|---|--|

**Auditor's Comment:** MDEM indicates that our analysis is not factually accurate; however, it did not provide any additional comments to explain its position. Accordingly, we stand by the accuracy of our analysis and related recommendations.

# Maryland Department of Emergency Management

## Agency Response Form

### Finding 2

**MDEM did not ensure all federal funds requested for reimbursement were received.**

**We recommend that MDEM perform documented verifications to ensure that all federal funds requested were received.**

| Agency Response  |  |                            |           |
|--|--|----------------------------|-----------|
| Analysis   | Factually Accurate   |                            |           |
| Please provide additional comments as deemed necessary.              |  |                            |           |
| Recommendation 2   | Agree  | Estimated Completion Date: | Completed |
| Please provide details of corrective action or explain disagreement. | MDEM has established procedures to perform verification to ensure that all federal funds requested were received. This has also been documented. |                            |           |

# Maryland Department of Emergency Management

## Agency Response Form

### Accrued Revenue Transactions

#### Finding 3

**MDEM could not support the propriety of an accrued federal fund revenue entry totaling approximately \$882.1 million recorded at the end of fiscal year 2024 or the subsequent recovery of certain of these funds.**

**We recommend that MDEM**

- a. ensure that all year-end revenue transactions are properly supported,**
- b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and**
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management to resolve any related deficits.**

| Agency Response  |   |                            |           |
|--|---|----------------------------|-----------|
| Analysis   | Factually Accurate  |                            |           |
| Please provide additional comments as deemed necessary.              |   |                            |           |
| Recommendation 3a  | Agree   | Estimated Completion Date: | 9-30-2025 |
| Please provide details of corrective action or explain disagreement. | MDEM will revise the timeline for reconciliations of year-end revenue transactions to ensure that they are properly supported.  |                            |           |
| Recommendation 3b  | Agree   | Estimated Completion Date: | 6-30-2025 |
| Please provide details of corrective action or explain disagreement. | MDEM will analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances. The funds referred to in this report consist primarily of projects that are not at a point programmatically where we can issue the funds to the subgrantee and subsequently draw them down. The drawdown of funds will occur after funds have been disbursed to the subgrantee. |                            |           |
| Recommendation 3c  | Agree   | Estimated Completion Date: | Completed |
| Please provide details of corrective action or explain disagreement. | MDEM currently has no uncollectable federal funds. Should an instance arise, MDEM will work with the Department of Budget and Management to resolve any related deficits.   |                            |           |

# Maryland Department of Emergency Management

## Agency Response Form

### Volunteer Company Assistance Fund Loans

#### **Finding 4**

**MDEM did not have sufficient procedures and controls to ensure Volunteer Company Assistance Fund (VCAF) loan activity was properly recorded, related loan payments were properly deposited, and delinquent loan payments were pursued as required.**

**We recommend that MDEM**

- a. establish procedures that independently ensure all existing loans have been properly recorded in the loan system and future loans or changes to loan terms are entered accurately and timely,**
- b. perform an independent reconciliation between MDEM's loan system and the State's accounting records,**
- c. ensure that a documented independent verification of recorded collections to deposit is performed, and**
- d. pursue collection of accounts receivable in accordance with loan agreements and assess appropriate late fees for delinquent payments.**

| Agency Response  |  |                            |           |
|--|--|----------------------------|-----------|
| Analysis   | Factually Accurate   |                            |           |
| Please provide additional comments as deemed necessary.              |  |                            |           |
| Recommendation 4a  | Agree  | Estimated Completion Date: | 5-30-2025 |
| Please provide details of corrective action or explain disagreement. | MDEM has established procedures that ensure all existing loans have been recorded in the loan monitoring system and future loans or changes to loan terms are entered accurately and timely. The Finance team leadership vacancy has now been filled, who will perform an independent verification as recommended. |                            |           |
| Recommendation 4b  | Agree  | Estimated Completion Date: | 6-30-2025 |
| Please provide details of corrective action or explain disagreement. | MDEM has a process in place for reconciling the loan servicing system and state accounting records. The Finance team leadership vacancy has now been filled, who will perform independent reconciliation as recommended.   |                            |           |
| Recommendation 4c  | Agree  | Estimated Completion Date: | 6-30-2025 |

# Maryland Department of Emergency Management

## Agency Response Form

|   |  |                                   |           |
|---|--|-----------------------------------|-----------|
| <b>Please provide details of corrective action or explain disagreement.</b> | MDEM has a procedure in place to ensure that a documented independent verification of recorded collections to deposit is performed. The Finance team leadership vacancy has now been filled, who will perform documented verification of the recorded collection deposits. |                                   |           |
| <b>Recommendation 4d</b>  | Agree  | <b>Estimated Completion Date:</b> | 6-30-2025 |
| <b>Please provide details of corrective action or explain disagreement.</b> | MDEM will pursue collection of accounts receivable in accordance with loan agreements and assess appropriate late fees for delinquent payments.  |                                   |           |

AUDIT TEAM

**Catherine M. Clarke, CPA, CIA, CFE**  
Audit Manager

**R. Brendan Coffey, CPA, CISA**  
Information Systems Audit Manager

**Dorian A. Fournier, CIA**  
**Mindy R. Garrett**  
Senior Auditors

**Charles O. Price**  
Information Systems Senior Auditor

**Ali A. Dayya**  
**Hilary B. Gugig**  
**Daniel G. Johnson**  
Staff Auditors