

Preparing for the Next Emergency Now

December 31, 2024

I. Introduction

In response to the COVID-19 pandemic, Massachusetts and its local jurisdictions received a massive influx of funds through federal legislation, including the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) and the American Rescue Plan Act of 2021 (ARPA). Just a decade earlier, in the wake of the 2008 global financial crisis, the American Recovery and Reinvestment Act of 2009 (ARRA) similarly granted significant levels of federal stimulus dollars to states and municipalities.

While no one can predict the exact timing, we can all predict that the next emergency will present itself at some point in the future. Thus, the Massachusetts Office of the Inspector General (OIG) looks to partner with Massachusetts state and local government leaders to prepare for the next emergency now. As past is prologue, we can predict that when such a crisis occurs, state government, municipalities, quasi-public agencies, and other public entities will be called upon to administer funds. This may require moving funds quickly, often outside established programs and processes, and with the need to account for and reconcile actions at some future time. Developing a framework for an adaptable plan before the next crisis occurs is a critical step for what is, in fact, a foreseeable role that state and local governments are asked to play.

It is in your best interest, as an agency leader charged with managing public funds, to take steps now to ensure that when the next crisis does occur, every award dollar is used as intended by policymakers and can be properly accounted for when the inevitable oversight and reporting is conducted.

The OIG is issuing this advisory to recommend practical actions that public entities should consider today in planning for tomorrow's emergency. It is in your best interest, as an agency leader charged with managing public funds, to take steps now to ensure that when the next crisis does occur, every award dollar is used as intended by policymakers and can be properly accounted for when the inevitable oversight and reporting is conducted. Working proactively now to establish effective systems to distribute, account for, and reconcile future emergency dollars will improve your ability to respond in a timely and effective manner, helping to prevent fraud, waste, and abuse of public relief funds.

The recommendations herein are based, in part, on federal guidance such as the [Pandemic Response Accountability Committee's \(PRAC\) Blueprint for Enhanced Program Integrity](#) and the [Government Accountability Office's \(GAO\) Anti-Fraud Playbook](#).

II. Problem

State government, municipalities, quasi-public agencies, and other public entities in the Commonwealth responsible for administering federal emergency relief programs may be unprepared to handle the competing requirements to effectively and timely manage program funding. They may also be unprepared down the line when they are asked to account for and reconcile program funding to protect those public monies from fraud, waste, and abuse.

III. Recommendations

(1) Create a Culture of Accountability

One of the most effective ways to defend against fraud and the misuse of public funds starts in the office before the funds go out the door. A work culture that values transparency, initiative, and leadership – not just from top administrators and executives, but from staff members at every level – contributes to an environment where program risks are considered early and prevents unexpected consequences down the road. If you set an example of accountability in your own work by prioritizing risk assessments and demonstrating the importance of fraud, waste, and abuse prevention, your colleagues will likely match your example.

(2) Actively Manage Risks

As a public employee, you should be keenly aware of the risks that come with handling the public's money. The first step in addressing organizational risks is to identify them. The GAO accordingly recommends that an organization determine its "fraud exposure" through an assessment of its major risks. This should happen now before the next emergency requires you to expend extraordinary efforts in managing new federal funding sources made available in response to the crisis.

PRAC recommends that public entities assign risk management activities to a dedicated group within the organization. That group should have the responsibility and authority to evaluate programs and should report directly to the organizational head. Because they are familiar with an organization's programs, legal departments or compliance divisions are often well positioned to carry out this role. Whether it is the legal staff, compliance staff, or another unit, the designated group should ensure that risk assessments take place regularly. While the specific emergency may not be predictable, the fact that some type of emergency will occur at a future time is predictable. Risk management is a continuous process, and public entities should periodically (at least annually) reexamine their risk assessment approach.

The responsibility for overseeing programs rests with the public entity. If an entity engages a third-party vendor to assist with program oversight or risk management, the designated internal group should oversee the vendor's performance. Review the plan they created, ask questions, and know that your role is to administer and manage the plan. Take time to understand the plan and know whether it fits your needs. Contractual oversight enables a public entity to retain an active role in program administration, identify gaps in the vendor's performance, and provide guidance as necessary.

(3) Work Strategically with Subrecipients and Grantees

You should ensure that subrecipient contracts delineate the subrecipient's duties, including its program oversight responsibilities. Under [2 CFR 200.329](#), you are required to oversee the work of subrecipients. It is not responsible to simply send the grant money to the subrecipients and grantees without requiring further communication and reporting, *i.e.*, a "dump and run." Oversight may include monitoring costs, requiring performance reports, or conducting site visits. Contracts should specify how often a subrecipient is required to submit performance and financial reports and attend meetings with your staff. Beyond this, federal awards may specifically require additional oversight controls reflected in a compliance supplement. Check with a program's administering authority to determine whether a particular award has a compliance supplement. Also review provisions of the federal [Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards](#) (more commonly known as 2 CFR 200) for information relevant to areas such as procurement and required internal controls.

Ensure that subrecipients or grantees have the ability to administer program funding. Review and evaluate the financial management systems they use. Prioritize subrecipients with a strong track record of meeting your reporting requirements, or consult with other public entities that have previously collaborated with the prospective subrecipient.

PRAC recommends making periodic payments to subrecipient and vendors conditional on the completion of program milestones. For example, assume your town is contracting with a vendor to renovate a local park. You could stipulate in the contract that 25% of the contract price will be paid to the vendor upon the completion of the first phase of the project, such as initial site work. When the vendor completes the second phase, such as installing walking paths, the community will pay the next 25% of the contract price, and so on. Additionally, your community should consider making the final payment to a subrecipient or vendor dependent upon a certification of expenditures.

(4) Consider IT Resources and Practices

Many federal awards (such as those made under the Coronavirus State and Local Fiscal Recovery Funds program) allow recipients to use a portion of the awarded funds for the costs of administration and to build necessary information technology (IT) infrastructure. Those costs may involve procuring software or other IT systems such as data portals, videoconferencing software, and data storage. Make sure that your team members are familiar with the basic functions of the software you use and know how to resolve common issues. Document IT processes and controls for the benefit of new hires and oversight agency reviews. Ensure that all such hardware is included within the inventory of the recipient and that all software licenses are properly recorded with license end dates. Establish clarity around renewal responsibilities, including what happens when the grant expires.

Testing IT systems for functionality and user-friendliness must occur before their public launch. When using IT systems to collect reporting information or other data, perform a pilot or beta test of your electronic form with a group of real users to ensure that prompts are clear and that your system works as intended. Create guidance that is relevant to the practical use of the IT system, so that users can achieve intended results. Establish a way to notify users when you update guidance. Clearly convey which guidance is current, and make all guidance available in a central location.

(5) Use Data to Measure Success and Determine Program Eligibility

To accurately determine how your program is performing, adopt a data-centric approach. Teach program staff some of the fundamentals of using data to understand and improve program performance. These essentials include identifying key performance indicators (KPIs), collecting and verifying data, and using data visualizations.

You should use data to verify the eligibility of program beneficiaries. Many pandemic-era programs required that beneficiaries fit eligibility criteria, often related to income, region, and membership in a historically disadvantaged group. Applicants would often self-certify their eligibility. Your public entity must verify self-certifications. Review the U.S. Department of the Treasury's [Do Not Pay list](#), a database of individuals disqualified from receiving assistance for reasons such as fraud convictions. State agencies can also provide information to help you verify eligibility information. Sharing information with other public entities may require that you have a memorandum of understanding (MOU) or active data governance policy in place, additional systems that can be finalized in advance of an actual emergency. Consider tying eligibility for your federal program to an applicant's receipt of benefits from state programs targeting similar groups.

A core responsibility of your administrators is to monitor whether a program is achieving the goals for which it was created. Program administrators should therefore develop a plan to assess performance. Such a plan should include identifying and measuring KPIs, which are quantifiable performance measures that speak to a program's effectiveness. For example, assume you are operating a program that subsidizes the costs of home heating. Potential KPIs to track include the number of households participating in the program, the location of those households, the amount of money those households may have saved in heating costs, and how other programs (such as weatherization assistance programs, etc.) may have affected a participant's heating costs.

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*The **OIG** periodically issues advisories as a way to succinctly share timely topics with key stakeholders, most notably the leaders within the Commonwealth's 351 local communities and the leaders of state government, state agencies, quasi-public agencies, and other public entities. The **OIG** hopes that these advisories will prompt dialogue and needed action on matters important to the Commonwealth.*

*If you have questions, please contact the **OIG**'s technical assistance team at 617-722-8838. Also consider the [OIG Academy](#)'s educational opportunities that will help you detect and prevent fraud, waste, and abuse of public funds.*

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