OTHER NEEDS ASSISTANCE PROGRAM



ISSUED OCTOBER 17, 2006

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE **A**UDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 17, 2006

HONORABLE KATHLEEN BABINEAUX BLANCO, GOVERNOR
HONORABLE DONALD E. HINES,
PRESIDENT OF THE SENATE
HONORABLE JOE R. SALTER,
SPEAKER OF THE HOUSE OF REPRESENTATIVES
STATE OF LOUISIANA
Baton Rouge, Louisiana

In accordance with Louisiana Revised Statute (R.S.) 39:100.25, we examined certain documentation provided to us by the Federal Emergency Management Agency (FEMA) relative to the $379,990,633 billed to Louisiana by FEMA through September 8, 2006. This amount represents the 25% state share of the $1,519,962,531 FEMA paid to Louisiana registrants in the Other Needs Assistance Program from September 2005 through July 2006. In addition to FEMA information, we used various other data sources to help us gain reasonable assurance that the payments made by FEMA were to qualified applicants eligible for benefits and in the proper amount.

The documentation FEMA provided represents award information for 289,916 individual registrants contained in its National Emergency Management Information System (NEMIS) database. This award information differs from the actual amounts paid per FEMA billings by approximately $464,209. Since this was the only data provided to us by FEMA as documentation for the payments, we selected a statistically valid sample of 425 registrants from the awards data for our examination. While the results below relate to awards, we feel the variance noted between payments and awards does not impact our sample results.

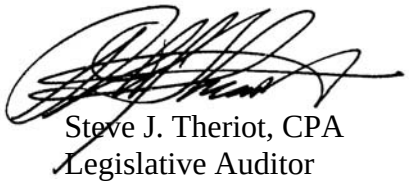
Based on our sample of awards to 425 registrants, totaling $1,997,052, we reached the following conclusions as to whether awards were made to qualified applicants eligible for benefits and in the proper amount.

- $1,341,252,518 of the $1,520,426,740 (88.22%) of the awards were made to qualified applicants in the proper amount. Therefore, $335,313,129 of the $380,106,685 (88.22%), which is Louisiana's 25% share of awards, has documentation to support payment.
- $22,064,607 of the $380,106,685 (5.80%), which is Louisiana's 25% share of awards, appears to be ineligible.
- $22,728,948 of the $380,106,685 (5.98%), which is Louisiana's 25% share of awards, could not be determined to be either eligible or appropriate.

Our intent was to conduct a sufficient audit of FEMA payment documentation. After months of discussion, FEMA finally agreed to provide us with information for audit, but only after Don Powell, Federal Coordinator for Gulf Coast Rebuilding, intervened to secure such documentation. However, because of FEMA confidentiality limitations placed on our access to certain payment data, we were not able to conduct a complete data analysis of FEMA payment information for the entire population of awards. Our exception rate might have been greater if we were able to conduct a thorough data analysis of the entire population of payments. Our results therefore are based upon our ability to identify and extract a statistically valid sample from NEMIS, which was cumbersome to use, but contained more information than the FEMA billing data. In closing, we also determined that FEMA paid registrants for generators, but we could find no evidence that the state agreed to these payments.

If you have any questions, please contact me at 339-3839.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

EW:PG:DKG:dl

ONA06

OVERVIEW OF WORK PERFORMED

The State of Louisiana has received billings totaling $379,990,633 from the Federal Emergency Management Agency (FEMA) for the state's 25% share of the Other Needs Assistance Program (ONA) for assistance provided to victims of hurricanes Katrina and Rita. In total, FEMA has made payments to 309,406 Louisiana registrants totaling $1,519,962,531 for hurricanes Katrina and Rita. ONA is part of the Individuals and Households Program and provides grants for necessary and serious needs caused by a disaster, including the following:

- Medical
- Dental
- Funeral
- Personal property
- Transportation
- Moving and storage
- Other FEMA approved expenses

Louisiana has a State Administrative Plan for the Individuals and Households Program, which includes ONA. The plan sets the organization, staffing, and procedures for administration of the ONA program. Our state had the option of letting FEMA administer the program, which Louisiana selected. FEMA provides all administration and sends our state periodic bills for the state's 25% cost share of the ONA payments. In addition to the administrative plan, our state signed separate FEMA-State Agreements for hurricanes Katrina and Rita.

Our current bills are for payments made by FEMA from September 2005 through July 2006 (See Appendix A for complete list of bills and amounts of each.). The state is to make payments for these bills from the FEMA Reimbursement Fund established in Louisiana Revised Statute (R.S.) 39:100.25. This statute states that payments can not be made from the fund until the legislative auditor has audited source documentation presented by FEMA and the legislative auditor has determined that the documentation supports the amounts required to be paid.

RESULTS OF ANALYSIS

Refer to Methodology section for explanation of analysis performed and descriptions of attributes tested.

We Sampled Using Awards Data

The documentation FEMA provided represents award information for 289,916 individual registrants contained in its NEMIS database. This award information differs from the actual amounts paid per FEMA billings by approximately $464,209. Since this was the only data provided to us by FEMA as documentation for the payments, we selected a statistically valid sample of 425 registrants from the awards data for our examination. The table below shows the relationship between the payment data in the state's bills, awards information provided by FEMA, and our sample of the awards data sent to us by FEMA.

Summary of Individual Registrants and Award and Payment Data from FEMA in State's Bill and Supporting Data

Source of Data	Individual Registrants	Total Amount	State Share	Average Amount
Payment Information from State's ONA Bill	309,406	$1,519,962,531	$379,990,633	$4,913
Award Information from FEMA Supporting Data	289,916	$1,520,426,740	$380,106,685	$5,244
Sample of Award Information from FEMA Supporting Data	425	$1,997,052	$499,263	$4,699

Source: Prepared by legislative auditor's staff using information provided by FEMA.

Summary of Sample Results

Our analysis of a sample of 425 registrants out of 289,916 registrants disclosed that 388 were qualified applicants and received awards in the proper amount (see table on next page). These registrants received $1,761,710 in awards, which is 88.22% of all awards in our sample. We identified 18 registrants that appear to be ineligible that received $115,926 (5.80%). These 18 registrants had problems associated with the attributes we tested that would cause them to be ineligible for their ONA payment. We also determined that an additional 19 registrants that received $119,416 (5.98%) in awards had eligibility issues that we were unable to verify during our audit. In these cases, property owners could not be located, records were destroyed by the floods, registrants moved and did not provide contact information, or sources would not return phone calls to verify information. The total dollar amount of the sample is based on ONA

awards, not actual payments disbursed, as FEMA only provided us with detailed information based on awards.

Summary of Sample Results				
Result	**Number of Registrants**	**Percentage of Registrants**	**Dollar Amount of Awards**	**Percentage of Total Awards**
Qualified Awards - Verified Supporting Data	388	91.3%	$1,761,710	88.22%
Ineligible Awards	18	4.2%	$115,926	5.80%
Unable to Verify Awards	19	4.5%	$119,416	5.98%
Total sample	**425**	**100%**	**$1,997,052**	**100%**
Source: Prepared by legislative auditor's staff using results of our sample analysis**.**				

Projections Based on Sample

To determine the dollar amount of awards to eligible applicants for our entire population, we projected our sample results based on the population of 289,916 individual registrants in the ONA award data. We were only provided detailed information on ONA awards. However, we were informed by a FEMA official that the awards data should closely match the payment data. The following table shows the ranges of our projections.

Projected Range of Sample Results Based on Louisiana's 25% Share of ONA Awards - $380,106,685		
Result	**Lower Range**	**Upper Range**
Qualified Awards: Verified Supporting Data	$255,863,821	$345,016,139
Ineligible Awards	$12,265,337	$27,274,362
Unable to Verify Awards	$10,943,429	$29,786,767
Note: Because these are statistical projections, they will not add up to the total ONA award amount of $380,106,685. **Source:** Prepared by legislative auditor's staff using results of our sample analysis**.**		

To provide a simple estimate of the total amount of awards made to eligible applicants, we took the percentage of awards that we verified in our sample and multiplied by the total ONA bill. With 88.22% of our sample awards being made to eligible applicants and total ONA awards of $380,106,685, our estimate of the amount of the total amount of awards made to eligible applicants is $335,313,129.

Results of Attributes Tested for Our Sample Registrants

We determined that a total of 37 registrants appeared to be ineligible or we could not determine if they were eligible. Below is a summary table of the issues we identified in our sample. We discuss these problems and potential problems in more detail on the following pages.

Number of Ineligibles and Number We Could Not Verify in Our Sample of Registrants Receiving ONA Awards by Attribute

Attribute	Number of Ineligibles	Number We Could Not Verify
Invalid Identity	1	2
Invalid Address	2	0
Invalid Occupancy	9	13
Duplicate Benefits	2	2
Invalid Payment Levels	2*	2
Invalid Transportation Assistance	3*	0
Total	**18***	**19**

*A registrant with an invalid payment level is also included in the invalid transportation assistance. Therefore, the total is reduced by one to avoid double counting this individual.
Source: Prepared by legislative auditor's staff using results of our sample analysis**.**

Ineligible Awards in Sample Description of the Problems Associated With Attributes We Tested			
Attribute	**Cases**	**Dollar Amount**	**Details**
Invalid Identity	**1**	**$2,598**	• The registrant name used in this case was for someone who did not have any storm damage or apply for FEMA assistance. This person was the victim of identity theft 12 years ago and believed it happened again.
Invalid Address	**2**	**$12,214**	• In one case, the address is in a proposed addition to a subdivision. No one lives there yet. • In another case, the address does not exist and the registrant is on probation for a forgery conviction, was living out of state at the time of the hurricane, and did not have permission to leave that state.
Invalid Occupancy	**9**	**$64,477**	• For these 9 registrants, we verified with neighbors, landlords, or owners that the residences were not occupied by the registrants at the time of the disaster.
Duplicate Benefits	**2**	**$18,842**	• In one case, two roommates both received full benefits for one apartment. • In another case, relatives at the same address received similar benefits.
Invalid Payment Level	**2***	**$12,745**	• A resident at a group home for mentally handicapped individuals received a geospatial payment for an entire dwelling. • Another registrant received payments but did not receive damage from the hurricanes. Instead, she had damage from looters. According to FEMA officials, this situation is not eligible for ONA assistance. This person also received an invalid vehicle payment as described below.
Invalid Transportation Assistance	**3***	**$5,050**	• One of the registrants in our sample who received transportation assistance did not have the liability insurance required by FEMA on the damaged vehicle at the time of the disaster. • In another case, the registrant's insurance company verified it paid a total loss claim for the vehicle. It is considered a duplication of benefits to receive insurance proceeds in addition to ONA assistance. • In a third instance, a registrant received transportation assistance, but when interviewed, she stated that the vehicle damage did not occur as a result of the hurricane.
Total	**18***	**$115,926**	

***A registrant with an invalid payment level is also included in the invalid transportation assistance. Therefore, the total is reduced by one to avoid double counting this individual.**
Source: Prepared by legislative auditor's staff using results of our sample analysis.

Awards We Were Unable to Verify in Sample Description of Possible Ineligibles Associated With Attributes We Tested			
Attribute	**Cases**	**Dollar Amount**	**Details**
Invalid Identity	**2**	**$10,775**	• We could not verify the identity of these registrants using our data sources. In addition, we could not locate these individuals to obtain proof of identity.
Invalid Occupancy	**13**	**$89,169**	• We could not verify occupancy for these registrants using our data sources. In addition, we could not find the registrant, neighbors, landlords, or owners to confirm occupancy.
Duplicate Benefits	**2**	**$18,781**	• FEMA identified these two cases as possible duplication and placed the registrants in re-coupment status.
Invalid Payment Level	**2**	**$691**	• In these two cases FEMA paid the registrants for service calls on appliances. We could not find pricing for service calls in the FEMA standard price lists.
Total	**19**	**$119,416**	
Source: Prepared by legislative auditor's staff using results of our sample analysis.			

Results of Review of Other Reports on ONA and NEMIS

In addition to examining a sample of ONA awards in Louisiana, we reviewed state and federal audit reports related to FEMA, ONA, and NEMIS. The following table summarizes the reports and the full reports can be found as an appendix to this report.

Other State and Federal Reports Related to FEMA, ONA, and NEMIS			
Appendix	**Auditor and Report Name**	**Date Issued**	**Summary**
B	Government Accountability (GAO) Office Report, *Coordination Between FEMA and the Red Cross Should Be Improved for the 2006 Hurricane Season*	6/2006	Found that FEMA and the Red Cross's differing views about their roles and responsibilities hampered efforts to coordinate federal mass care assistance.
C	Government Accountability (GAO) Office Report, *Expedited Assistance for Victims of Hurricanes Katrina and Rita - FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*	6/2006	Identified significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse of expedited assistance payments.
D	Department of Homeland Security (DHS) Office of Inspector General (OIG) Report, *Reimbursement for Other Needs Assistance Items*	4/2006	Found that FEMA's controls against overpayments in the ONA program were either inadequate or not implemented to guard against overpayments.

Other State and Federal Reports Related to FEMA, ONA, and NEMIS (Cont.)			
Appendix	**Auditor and Report Name**	**Date Issued**	**Summary**
E	Government Accountability (GAO) Office Testimony, *Expedited Assistance for Victims of Hurricanes Katrina and Rita - FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*	2/2006	Identified significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse of expedited assistance payments.
F	State of Florida Auditor General Operational Audit *Department of Community Affairs Division of Emergency Management - Hurricane Disaster Relief and Emergency Assistance to Individuals*	1/2006	Focuses on Florida's Department of Community Affairs role and responsibility in the administration of FEMA Individual Assistance.
G	Department of Homeland Security (DHS) Office of Inspector General (OIG) Report, *Emergency Preparedness and Response Could Better Integrate Technology with Incident Response and Recovery*	9/2005	Found that a lack of funding affects the ability of FEMA employees to receive adequate NEMIS training; greater emphasis on training could increase work reliability and ease. In addition, the engineers that created NEMIS question whether the system can continue to handle large disasters. For example, during the 2004 Florida hurricanes the system went down and workers had to record victim information by hand.
H	Department of Homeland Security (DHS) Office of Inspector General (OIG) Report, *Audit of FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances*	5/2005	Assesses the strengths and weaknesses of the Individuals and Households Program and recommends that program controls for the ONA program be tightened to increase effectiveness.
I	Government Accountability (GAO) Office Testimony, *Improper and Potentially Fraudulent Individual Assistance Payments Estimated to be Between $600 Million and $1.4 Billion*	6/2006	Estimated that through February 2006, FEMA made about 16% or $1 billion in improper and potentially fraudulent payments to registrants who used invalid information to apply for disaster assistance.
Source: Prepared by legislative auditor's staff based on search of other state and federal reports.			

NO AGREEMENT FOR STATE TO PAY FOR GENERATORS

Based on awards data, FEMA has paid registrants approximately $61,445,369 for generators. The state's share for the generators is approximately $15,361,342. However, we could not find evidence that the state ever agreed to allow FEMA to pay registrants for generators.

The Louisiana State Administrative Plan for the Individuals and Households Program (which includes Other Needs Assistance) authorizes FEMA to pay its standard amount for standard items. The plan also lists non-standard items the state allows FEMA to pay to registrants. Generators are a non-standard item and are not included in the State Administrative Plan. We asked FEMA to provide evidence that the state agreed to allow them to pay registrants for generators, but they could provide none.

We also reviewed the FEMA State Agreement for the Katrina and Rita disasters. These agreements did not mention generators. The Katrina agreement references an Attachment D titled "Individual and Households Program, Other Needs Assistance Cooperative Agreement Articles." However, officials at FEMA could not find this attachment.

FEMA BILLS DO NOT CONTAIN NECESSARY DETAILS

What We Wanted to Accomplish

R.S. 39:100.25 requires the legislative auditor to determine that source documents from FEMA supports the amount required to be paid. We determined that the source documents we needed to satisfy the law would include support for registrant eligibility and level of payment. We could consider a payment "supported" if we could verify eligibility and payment level. We also needed detailed information about the registrants and payments to compare to the source documents. The table below gives examples of the types of detailed information and source documents we needed.

Examples of the Types of Detailed Information and Source Documentation We Needed to Complete the Audit of the State's ONA Bill

Attribute	Detailed Information	Source Documentation
Eligibility	Registrant • Name • Social security number • Date of birth • Disaster address	• Social security card • Drivers license • Utility bills
Payment Level	• Type of damage • Amount of payment • Description of item paid for • Date of payment	• Inspection report • NEMIS payment data

Source: Prepared by legislative auditor's staff.

Using detailed information, such as registrant name, social security number, and date of birth, we could verify that all registrants existed by matching this information against source documentation. We would also be able to check for duplicate benefits going to the same person. Using the detailed payment data, such as type of damage, amount of payment, and description of item paid for, we could ensure that registrants received the correct amount of payment by matching this information against source documentation.

FEMA Bill Did Not Include Necessary Details

We could not review the FEMA bills to satisfy the audit requirements in R.S. 39:100.25 because the bills did not contain the necessary detailed information or source documentation described previously. The FEMA bills include the Registration ID, name of registrant, and total amount paid to the registrant for that month. However, the bills do not include other important detailed information about the registrant (disaster address, social security number, date of birth) or the payments (description of each item paid and amount of each item). In addition, the bills do not link to any source documentation.

NOT ALL SOURCE DOCUMENTS IN NEMIS

Since the state's ONA bills did not have the necessary detailed information or source documents to complete our audit, we discussed options with FEMA. FEMA informed us that NEMIS contained this information, and they provided us with read only access to the system after many months of negotiation (see next section). However, we were limited in what we could perform.

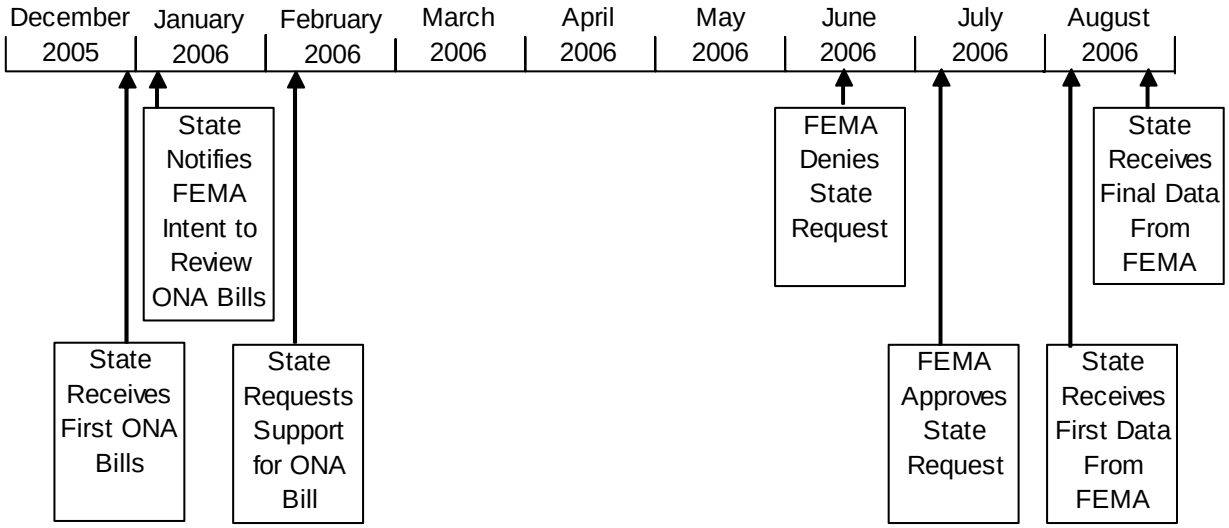
- We could only make limited queries of the ONA data.
- We were limited to looking at one registrant's data at a time.
- We could not print the results of the limited queries or export the data for analysis.
- Not all source documents were imaged into NEMIS.
- The system is very cumbersome to navigate and it was difficult to find data.

Because of the limitations with the state's ONA bill and NEMIS, we decided our best course of action would be to request certain detailed electronic data from FEMA regarding eligibility and payment level. We would then compare this detail to alternative sources of data that we would collect to provide support for FEMA's Other Needs Assistance payments.

DIFFICULTY OBTAINING DATA FROM FEMA

We notified FEMA of our intention to review the ONA bills shortly after the state received its first bills. We then requested the information necessary to review the bills from FEMA. It took several months for FEMA to respond to our request and then two more months to actually obtain all the data. The timeline below summarized our efforts to obtain the ONA data and specific details of our efforts follows.

Timeline of Obtaining Data From FEMA



Source: Prepared by legislative auditor's staff using memos, letters, and records of phone calls among the Legislative Auditor's Office, Louisiana Attorney General, and FEMA**.**

Our First Request for Data

The State of Louisiana received its first two ONA bills from FEMA on December 29, 2005. The state first notified FEMA of its intent to review the ONA bills on January 6, 2006, in a joint letter from Steve Theriot, Legislative Auditor, and Charles C. Foti, Attorney General, to the Honorable Michael Chertoff, Secretary of the United States Department of Homeland Security. We quickly determined that we could not adequately review the FEMA bill because of the lack of detail about specific payments to individuals and a lack of source documentation. Louisiana's attorney general and legislative auditor sent a letter on February 7, 2006, to David Paulison, Acting Director of FEMA, requesting that FEMA make available the source documentation that supports the first two FEMA bills. The attorney general and legislative auditor received no response from FEMA to their request for source documentation. They wrote

additional letters on February 17, March 15, May 15, and June 8, 2006, requesting detailed records in regard to the ONA payments.

On June 14, 2006, Margaret Young, FEMA Chief Financial Officer, sent a letter in response to the attorney general and legislative auditor's request for access to ONA data. Ms. Young wrote that she was unaware of any authority that allows states to audit federal program administration and that an audit by the State of Louisiana is duplicative and unnecessary. After numerous e-mails and phone calls, Ms. Young stated in a letter dated July 6, 2006, that while the State of Louisiana does not have the authority to audit FEMA, it recognizes the need to ensure that improper payments were not made and understands our request to access its system of records to enable us to visually review payments made by FEMA through ONA. The legislative auditor and attorney general then began discussions with FEMA officials about "read only" access to the ONA data in FEMA's NEMIS database and obtaining an electronic copy of the detailed ONA payments.

Receiving ONA Data From FEMA

On July 21, 2006, the legislative auditor held a conference call with a representative from the attorney general's office, the Louisiana Commissioner of Administration, and FEMA officials (including Ms. Young, FEMA Chief Financial Officer). During the conference call, FEMA officials agreed to provide our office with detailed information about the registrants included in the state's ONA bill and detailed information about the payments made to those individuals. On that same day the legislative auditor's office sent the FEMA officials a list of data fields needed, which included:

- Registration ID
- Registrant Name
- Registrant Social Security Number
- Registrant Date of Birth
- Registrant Damaged Address
- Registrant Current Address
- Category of Payment Received
- Detailed Payment Information (amount received, refunds, method of payment)
- Damage Assessment (property inspection type)
- Bank Account and Routing Number (for electronic fund transfer payments)

FEMA informed us that it would provide all of the information we requested except for registrant social security number and bank account and routing number. The FEMA officials said that they could not provide this information because of the privacy act of 1974. We received the first set of ONA data from FEMA on August 3, 2006.

Problems With Initial Data

As mentioned previously, FEMA sent the first set of ONA data to us on August 3, 2006. We realized there were several problems with the data, including Rita data were missing, some files did not have payment amount, and information of refunds was for total Individual Assistance and not just Other Needs Assistance (included housing refunds). We worked with FEMA staff to resolve the issues and received the last file to complete the data on August 21, 2006.

Selecting a Sample of Registrants to Review

We immediately pulled a sample of registrants on August 21, 2006, once we had complete data and began our audit work (see section on methodology for selecting sample). Since FEMA would not provide social security numbers in the data it sent us, we had to manually collect this information for our sample using our "read only" access to the NEMIS computer system. Shortly into our analysis, we realized that the data FEMA sent us did not appear the same as the actual payments included in the state's bills. Through conversations with FEMA officials, we learned that FEMA did not send us payment information. Instead, FEMA sent us award information. The award amount is the amount determined by the FEMA program staff. The award information is sent to the FEMA finance section, which may decide to change an award amount for various reasons. We requested payment data from our FEMA contact, but she told us that she did not have access to the payment data and that the awards data should closely match the payment data.

Limitations on Tests We Could Conduct

Because FEMA would not provide us with social security numbers and bank account data, we had limitations on some of the tests we performed on our sample. While we were able to perform certain tests on our sample, having the additional data from FEMA would have enhanced our results. In addition, we could not perform data mining techniques on the entire data population. The sections that follow discuss our limitations.

Social Security Number: As mentioned previously, the electronic ONA payment data that FEMA sent to us did not contain social security numbers. This situation severely limited the number of tests we could perform on the entire population of data since the social security numbers are the unique identifier needed to perform many types of analyses. Without the social security number, we could not perform the following tests on the entire population:

- Compare all registrants to death records
- Compare all registrants to prison records
- Compare all registrants against the U.S. Social Security Administration - Social Security Number Validation Program

Even though FEMA would not provide the social security number in the data sent to us, it did give us access to NEMIS, which contains the social security number. So while FEMA would not give us the social security numbers for all registrants in the data sent, FEMA did allow us to obtain the social security numbers through NEMIS one registrant at a time. With nearly 300,000 registrants in the NEMIS data sent to us by FEMA, there was no practical way we could look up the social security number for each registrant. To compensate, we had to take a sample and obtain the social security numbers manually from NEMIS.

Without the social security numbers for all registrants in our population, we had limitations on our tests for duplicate payments for our sample. In some cases, we were able to obtain the name and social security number for all occupants and co-registrants of our sample registrants from NEMIS. However, we could not compare their social security numbers against the entire population to look for duplicates. To look for duplicates, we had to rely on name and address matches.

Bank Account Information: As mentioned previously, FEMA would not provide us with bank account information or routing numbers for all electronic fund transfer payments. Without this information, we could not look for multiple payments going to the same bank account, which could be an indication of fraud. This test could have been performed for our sample and the entire population of data from FEMA had it provided the necessary data.

COMPLETENESS AND QUALITY OF DATA

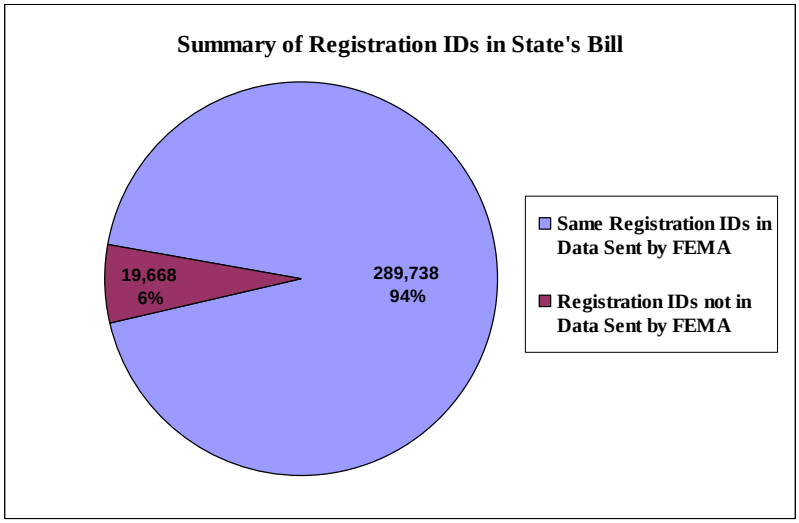
Once we had all the data files FEMA sent to support Louisiana's ONA bills, we performed some comparisons to determine the completeness and quality of the data we received. First, we wanted to verify that FEMA sent supporting data for all registrants in the bill. Next, we wanted to verify that the total amount of payments to each registrant listed in the bill matched the total amount listed in the supporting data from FEMA.

We asked FEMA to provide support for the state's ONA bill. However, FEMA was not able to give us supporting data that exactly matched the bill. We tried working with FEMA to reconcile the supporting data to the bill, but we could never get the support to fully reconcile with the amount billed. The following sections show our analysis and describe the completeness and quality of the data. While we were never able to fully reconcile the support to the bills, we are close enough to have reasonable assurance that the data are complete and of good quality. Based on our discussions with FEMA, it is not capable of providing supporting data that would exactly match our state's bill. The following sections describe our work and results.

Completeness of Data Sent From FEMA

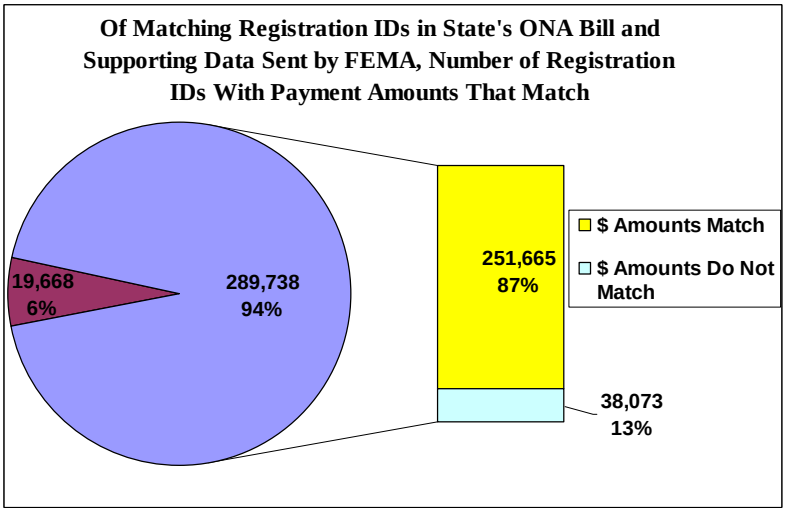
Once we had all data files from FEMA to support the state's ONA bills we compared the data to the information in the bills to determine completeness. We wanted to ensure that all payments included in the bill were supported in the data sent by FEMA. We matched the two sets of data using Registration ID and found that 94% of the IDs in the state's ONA bills were in the supporting data sent by FEMA. The remaining 6% of IDs in the state's ONA bills were not in the supporting data sent by FEMA. We cannot say for sure if this 6% is a problem. We cannot confirm that this is a problem because in the state's ONA bills, refunds are in lump sums and do not list which registration IDs the refunds are related to. Some of the 6% could be registrants that received money and then subsequently returned the money to FEMA. Therefore, they received a net payment of zero. Since FEMA only sent us supporting data for registrants that were awarded payments, these individuals with net payments of zero in the state's ONA bills would not be in the support sent by FEMA. We sent a request to FEMA to explain these 19,668 registration IDs but have received no response.

We also determined if there were any registrants in the supporting data sent by FEMA that were not included in the state's bill. We found only 178 registrants in the supporting documentation that were not in the state's bill. These 178 registrants make up less than one-tenth of one percent of all registrants in the supporting documentation. One possible reason these 178 registrants are not in the state's bill could be a timing difference between the state's bill and the supporting data.



Quality of Supporting Data Sent by FEMA

To determine the quality of the supporting data sent by FEMA, we determined how many of the registrants had payment amounts in the state's ONA bill that matched the payment amount listed in the supporting data sent by FEMA. We



found matching amounts for 87% (251,665 out of 289,738) of the registrants that were in both the FEMA bill and supporting data sent by FEMA.

OUTSTANDING ISSUES RELATED TO STATE'S BILLS

While reviewing the state's ONA bill, we had several questions related to the types of payments FEMA included in Louisiana's bills. Several document types and statuses are included in the bill. Some of the document types and statuses have positive payment numbers and some have negative payment numbers. We asked FEMA for an explanation of each document type but have received no response. Without an explanation of each document type, we have questions, such as:

- What are scheduled payments and should the state have been billed for them?
- Why are there positive payments for cancelled payments?
- Is there a way to reconcile the negative payments to the positive payments?

The table below summarizes the different types of payments listed in the state's bills.

Summary of Document Types in State's Bills	
"Doc Status" Listed in State's Bills	**Net Amounts**
Cancelled	$10,214,282
Open	$41,834
Paid	$1,301,098,702
Scheduled	$208,607,713
Total	**$1,519,962,531**
"Doc Type" Listed in State's Bills	**Negative Amounts**
Receivable-Billed	-$266,398
Receivable-Unbilled	-$2,692,502
Thp-Ona Check Cancel	-$39,441,481
Total	**-$42,400,381**

Source: Prepared by legislative auditor's staff using information provided by FEMA.

SUMMARY STATISTICS OF FEMA BILLS

This section provides a summary of the details of the state's ONA bills, the supporting data from FEMA, and our sample.

Number of Applicants and Payments

The state's ONA bill and supporting documentation from FEMA show that through July 2006 approximately 300,000 registrants received ONA payments of approximately $1.5 billion. Because of our questions related to the state's bill and the differences between the state's ONA bill and the supporting documentation from FEMA (that we mentioned earlier), we can not say for certain exactly how many registrants received payments or the exact total of those payments.

Disaster Information

Most of the registrants in our state's bill, supporting data from FEMA, and our sample of supporting data applied for assistance related to Hurricane Katrina, as shown in the following table. Applicants for Hurricane Katrina make up 82.3% of the registrants in the bill and 82.6% of the registrants in the supporting data sent by FEMA. Registrants from Hurricane Rita were a much smaller percentage of the total.

Comparison of Registrants From Hurricanes Katrina and Rita in Our State's ONA Bill and In Supporting Documents Sent by FEMA

	Katrina		Rita	
	Number of Registrants	**Percentage of Registrants**	**Number of Registrants**	**Percentage of Registrants**
In State's Bill	254,573	82.3%	54,833	17.7%
In FEMA Supporting Data	239,451	82.6%	50,465	17.4%
In Sample of Supporting Data	355	83.5%	70	16.5%

Source: Prepared by legislative auditor's staff using information provided by FEMA.

City Location

The state's ONA bill did not have city information. In our request for supporting data, we asked FEMA to provide a city name for each registrant. FEMA provided the city name in the support it sent to our office for all payments except geospatial payments. As shown in the table below and later in this section, most of the payments were geospatial payments. The tables below list the top cities with geospatial being listed as a city.

Geospatial means that the area was so badly destroyed that FEMA could not perform a traditional inspection. Instead of an individual inspector physically looking at a property, FEMA used information obtained through satellite images to provide geospatial mapping data as to the depth of water in particular areas. These are called geospatial inspections and payments. Geospatial inspections occurred in the parishes of Orleans, St. Tammany, St. Bernard, and Plaquemines.

Cities With Most Awards in Supporting Data From FEMA

City	Total Award	Percentage of Total Awards
Geospatial	$655,072,434	43.1%
New Orleans	$381,330,589	25.1%
Slidell	$61,966,410	4.1%
Metairie	$49,263,717	3.2%
Chalmette	$37,559,678	2.5%
Kenner	$34,672,497	2.3%
Marrero	$22,289,757	1.5%
Gretna	$20,699,313	1.4%
Harvey	$18,299,566	1.2%
Violet	$17,266,324	1.1%
Lake Charles	$16,762,083	1.1%
St. Bernard	$16,155,858	1.1%
Port Sulpher	$13,195,554	0.9%

Cities With Most Awards in Our Sample of 425 Registrants From FEMA Supporting Data

City	Total Award	Percentage of Total Awards
Geospatial	$903,243	43.6%
New Orleans	$459,410	22.2%
Slidell	$107,770	5.2%
Metairie	$72,260	3.5%
Kenner	$57,672	2.8%
St. Bernard	$47,441	2.3%
Harvey	$43,038	2.1%
Lake Charles	$36,568	1.8%
Marrero	$29,309	1.4%
Bogalusa	$23,486	1.1%
Covington	$23,467	1.1%
Cameron	$19,977	1.0%
Abbeville	$18,963	0.9%

Note: Not all cities included in chart.
Source: Prepared by legislative auditor's staff using information provided by FEMA.

We then took our sample and obtained the city for each geospatial award from NEMIS. When geospatial is taken out of the analysis, the city with the most awards is New Orleans with nearly 61% of all awards in our sample. The next closest city is Slidell with 5.2%.

Cities With Most Awards in Our Sample of 425 Registrants From FEMA Supporting Data (With Cities Identified for Geospatial Inspections)		
City	**Total Award**	**Percentage of Total Awards**
New Orleans	$1,263,480	60.9%
Slidell	$107,770	5.2%
St. Bernard	$87,637	4.2%
Metairie	$71,854	3.5%
Kenner	$57,672	2.8%
Harvey	$43,038	2.1%
Lake Charles	$36,568	1.8%
Marrero	$29,309	1.4%
Chalmette	$29,242	1.4%
Bogalusa	$23,486	1.1%
Covington	$23,467	1.1%
Cameron	$19,977	1.0%
Abbeville	$18,963	0.9%

Note: Not all cities included in chart.
Source: Prepared by legislative auditor's staff using information provided by FEMA.

Items Paid for by FEMA

The state's ONA bill did not have a listing of the items paid. In our request for supporting data, we asked FEMA to provide a breakdown of the items paid for in each payment. FEMA provided an item description and amount paid for each item in the support it sent to us. For both our sample and the supporting data sent by FEMA, the most payments were for geospatial. The top five items paid for by FEMA are the same for the sample and the population and the percentage of total payments are very similar. The statistics for our sample related to items paid for by FEMA were very similar to the statistics for the entire population.

Cost by Item for Sample		
Item	Total Amount	Percentage of Total
Geospatial	$870,435	42.0%
Bedroom	$393,275	19.0%
Living Room	$187,261	9.0%
Generator, 5.5KW	$95,539	4.6%
Kitchen	$78,185	3.8%
Everyday Dining Table/Chairs	$53,321	2.6%
Refrigerator	$50,383	2.4%
Bathroom	$49,959	2.4%
Clothing	$46,730	2.3%
Vehicle	$46,550	2.2%

Cost by Item for Population		
Item	Total Amount	Percentage of Total
Geospatial	$650,416,246	42.8%
Bedroom	$268,873,212	17.7%
Living Room	$139,440,082	9.2%
Generator, 5.5KW	$61,445,369	4.0%
Kitchen	$60,041,246	4.0%
Vehicle	$44,727,837	2.9%
Clothing	$44,340,349	2.9%
Bathroom	$41,195,413	2.7%
Everyday Dining Table/Chairs	$41,098,647	2.7%
Refrigerator	$37,065,442	2.4%

Note: Not all items included in chart.
Source: Prepared by legislative auditor's staff using information provided by FEMA.

METHODOLOGY

As mentioned previously, to fulfill the audit requirements of R.S. 39:100.25, we wanted to review a sample of registrants included in our bill as having received ONA payments from FEMA. We wanted to take the sample to ensure that the registrants included in our bill were eligible for the payments and that the correct level of payment was provided by FEMA. However, we sampled registrants that received awards from FEMA instead of payments, as FEMA only provided us with detailed information based on awards.

We wanted to be able to project the results of our sample to the entire population to estimate how much of the total ONA bills are supported. Since we would be projecting our results, we wanted to pick a sample size with a great level of precision. Our population was all registrants included in the NEMIS data sent to us by FEMA. We calculated a sample size needed for a confidence level of 99% and a confidence interval of +-5%. We also used a high expected error rate of 20% to be conservative. The resulting sample size was 425 registrants.

For all items in our sample, we reviewed certain attributes to determine if registrants were eligible and if the correct level of payment was provided by FEMA. The attributes we reviewed were:

- Identity
- Valid Address
- Occupancy at Time of Disaster
- Duplicate Addresses
- Duplicate Co-Registrant/Spouse and Occupants
- Vehicle Registration and Insurance
- Total Award Amount
- Award Amount Paid for Each Item

For a payment to be "supported," the registrant and payment had to pass our tests for all attributes. If a registrant or associated payment did not pass one of the attribute tests, we described our findings in the Results of Analysis section at the beginning of this document. The remainder of this section describes the tests we used for each attribute.

Identity

To verify the registrants' identity, we compared their names and social security numbers to various sources, including the following:

- U.S. Social Security Administration - Social Security Number Validation Program
- Department of Health and Hospital - Death Records
- Office of Motor Vehicles - Drivers License Records
- Department of Labor - Labor Records
- Department of Labor - Unemployment Insurance Records
- Department of Revenue - State Tax Return Records
- Department of Health and Hospitals - Medicaid Records
- Secretary of State - Voter Registration Records
- Choice Point Public Records Search

When we could not verify the identity of registrants using these data, we conducted interviews with the registrants.

Valid Address

To verify that the damaged address reported by the registrant actually exists, we compared the address to several sources, including the following:

- E911 data
- Local GIS data
- Bell South phone account data
- Entergy utility account data
- Choice Point public records search

When we could not verify the address using these data, we physically verified the existence of the address.

Occupancy

To verify that the registrant lived at the disaster address at the time of the disaster, we compared the address to various sources, including the following:

- Department of Corrections - Prison Records (to ensure applicant was not incarcerated at time of storm)
- Choice Point public records search
- Department of Labor - Unemployment Insurance data
- Department of Revenue - State Tax Return Records

When we could not verify occupancy with these data sources, we conducted interviews with the registrants.

Duplicate Addresses

To ensure multiple registrants did not receive duplicate payments for the same item at the same address, we identify registrants in our sample that used the same address as other registrants in the entire population. In some cases more than one individual can claim ONA benefits for the same address. For example, roommates could both claim benefits as long as they do not duplicate (such as both get reimbursed for loss of the living room). For duplicates that we could not explain, we followed up with the registrants.

Duplicate Co-Registrant/Spouse and Occupants

To ensure that individuals did not duplicate benefits, we identified individuals that were listed on one application as being a co-registrant or occupant and were also listed on another application as the primary registrant. In this situation, individuals are listed as living in one household, but are also claiming benefits for another household. For duplicates that we identified, we followed up with the registrants.

Vehicle Registration and Insurance

To ensure vehicle payments to our sample items were eligible, we verified that the vehicles were registered and that the individuals had the proper insurance benefits. The Office of Motor Vehicles verified vehicle registration and we verified proof of insurance using NEMIS information. We followed up on discrepancies with registrants.

Total Award Amount

To ensure that registrants in our sample did not receive over the $26,200 maximum in Individual Assistance payments, we compared the amount our sample registrants were paid for ONA and how much they received in Housing and Expedited Assistance. Since we did not have actual payment data for the housing and expedited assistance, we followed up with FEMA Finance for any problems.

Award Amount Paid for Each Item

To ensure that our sample registrants were paid the correct amount by FEMA for each item, we compared the FEMA standard payment rates to the award amount. We followed up on any discrepancies with FEMA Finance.

Appendix A

APPENDIX A

Summary of ONA Bills				
	Hurricane Katrina		Hurricane Rita	
	Total Amount	State Share	Total Amount	State Share
December 29, 2005				
September 2005 ONA Payments	$17,468,437.51	$4,367,109.37		
September 2005 Refunds	(11,212.90)	(2,803.22)		
October 2005 ONA Payments	100,195,252.13	25,048,813.03	$31,232,628.26	$7,808,157.07
October 2005 Refunds	(61,834.01)	(15,458.50)	0.00	0.00
November 2005 ONA Payments	442,235,745.23	110,558,936.31	33,001,600.61	8,250,400.15
November 2005 Refunds	(885,218.73)	(221,304.68)	(316,820.63)	(79,205.16)
Net Balance Due	**$558,941,169.23**	**$139,735,292.31**	**$63,917,408.24**	**$15,979,352.06**
April 19, 2006				
December 2005 ONA Payments	$254,984,591.23	$63,746,147.80	$13,173,387.89	$3,293,346.97
December 2005 Refunds	(12,138,853.37)	(3,034,713.34)	(526,850.91)	(131,712.72)
January 2006 ONA Payments	142,100,363.76	35,525,090.94	7,187,824.68	1,796,956.17
January 2006 Refunds	(7,202,085.74)	(1,800,521.43)	(240,496.68)	(60,124.17)
February 2006 ONA Payments	118,255,386.30	29,563,846.58	4,026,972.53	1,006,743.13
February 2006 Refunds	(5,078,112.12)	(1,269,528.03)	(226,911.64)	(56,727.91)
Net Balance Due	**$490,921,290.06**	**$122,730,322.52**	**$23,393,925.87**	**$5,848,481.47**
June 5, 2006				
March 2006 ONA Payments	$101,928,185.92	$25,482,046.48	$4,954,033.16	$1,238,508.29
March 2006 Refunds	(3,631,551.45)	(907,887.86)	(111,292.06)	(27,823.02)
April 2006 ONA Payments	114,669,496.13	28,667,374.03	4,272,873.14	1,068,218.29
April 2006 Refunds	(3,240,943.34)	(810,235.84)	(85,504.83)	(21,376.21)
Net Balance Due	**$209,725,187.26**	**$52,431,296.81**	**$9,030,109.41**	**$2,257,527.35**
August 7, 2006				
May 2006 ONA Payments	$90,043,000.57	$22,510,750.14	$2,402,069.41	$600,517.35
May 2006 Refunds	(3,103,755.86)	(775,938.97)	(116,385.77)	(29,096.44)
Net Balance Due	**$86,939,244.71**	**$21,734,811.18**	**$2,285,683.64**	**$571,420.91**
August 7, 2006				
June 2006 ONA Payments	$40,525,022.66	$10,131,255.67	$1,536,951.68	$384,237.92
June 2006 Refunds	(2,315,991.75)	(578,997.94)	(64,977.57)	(16,244.39)
Net Balance Due	**$38,209,030.91**	**$9,552,257.73**	**$1,471,974.11**	**$367,993.53**
September 8, 2006				
July 2006 ONA Payments	$35,637,941.95	$8,909,485.49	$2,531,147.04	$632,786.76
July 2006 Refunds	(2,842,186.94)	(710,546.74)	(199,394.35)	(49,848.59)
Net Balance Due	**$32,795,755.01**	**$8,198,938.75**	**$2,331,752.69**	**$582,938.17**
ONA Total				
Total Payments	$1,458,043,423.39	$364,510,855.84	$104,319,488.40	$26,079,872.10
Total Refunds	(40,511,746.21)	(10,127,936.54)	(1,888,634.44)	(472,158.61)
Net Balance Due	**$1,417,531,677.18**	**$354,382,919.30**	**$102,430,853.96**	**$25,607,713.49**
Source: Prepared by the legislative auditor's staff using information provided by FEMA.				

Appendix B

United States Government Accountability Office

GAO

Report to Congressional Committees

June 2006

HURRICANES KATRINA AND RITA

Coordination between FEMA and the Red Cross Should Be Improved for the 2006 Hurricane Season



GAO-06-712

June 2006

HURRICANES KATRINA AND RITA

Coordination between FEMA and the Red Cross Should Be Improved for the 2006 Hurricane Season

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-712, a report to congressional committees

Why GAO Did This Study

The Red Cross played a key role in providing relief to victims of Hurricanes Katrina and Rita, mounting its largest ever disaster response. Under the National Response Plan, and its emergency support function-6 (ESF-6), the Red Cross and FEMA are tasked with working together to coordinate federal mass care assistance in support of voluntary organizations, as well as state and local governments, as they meet mass care needs—such as shelter, food, and first aid. Questions have been raised about how the Red Cross and FEMA operated following the Gulf Coast hurricanes and what improvements can be made for the 2006 hurricane season.

This report includes GAO's interim findings on the Red Cross and FEMA's hurricane operations. GAO will continue to analyze federal and charitable hurricane relief efforts.

What GAO Recommends

GAO recommends that 1) FEMA work with the Red Cross to reach agreement on 2006 hurricane season operating procedures, 2) the Red Cross implement staffing strategies that would improve working relationships and retention of institutional knowledge, and 3) that FEMA obtain the Red Cross's input when developing its resource tracking system. FEMA had no comments on the recommendations. The Red Cross endorsed or is taking actions, as applicable, to address the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-712.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia Fagnoni at (202) 512-7215 or fagnonic@gao.gov.

What GAO Found

The Federal Emergency Management Agency (FEMA) and the Red Cross—working together for the first time as co-primary agencies for ESF-6 under the National Response Plan—disagreed about their roles and responsibilities, and this disagreement strained working relationships and hampered their efforts to coordinate relief services for hurricane victims. Specifically, FEMA and the Red Cross disagreed about the role of the ESF-6 coordinator, a FEMA official charged with leading mass care, housing, and human services assistance. FEMA officials told us that the Red Cross should direct all requests for FEMA assistance through the ESF-6 coordinator, while Red Cross officials stated that the organization should be able to take requests directly to the FEMA Operations Section Chief—not the ESF-6 coordinator. As a result, the two organizations spent time negotiating operating procedures, rather than focusing solely on coordinating mass care services in the early days of the hurricane response effort. FEMA and the Red Cross have noted that they are working to clarify their roles and responsibilities under ESF-6, but as of May 24, 2006, had not reached agreement on these responsibilities, including the role of the ESF-6 coordinator.

Red Cross staff assigned to perform ESF-6 functions, such as working with FEMA to coordinate federal mass care assistance in support of sheltering and feeding, rotated frequently—often every 2 to 3 weeks—making it difficult for them to maintain strong working relationships and gain expertise. These short rotations hindered communications among staff, thus making it more difficult to mobilize resources. Additionally, government officials stated that these short rotations led to the loss of institutional knowledge about ESF-6 processes, such as how to collect shelter data correctly. Red Cross officials said that 2- to 3- week rotations are standard because most disasters do not require longer rotations, but acknowledged that short rotations were a problem. Red Cross officials also told us they are hiring permanent staff at the state level to help coordinate relief services, including mass care under ESF-6, and are also considering staffing options for national-level positions. However, as of May 24, 2006, the Red Cross has not implemented policies that would address the issue at the national or local level.

FEMA did not have a comprehensive system to track requests for assistance it received from the Red Cross on behalf of voluntary organizations and state and local governments for items such as water, food, and cots; the absence of such a system created more work for the Red Cross and slowed the delivery of relief services. These organizations often did not know when, or if, they would be receiving needed supplies and, as a result, scaled back relief services in some instances. The Red Cross was only able to follow up on these requests informally—a process that took time and was often ineffective.

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Abbreviations

DHS	Department of Homeland Security
ESF	emergency support function
FEMA	Federal Emergency Management Agency
ICRC	International Committee of the Red Cross

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GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

June 8, 2006

Congressional Committees

Following Hurricanes Katrina and Rita in August and September 2005, the American National Red Cross (Red Cross) mounted its largest disaster response effort in its more than 100 year history. The Red Cross, which is chartered by Congress to provide volunteer aid to the military as well as relief services to the public in the event of a disaster, raised over $2 billion in private donations for its hurricane relief efforts. Following the Gulf Coast hurricanes, it opened nearly 1,100 shelters in 27 states and the District of Columbia and estimates that it will have provided financial assistance to more than 3.7 million hurricane victims.

In addition to providing hurricane relief services, the Red Cross also was tasked to perform another role in the aftermath of the hurricanes—coordinating federal mass care assistance. In this role, the Red Cross takes requests for assistance from state governments to meet the needs of state or local governments or voluntary organizations and identifies resources to fill those requests or calls upon the Federal Emergency Management Agency (FEMA), a federal agency under the jurisdiction of the United States Department of Homeland Security (DHS), to fill those requests with federal resources. This role is outlined in the National Response Plan—the purpose of which is to provide a single, comprehensive framework for the federal response to incidents of national significance, such as natural disasters and terrorist attacks. The plan—issued by DHS in December 2004—identifies specific emergency support functions and names federal agencies and other entities responsible for meeting needs in those areas in the event of a natural disaster or other incident of national significance, such as a terrorist attack. Under the plan's sixth emergency support function (ESF-6), the Red Cross is the primary agency responsible for coordinating federal mass care assistance in support of states and local governments and other voluntary organizations, as they meet needs, such as shelter, food, and emergency first aid. The Red Cross is the only voluntary organization named as a primary agency in the plan, although other voluntary organizations are included in the plan under an umbrella organization and given support responsibilities. The Gulf Coast hurricanes marked the first time the National Response Plan was activated and the first time that the Red Cross served in a primary agency capacity under the new, expanded version of ESF-6.

In preparation for the 2006 hurricane season, which officially began on June 1, this interim report focuses on how FEMA and the Red Cross fulfilled their responsibilities under ESF-6 and identifies immediate improvements both organizations can make to better coordinate federal mass care assistance in the event that another devastating hurricane hits the United States. This report—which builds on GAO's previously issued work related to disasters, including a report about the coordination of voluntary assistance following the events of September 11, 2001—presents the initial findings of GAO's ongoing work on how voluntary organizations coordinated with the government to provide mass care services following the Gulf Coast hurricanes. We issued preliminary observations in a December 2005 testimony, finding that voluntary organizations took steps following September 11 to improve coordination of relief efforts but still faced challenges coordinating service delivery following the Gulf Coast hurricanes.[1] We anticipate releasing a final report later in 2006.

To gain a better understanding of how FEMA and the Red Cross worked together following the Gulf Coast hurricanes, we visited Mississippi, Louisiana, and Texas in January and March of 2006. During these site visits, we toured federal disaster operations centers and distribution centers that the Red Cross and other national and local voluntary organizations established to provide services to hurricane victims. We also met with representatives from federal, state, and local governments and held discussion groups with officials from both national and local voluntary organizations. In addition to conducting site visits, we analyzed FEMA and Red Cross documents, including documented requests for assistance that the Red Cross, as the primary agency for mass care under ESF-6, had placed to FEMA and the operating procedures that the Red Cross and FEMA said they used to carry out its ESF-6 responsibilities. We interviewed officials from DHS's Office of Inspector General and FEMA's national headquarters, as well as representatives from national voluntary organizations, including the Red Cross, the Salvation Army, and the Southern Baptist Convention. Finally, we reviewed reports on the response to the Gulf Coast hurricanes issued by the DHS Office of

[1]GAO, *Hurricanes Katrina and Rita: Provision of Charitable Assistance*, GAO-06-297T (Washington, D.C.: Dec. 13, 2005).

Inspector General,[2] the House of Representatives,[3] the White House,[4] The International Committee of the Red Cross, the British Red Cross, and the American Bar Association.[5]

We conducted our work between October 2005 and June 2006 in accordance with generally accepted government auditing standards.

Results in Brief

FEMA and the Red Cross's differing views about their roles and responsibilities under ESF-6 hampered efforts to coordinate federal mass care assistance. The two organizations differed in their understanding of the role of the ESF-6 coordinator, a key FEMA official tasked with providing strategic vision and leading efforts to coordinate federal mass care, housing, and human services assistance. FEMA officials said that the Red Cross should direct all requests for FEMA assistance through the ESF-6 coordinator, while Red Cross officials stated that the Red Cross needed to communicate directly with the FEMA Operations Section Chief—not the ESF-6 coordinator. This difference in expectations about the role of the ESF-6 coordinator created tension between FEMA and the Red Cross and affected the organizations' working relationship. Although Red Cross and FEMA officials have stated they are working to clarify future roles and responsibilities, they had not reached agreement on these roles and responsibilities as of May 24, 2006.

Red Cross staff assigned to fulfill specific ESF-6 functions rotated frequently, making it difficult for these staff to develop strong working relationships and gain specific knowledge about ESF-6 processes. In general, Red Cross staff who worked for ESF-6 rotated every 2 to 3 weeks. Officials from FEMA and state and local governments told us that these short rotations presented two problems during Gulf Coast hurricane relief

[2] Department of Homeland Security, Office of Inspector General. *A Performance Review of FEMA's Disaster Management Activities in Response to Hurricane Katrina*. OIG-06-32 (Washington, D.C.: March 2006).

[3] United States House of Representatives, Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina. *A Failure of Initiative*. (Washington, D.C.: Feb. 15, 2006).

[4] The White House. *The Federal Response to Hurricane Katrina: Lessons Learned*. (Washington, D.C.: Feb. 2006).

[5] American Bar Association. *In the Wake of the Storm: The ABA Responds to Hurricane Katrina*. (Chicago, Illinois: 2006).

efforts. First, these short rotations hampered the ability of Red Cross staff to establish and maintain relationships with officials from FEMA and other government agencies. Maintaining strong relationships was particularly important following the hurricanes because normal communication channels were disrupted and staff needed to rely on personal contact to call upon needed resources. Second, these short rotations made it difficult for Red Cross staff to gain institutional knowledge about processes and procedures, such as data collection procedures, that were part of their ESF-6 roles. The International Committee of the Red Cross, in its review of various aspects of the American Red Cross's response to the hurricanes, also cited short rotations as problematic, stating that rapid volunteer turnover resulted in the loss of knowledge volunteers had acquired on the job. Officials from the Red Cross said that 2- to 3- week rotations are standard because most disasters do not require longer rotations, but acknowledged that short rotations were a problem after the Gulf Coast hurricanes. In addition, Red Cross officials stated that they are hiring permanent staff at the state level to help coordinate relief services, including mass care under ESF-6, and are also considering staffing options to address this issue at the national level. However, as of May 24, 2006, the Red Cross had not yet implemented staffing strategies to address this issue at the national or local level.

FEMA did not have a comprehensive system to determine the status of official requests for assistance it had received, which slowed service delivery and required the Red Cross to expend resources trying to determine when and if mass care service providers would receive promised goods. As the DHS Office of Inspector General noted in its review of FEMA's response to Katrina, FEMA did not have a system in place to track requests for assistance, including those requests it received from the Red Cross in its ESF-6 capacity. FEMA officials therefore were often unable to provide the Red Cross with accurate information about when expected items would be delivered, or if FEMA would be able to fulfill a request, causing many requests to go unfilled or be filled too late to be of use. The unreliability of FEMA's supply systems required the Red Cross to try to follow up on requests through other informal channels—a process the Red Cross reported as being inefficient and only marginally effective. Other voluntary organizations also told us that in many cases the unreliability of FEMA's supply systems challenged their attempts to provide mass care services, and as a result they had to scale back on their service provision.

To clarify roles and responsibilities within ESF-6 for the 2006 hurricane season, we are recommending that FEMA work with the Red Cross as

soon as possible to reach agreement on the operating procedures that they will both use in the event of an incident of national significance. We are also recommending that the Red Cross implement ESF-6 staffing strategies that would enable them to better facilitate the development of working relationships and retain institutional knowledge. In addition, to help ensure that FEMA's resource tracking system will meet the needs of those requesting FEMA assistance, we are recommending that FEMA obtain input from the Red Cross to aid in the system's design.

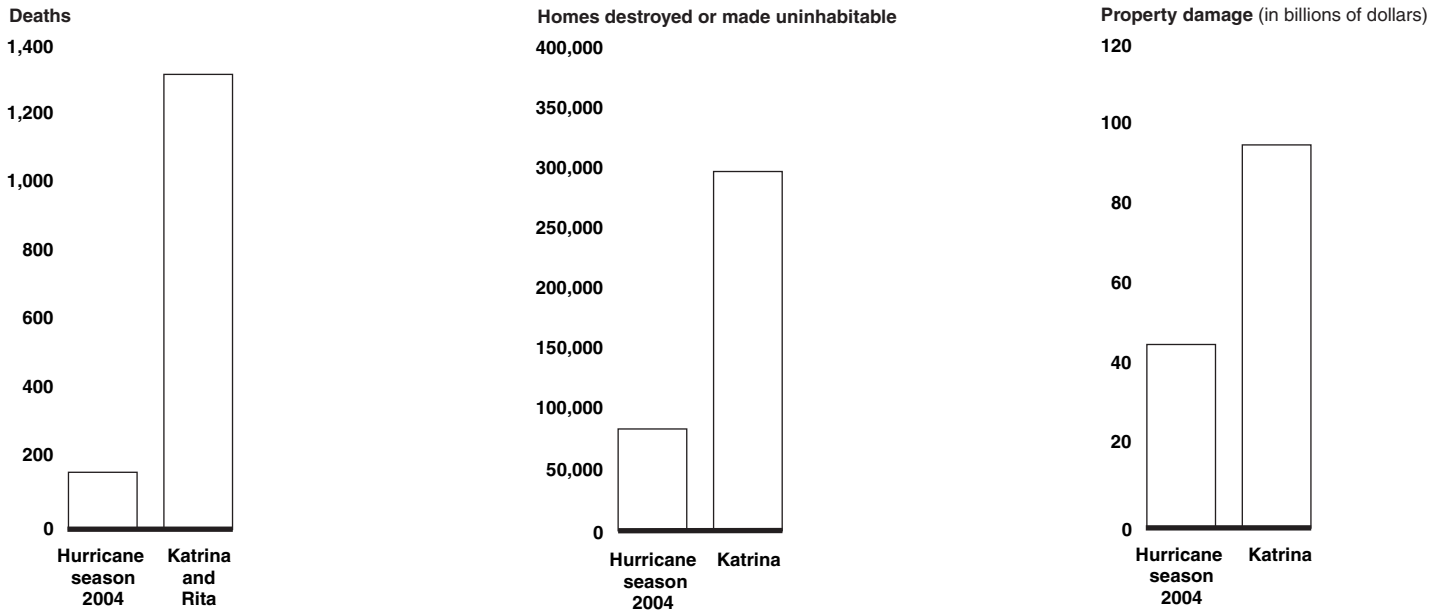
In comments on a draft of this report, DHS officials indicated that they had no comments on the draft, except for a few technical clarifications, which we incorporated as appropriate in this report. The Red Cross also provided comments on the draft and expressed general agreement with our conclusion that coordination between FEMA and the Red Cross could be improved for the 2006 hurricane season. The Red Cross highlighted actions it is taking with respect to our first two recommendations, and said that it heartily endorsed our third recommendation. Additionally, the Red Cross provided important contextual information about its role under the National Response Plan and the length of its ESF-6 staff rotations. We incorporated this information into the final report. Finally, the Red Cross maintained that our draft report's characterization of problems pertaining to the operating procedures used by FEMA and the Red Cross following the hurricanes was not fully accurate, and specifically that the versions of procedures used by FEMA and the Red Cross were the same in every relevant respect. In response to the Red Cross's comments, we again requested FEMA's operating procedures, which we received. We compared the operating procedures FEMA and the Red Cross said they used and determined the wording was the same in relevant respects. Specifically, the versions stated that the Red Cross would not be precluded from taking priorities directly to the FEMA Operations Section Chief, as necessary, but that the Red Cross would coordinate with other designated FEMA officials. Subsequently, we modified the report to focus on disagreements between FEMA and the Red Cross regarding their roles and responsibilities during the relief efforts, rather than specific versions of operating procedures. Even though the wording of the operating procedures the Red Cross and FEMA said they used during hurricane relief efforts was the same, it is clear that they disagreed about their roles and responsibilities, and specifically the role of the ESF-6 coordinator, following the hurricanes. Additionally, our evidence indicates that this disagreement strained FEMA and Red Cross working relationships and may have led to breakdowns in the provision of mass care services. Both FEMA and Red Cross officials have confirmed they are working to finalize a memorandum of understanding to clarify ESF-6 roles and

responsibilities for future incidents of national significance. As both organizations work to finalize this memorandum, they need to clearly define key terms pertaining to their roles and responsibilities that may be ambiguous to avoid future confusion resulting from differing interpretations of the same document.

Background

Hurricanes Katrina and Rita caused extensive human suffering and damage in Louisiana, Mississippi, and Texas. Hurricane Katrina made landfall in Mississippi and Louisiana on August 29, 2005, and alone caused more damage than any other single natural disaster in the history of the United States. Hurricane Katrina destroyed or made uninhabitable an estimated 300,000 homes—more than three times the total number of homes destroyed by the four major hurricanes that hit the continental United States in August and September 2004. Hurricane Rita followed on September 24, 2005, making landfall in Texas and Louisiana and adding to the devastation. Hurricane Katrina alone caused $96 billion in property damage, more than any other natural disaster in the history of the United States. (See fig. 1.)

Figure 1: Comparison between the 2005 Gulf Coast Hurricanes and the 2004 Hurricane Season



Source: GAO analysis of Red Cross documents and the White House report *The Federal Response to Hurricane Katrina: Lessons Learned.*

Note: Hurricane season 2004 refers to the four major hurricanes that struck the continental United States in August and September 2004: Charley, Francis, Ivan, and Jeanne. Regarding the 2005 Gulf Coast Hurricanes, we were unable to obtain comparable home and property damage for Hurricane Rita.

The Red Cross

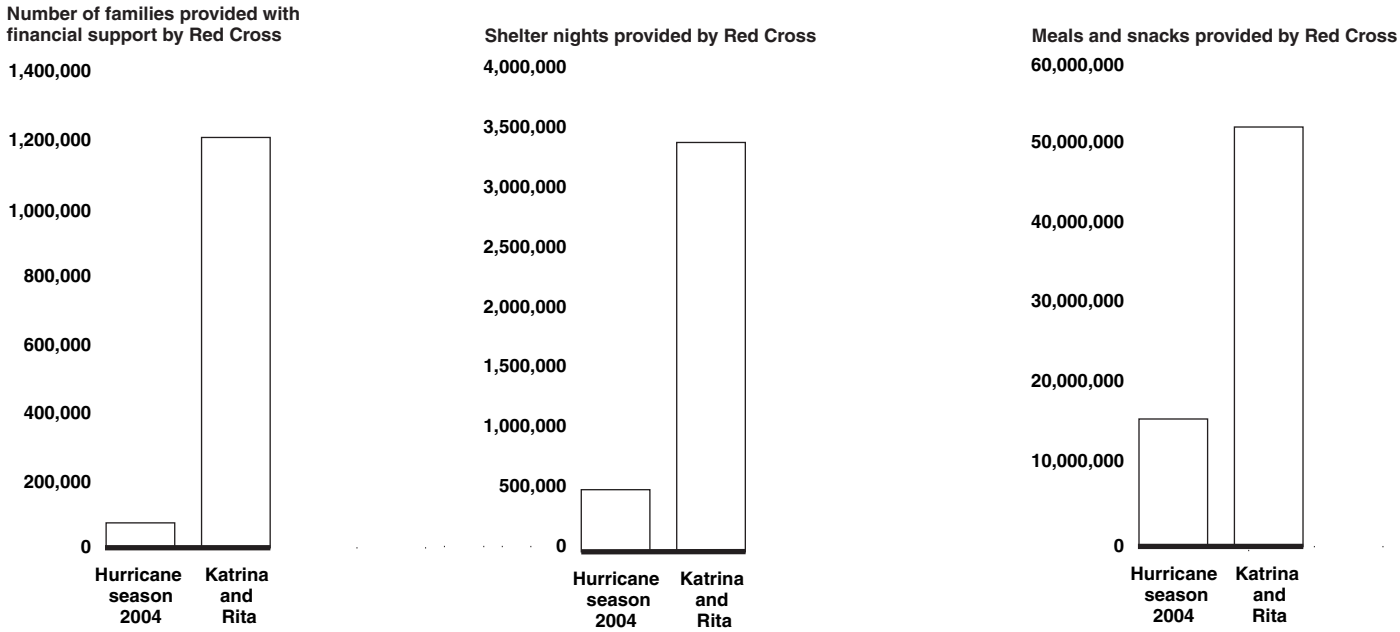
The Red Cross provides relief services after disasters, such as hurricanes or terrorist attacks, and is the nation's largest disaster relief organization. Since its founding in 1881, the Red Cross has offered humanitarian care to the victims of war and devastating natural disasters. The organization is unique in that it is a private nonprofit entity but, since 1905, has had a congressional charter. The congressional charter requires that the organization provide volunteer humanitarian assistance to the armed forces, serve as a medium of communication between the people of the United States and the armed forces, and provide disaster prevention and relief services. Eight of the 50 members of the Red Cross Board of Governors are appointed by the President of the United States, and 7 of these individuals must be federal officials.

Following an incident of national significance, the Red Cross serves as a direct service provider to disaster victims. In this capacity, the organization provides services that include

- feeding,
- sheltering,
- financial assistance, and
- emergency first aid.

After Hurricanes Katrina and Rita, the Red Cross estimated that it will have provided more than 3.7 million hurricane victims with financial assistance, 3.4 million overnight stays in almost 1,100 shelters, and more than 27.4 million hot meals and 25.2 million snacks for survivors of the Gulf Coast hurricanes. According to the Red Cross, its efforts after Hurricanes Katrina and Rita were larger than for any previous disaster relief effort. For example, the Red Cross provided more than six times the number of shelter nights after Katrina and Rita than it did in the entire 2004 hurricane season. (See fig. 2.)

Figure 2: Comparison of Services Provided by the Red Cross: Hurricane Season 2004 and Hurricanes Katrina and Rita



Source: GAO analysis of Red Cross documents.

Note: Hurricane season 2004 refers to the four major hurricanes that struck the continental United States in August and September 2004: Charley, Francis, Ivan, and Jeanne.

National Response Plan

The National Response Plan is designed to provide the structure for the coordination of federal support for disaster response, including support

for voluntary organizations providing shelter, food, and other mass care services. Major federal government agencies, the Red Cross, and an umbrella organization of voluntary organizations are signatories to the plan. DHS released the plan in December 2004, and Hurricane Katrina was the first time the plan was used in response to an incident of national significance. The plan incorporates and replaces several previous plans for disaster management, including the Federal Response Plan, which was originally signed in 1992. The Red Cross is the only voluntary organization named as a primary agency under both the Federal Response Plan and the National Response Plan. One way the National Response Plan changed the Federal Response Plan was by incorporating the services of other voluntary organizations under an umbrella organization, National Voluntary Organizations Active in Disaster.

The National Response Plan is designed on the premise that disaster response is generally handled by local jurisdictions. In the vast majority of disasters, local emergency personnel, such as police, fire, public health, and emergency management personnel, act as first responders and identify needed resources to aid the community. Local jurisdictions can also call on state resources to provide additional assistance. If an incident is of such severity that it is deemed an incident of national significance, DHS and FEMA coordinate with other federal agencies to provide the affected state and local governments with additional resources and supplemental assistance. In these instances, state and local governments can request federal assistance for needed items.

Emergency Support Function-6

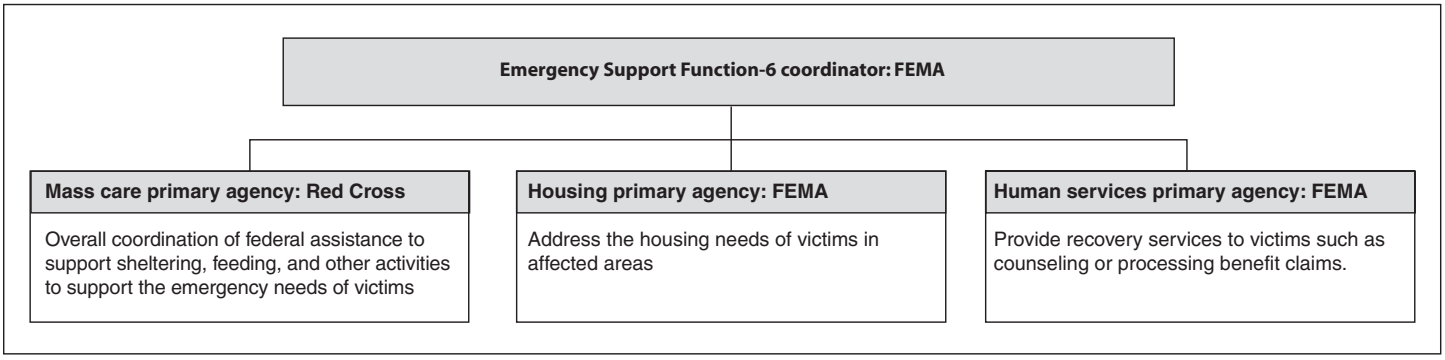
In addition to outlining the organizational structure used to respond to disasters, the National Response Plan designates 15 emergency support functions that address specific disaster response needs. ESF-6, the function most relevant to voluntary organizations involved in disaster relief, creates a working group of key federal agencies and voluntary organizations to coordinate federal assistance in support of state and local efforts to provide

- mass care, including sheltering, feeding, and emergency first aid;
- housing, both short- and long-term; and
- human services, such as counseling, processing of benefits, and identifying support for persons with special needs.

Under the Federal Response Plan, ESF-6 included only the mass care function. The National Response Plan marks the first time these three functions were included under one emergency support function.

FEMA and the Red Cross both serve important leadership roles in ESF-6. FEMA—an agency within DHS—serves as both the ESF-6 coordinator and as the primary agency for housing and human services. (See fig. 3.) In its role as ESF-6 coordinator, FEMA oversees the implementation of ESF-6 and ensures coordination among mass care, housing, and human services. In its role as primary agency for housing and human services, FEMA has responsibility for leading and coordinating federal efforts to provide these services to the victims of disasters.

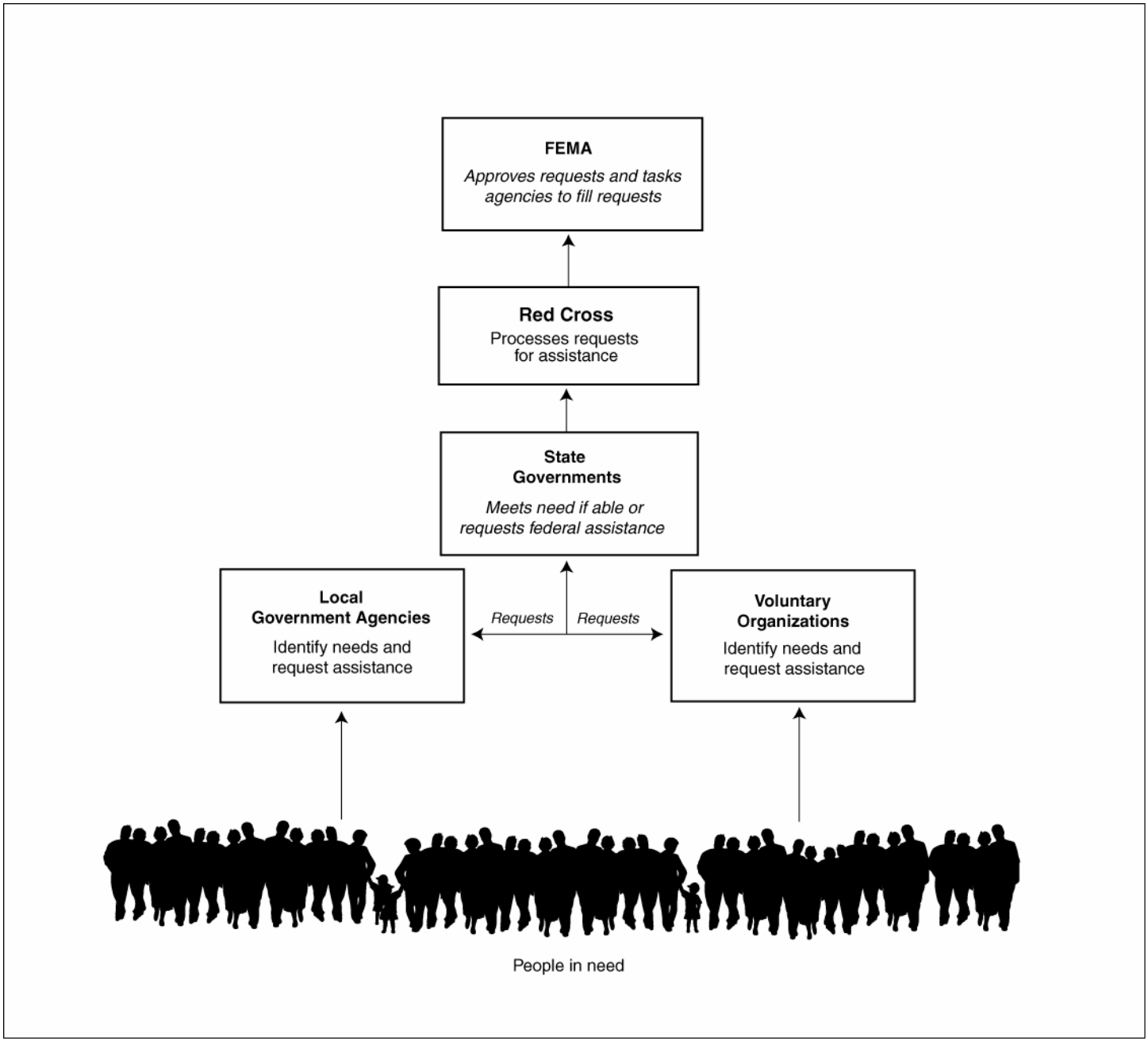
Figure 3: Emergency Support Function-6



Source: GAO analysis of the National Response Plan.

In addition to its role as a direct service provider, the Red Cross serves as the primary agency for mass care under ESF-6, which includes sheltering, feeding, and the provision of emergency first aid. In this role, the Red Cross is responsible for coordinating federal mass care assistance in support of state and local efforts. Red Cross staff work at FEMA headquarters and field offices to help coordinate ESF-6 relief efforts across organizations. In this role, the Red Cross takes requests for assistance from state governments to meet the needs of state or local governments or voluntary organizations. The Red Cross then identifies resources to meet those needs or calls upon FEMA to meet those needs with federal resources. (See fig. 4.) In addition to being the only voluntary organization to serve as a primary agency in the National Response Plan, the Red Cross also has responsibilities under other emergency support functions, such as providing counseling services under ESF-8, Public Health and Medical Services.

Figure 4: Standard Process for Requesting Assistance



Source: GAO analysis of FEMA and Red Cross interviews and Art Explosion images.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) specifies additional roles for the Red Cross—and other voluntary organizations—after a disaster. [6] The Stafford Act authorizes FEMA—under a delegation from the President—to coordinate the relief activities of government and private disaster assistance organizations (including the Red Cross). These organizations agree to operate under a federal coordinating officer, who coordinates relief following major disasters and emergencies declared by the President. The Stafford Act also specifies that in providing relief and assistance, FEMA may use—with consent—the personnel and facilities of disaster relief organizations in the distribution of medicine, food, supplies, or other items, and in the restoration, rehabilitation, or reconstruction of community services housing and essential facilities. Specifically named in the statute are the Red Cross, the Salvation Army, and the Mennonite Disaster Service.

Disagreement about Roles and Responsibilities Strained Working Relationships between FEMA and the Red Cross

Before the hurricanes made landfall, FEMA and the Red Cross—working together under ESF-6 for the first time—disagreed about their roles and responsibilities under the National Response Plan. This disagreement strained working relationships both before and during the response effort. Immediately following the hurricanes, each organization had a different understanding of certain ESF-6 operating procedures, according to both FEMA and Red Cross officials. This disagreement was primarily about the role of the ESF-6 coordinator, a FEMA official tasked with providing strategic vision and leading efforts to coordinate mass care, housing, and human services assistance. FEMA officials told us that according to their understanding of the operating procedures, the Red Cross should direct all requests for FEMA assistance through the ESF-6 coordinator. The Red Cross maintained that the operating procedures permitted it to take priorities directly to the FEMA Operations Section Chief—not the ESF-6 coordinator.

Tensions resulting from this disagreement negatively affected the working relationship between FEMA and the Red Cross. Because of the lack of clarity about roles and responsibilities, the agencies spent time during the response effort trying to establish operations and procedures, rather than focusing solely on coordinating services. For example, FEMA and the Red Cross debated if the Red Cross would attend and present information at daily FEMA policy meetings. Specifically, Red Cross officials reported that

[6] 42 U.S.C. §§ 5121-5201.

in the early days of the response effort, the ESF-6 coordinator informed the Red Cross that she would represent all components of ESF-6 at FEMA policy meetings. Under this model, the Red Cross attended but did not present information. Red Cross officials expressed concern with this model because they indicated that it undermined their authority as the primary agency for mass care. The Red Cross additionally told us that FEMA's vision of the ESF-6 coordinator did not best use the Red Cross's expertise in mass care service provision. FEMA officials have argued that the ESF-6 coordinator role is important because the coordinator can provide a broad vision for all of ESF-6, which includes housing and human services as well as mass care. Additionally, FEMA officials have reported that confusion about the role of the ESF-6 coordinator may have led to breakdowns in service provision.

In its review of operations following the Gulf Coast hurricanes, the DHS Office of Inspector General also noted that FEMA and the Red Cross held different expectations of their responsibilities. To address this issue, the Inspector General recommended that the FEMA director establish an ESF-6 working group to define the explicit roles and responsibilities of FEMA and the Red Cross, develop standard operating procedures, and implement a concept of operations plan. FEMA and the Red Cross have stated they are working to clarify future roles and responsibilities, but as of May 24, 2006, had not reached agreement on these responsibilities, including the role of the ESF-6 coordinator.

Short Rotations Made It Difficult for Red Cross ESF-6 Staff to Develop Effective Working Relationships and Gain Expertise

Red Cross staff assigned to perform ESF-6 functions rotated frequently, often working from several different locations in the aftermath of the Gulf Coast hurricanes. These staff—who were responsible for coordinating federal mass care assistance in support of state and local efforts to provide shelter and food to evacuees—generally rotated every 2 to 3 weeks. For example, one Red Cross employee told us that in a 3 1/2-month period, which began immediately before Hurricane Katrina made landfall, he rotated on seven occasions to different ESF-6 offices in Washington, D.C., Atlanta; New Orleans; and Baton Rouge. During this time, he also worked for short periods at Red Cross headquarters on five separate occasions.

Short rotations made it difficult for Red Cross ESF-6 staff to develop and maintain effective working relationships with staff from other organizations, which were critical to relief efforts. Specifically, FEMA officials told us that short rotations hindered coordination by requiring that Red Cross ESF-6 staff members develop new working relationships every time they rotated. For example, when rotating into a new state, ESF-

6 staff would have to form new working relationships with the FEMA officials in that state, state and local government officials, and officials from various local voluntary organizations. These short rotations were problematic because strong relationships between ESF-6 workers and other organizations facilitate communication between workers and ensure that individuals are aware of the roles and capacities of other disaster response organizations. In addition, officials told us that following the hurricanes, strong relationships were particularly important because usual communication channels were often not functioning and people needed to rely on personal relationships to mobilize resources.

Short rotations also limited Red Cross ESF-6 staff members' knowledge of ESF-6 processes. For example, FEMA officials said that frequent rotations resulted in Red Cross staff sometimes not knowing how to correctly fill out forms and collect shelter data. FEMA officials said that inconsistencies in data collected by Red Cross ESF-6 staff made it difficult to track trends in mass care and identify where additional services were needed. Red Cross officials noted that FEMA processes and procedures were not always clear and required time to learn. Although not specifically addressing ESF-6, the International Committee of the Red Cross (ICRC), a humanitarian nongovernmental agency based in Geneva, Switzerland, also found that short rotations by Red Cross volunteers in various positions were problematic. According to an ICRC review of the American Red Cross's overall response to the hurricanes, "the volunteers remain normally for a period between 2-3 weeks…Due to the rapid change-over training is difficult and acquired knowledge is lost."

Red Cross officials gave several reasons for using short rotations after the Gulf Coast hurricanes. Officials told us that short rotations for ESF-6 staff are standard because most disasters are not large enough to require an ESF-6 role for more than 2 or 3 weeks. In contrast, the Gulf Coast hurricanes required that Red Cross staff fill ESF-6 functions from August 27, 2005, until December 16, 2005, a period of approximately 3 1/2 months. In addition, Red Cross officials said that short rotations made it easier to fill ESF-6 staff positions because volunteers were more likely to accept work for a short time period than for a long period.

Officials from the Red Cross have recognized the problems posed by short rotations by ESF-6 staff—who included both paid employees and trained volunteers—and stated that they are working to resolve the problem. The Red Cross told us that it is hiring 14 additional employees at the state level who will work with state emergency management agencies to help coordinate relief services, including mass care under ESF-6. Red Cross

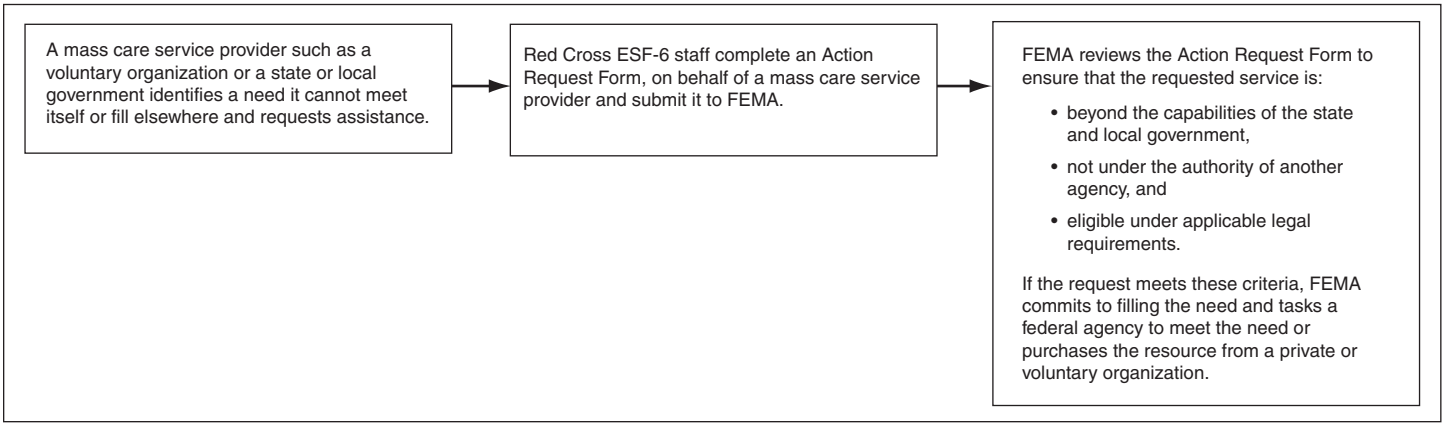
officials also told us that they are considering hiring reserve staff that could fill ESF-6 positions at the national level for longer periods. However, as of May 24, 2006, no new staffing policies had been implemented to resolve the problem of frequent rotations at the national or local levels.

FEMA's Inability to Track Requests Created More Work for the Red Cross and Slowed Relief Services

FEMA did not have a comprehensive system to track the requests for assistance that the Red Cross submitted—in its official ESF-6 role—on behalf of state and local governments and other voluntary organizations. (See fig. 5.) Red Cross records indicate that it submitted 16 requests to FEMA headquarters and dozens more to field offices in Atlanta, Georgia; Denton, Texas; Baton Rouge, Louisiana; Jackson, Mississippi; and Austin, Texas during the response effort. According to the Red Cross, FEMA approved the majority of these requests for assistance such as requests for water, fuel, and cots for shelters, but did not have a system in place to determine whether

- the appropriate FEMA unit received the request,
- the requested items had been located,
- these items had been loaded and shipped to the intended location, and
- these items had been delivered.

Figure 5: Process for Submitting Action Request Forms



Source: GAO analysis of FEMA and Red Cross interviews.

Without a comprehensive system to keep track of requests for assistance, many requests were lost before FEMA could fill them. For example, FEMA officials were only able to provide us with records of less than one-third of the 16 requests that Red Cross documents indicate were submitted to FEMA headquarters. Additionally, other voluntary organizations and state

and local government officials have told us that because of FEMA's inability to track requests, they did not know when, or if, they would receive the supplies that they needed to continue providing mass care services. The DHS Office of Inspector General noted this problem in its report, indicating that FEMA's inability to monitor requests for assistance often resulted in requests being lost or filled too late. In some instances, lost requests resulted in duplicate requests being submitted to FEMA. The DHS Office of Inspector General has recommended that FEMA develop a means to standardize and streamline the resource ordering and tracking process as well as develop and implement a resource-tracking system that is capable of documenting whether resources were delivered and the efficiency with which the resource was provided. The Under Secretary for Preparedness of DHS has stated that FEMA is working on the development of a resource-tracking system. However, FEMA officials told us they would not be able to create such a system before the 2006 hurricane season.

Red Cross officials have reported that often, the only way for them to determine the status of previously submitted requests was through informal channels, a situation that created more work for Red Cross staff. Because there was no comprehensive system in place to formally track the status of requests, Red Cross staff followed up on requests primarily through telephone calls, a procedure that was particularly challenging because the Gulf Coast hurricanes compromised communication systems. Furthermore, when the Red Cross officials were able to follow up on requests by telephone, FEMA officials were often not able to provide the needed information, according to Red Cross officials.

State and local governments that submitted requests for assistance to FEMA through the Red Cross and ESF-6 reported service delivery problems as a result of FEMA's inability to track and meet requests. For example, the city of Austin, Texas, had difficulties meeting the needs of evacuees when FEMA did not fill its request for 6,000 cots as expected. According to Austin officials, FEMA had indicated that it had processed the request and shipped the cots, which would arrive the same day. However, the cots did not arrive until much later in the response effort, and in the interim, FEMA was unable to determine where they were. As a result, the city of Austin needed to develop alternate sheltering strategies and later had to redirect the cots, which arrived too late to be of use to the city. An official from the state of Texas reported similar fulfillment and reliability problems with FEMA's system and stated that in preparation for the next hurricane season, the state is developing alternate plans with the

private sector to reduce its dependency on FEMA to meet its mass care needs.

Voluntary organizations also reported that, in many cases, the unreliability of FEMA's supply systems challenged their attempts to provide mass care services. For example, the Southern Baptist Convention submitted several requests to FEMA through the Red Cross on September 1, 2005, for items such as refrigerated vehicles, forklifts, and hand washing stations to establish 13 large-scale kitchens that would serve Southern Baptist Convention and Red Cross shelters in Mississippi. A Southern Baptist Convention official told us that FEMA was unable to provide information about these requests after the requests had been submitted. Consequently, the organization's ability to continue providing food for hurricane evacuees was compromised because most of the supplies it requested did not arrive until approximately September 10—a week and a half after placing the requests.

Conclusions

In 2005, Hurricanes Katrina and Rita brought widespread devastation and challenged all levels of government and voluntary organizations to help thousands of victims get food, medical help, shelter, and other assistance. As we and others have reported, the agencies responsible for disaster relief after the Gulf Coast hurricanes were clearly overwhelmed, and there was widespread dissatisfaction with the level of preparedness and the collective response. The Red Cross and FEMA—the two organizations responsible for working together to coordinate federal mass care assistance under the National Response Plan—also faced challenges coordinating with each other to ensure that critical aid and resources from the federal government reached workers on the ground in Louisiana, Mississippi, and Texas.

As the 2006 hurricane season begins, these two organizations, with their access to vast resources and long histories of providing disaster relief services, are uniquely positioned to improve the level of care provided following a disaster. But this partnership cannot function efficiently in the aftermath of a disaster without improved working relationships. Coordination between FEMA and the Red Cross will continue to be difficult unless they reach agreement on their respective roles and responsibilities and find ways to ensure that staff in critical positions serve at sites long enough to make contacts and retain on-the-job experience. Furthermore, as FEMA works to develop a system to track requests for assistance, it has an opportunity to improve service delivery by engaging the Red Cross. As the primary agency for mass care under the National

Response Plan and the entity charged with submitting mass care-related requests to FEMA, the Red Cross could provide valuable input in identifying end user needs of a resource-tracking system and aiding in the design of system capabilities. The DHS Office of Inspector General has made longer-term recommendations for improving ESF-6 processes. However, changes are needed to enable this partnership to function more effectively as the 2006 hurricane season is beginning.

Recommendations for Executive Action

To clarify roles and responsibilities within ESF-6 for the 2006 hurricane season, we recommend that the Secretary of DHS direct FEMA to work with the Interim President and Chief Executive Officer of the Red Cross as soon as possible to reach agreement on the operating procedures that they will both use in the event of an incident of national significance. Given the lack of progress FEMA and the Red Cross have made thus far in reaching agreement on the operating procedures and that the new hurricane season is beginning, they may wish to use mediation to speed the agreement.

We recommend that the Interim President and Chief Executive Officer of the Red Cross implement ESF-6 staffing strategies that better facilitate the development of working relationships and retain institutional knowledge. For example, such strategies might include lengthening ESF-6 staff rotations in incidents of national significance or primarily using permanent staff to fill ESF-6 positions.

To help ensure that FEMA's resource tracking system will meet the needs of those requesting FEMA assistance, we recommend that the Secretary of DHS direct FEMA to ensure that it obtains input from the Red Cross as it develops a resource tracking system.

Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of the Department of Homeland Security. DHS officials indicated that they had no comments on the draft, except for a few technical clarifications, which we incorporated as appropriate in this report. DHS did not provide a response to our recommendations, noting that FEMA was actively preparing for the hurricane season. DHS's written comments are reproduced in appendix II at the end of this report.

We also provided a draft of this report to the Interim President and Chief Executive Officer of the Red Cross. The Red Cross's written comments on the draft are reproduced in appendix III. Overall, the Red Cross agreed with our conclusion that coordination between FEMA and the Red Cross

could be improved for the 2006 hurricane season. The Red Cross also highlighted actions under way with respect to our first two recommendations. For example, the Red Cross said it has been working closely with FEMA in recent months to develop and finalize a memorandum of understanding that outlines areas of mutual support and cooperation with respect to response and recovery in presidentially declared disasters and emergencies. With respect to our recommendation about staffing strategies, the Red Cross said that it is in the process of hiring ESF-6 reservists who will be deployed for extended periods of time to perform Red Cross ESF-6 mass care functions at the federal level. Additionally, the Red Cross said that it heartily endorsed our third recommendation about FEMA's resource tracking system.

In its response, the Red Cross also provided additional information to help clarify the Red Cross's role under the National Response Plan and its ESF-6 operations. Specifically, the Red Cross maintained that in several places in the draft, our characterization of its role under the National Response Plan and ESF-6 was too broad. In response, we revised the report to clarify that under the National Response Plan, the Red Cross is responsible for coordinating federal mass care assistance in support of state and local mass care efforts. The Red Cross also provided additional information about the length of ESF-6 staff rotations, which we incorporated into the final report.

Finally, in its written comments, the Red Cross maintained that in our draft report the manner in which we characterized problems pertaining to the operating procedures used by FEMA and the Red Cross following the hurricanes was not fully accurate. FEMA and Red Cross officials had previously told us that the organizations used different versions of the operating procedures. However, in its comments on our draft report, the Red Cross said that statements we made in the draft regarding differences in the versions of the operating procedures it and FEMA used were not accurate, as the versions were the same in every relevant respect. Further, the Red Cross stated that that the use of two different versions of operating procedures by FEMA and the Red Cross—if it ever occurred—did not result in negative consequences, as our draft reported. In response to the Red Cross's comments, we again requested the version of the operating procedures used by FEMA during hurricane relief efforts. We subsequently received a version of the operating procedures from FEMA; our review of this document indicated that the versions the Red Cross and FEMA said they used were the same in relevant respects. Specifically, the versions stated that the Red Cross would not be precluded from taking priorities directly to the FEMA Operations Section Chief, as necessary, but

that the Red Cross would coordinate with other designated FEMA officials. As such, we modified the report to focus on disagreements between FEMA and the Red Cross regarding their roles and responsibilities during the relief efforts, rather than specific versions of operating procedures. Even though the wording of the operating procedures the Red Cross and FEMA said they used during hurricane relief efforts was the same, it is clear that FEMA and the Red Cross disagreed about their roles and responsibilities following the hurricanes and specifically the role of the ESF-6 coordinator. Further, our evidence indicates this difference strained their working relationships. High-ranking officials from both the Red Cross and FEMA confirmed to us on numerous occasions that there was confusion and differing views over how the agencies should operate under ESF-6 and specifically how the role of the ESF-6 coordinator should be defined. After reviewing our draft, FEMA officials did not disagree with our characterization that disagreement over the operating procedures and the role of the ESF-6 coordinator may have led to breakdowns in the provision of mass care services. Further, both FEMA and Red Cross officials have confirmed they are working to finalize the aforementioned memorandum of understanding to clarify ESF-6 roles and responsibilities for future incidents of national significance. As both organizations work to finalize this memorandum, they need to clearly define key terms pertaining to their roles and responsibilities that may be ambiguous to avoid future confusion resulting from differing interpretations of the same document.

We are sending copies of this report to the Secretary of the Department of Homeland Security, the Red Cross, appropriate congressional committees, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov. Please contact me at (202) 512-7215 if you or your staff have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other major contributors to this report are listed in appendix IV.



Cynthia M. Fagnoni
Managing Director, Education, Workforce
and Income Security Issues

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Appendix I: Objectives, Scope, and Methodology

As part of GAO's ongoing body of work examining the response of the federal government and others to Hurricanes Katrina and Rita, we conducted a review of how Federal Emergency Management Agency (FEMA) and voluntary organizations operated in concert with one another after the Gulf Coast hurricanes. To obtain information about coordination between FEMA and the voluntary organizations during the response to the Gulf Coast hurricanes, we interviewed officials from FEMA's national headquarters and from national offices of voluntary organizations, including the Red Cross, National Voluntary Organizations Active in Disaster, the Salvation Army, the United Way, Habitat for Humanity, the Southern Baptist Convention, and Louisiana Association of Nonprofit Organizations. Additionally, to better understand two key tools used in coordination, we observed a National Voluntary Organizations Active in Disaster conference call in November 2005. These conference calls took place daily after the Gulf Coast hurricanes and included representatives from local and national voluntary organizations, as well as federal agencies, such as FEMA. We also observed the Coordinated Assistance Network database, a database that allowed multiple organizations to access information about the services provided to evacuees. To coordinate efforts with other oversight entities, we met in person and by telephone with the Department of Homeland Security (DHS) Office of Inspector General, Congressional Research Service, Congressional Budget Office, the Urban Institute, and the RAND Corporation. Finally, we reviewed reports on the response to the Gulf Coast hurricanes issued by the DHS Office of Inspector General, the House of Representatives, the White House, the International Committee of the Red Cross, the British Red Cross, and the American Bar Association.

We conducted our work between October 2005 and June 2006 in accordance with generally accepted government auditing standards.

Site Visits

To learn about the operations of voluntary organizations in the field, we conducted site visits to Baton Rouge and New Orleans, Louisiana, as well as Biloxi and Jackson, Mississippi, in January of 2006. Additionally, we visited Austin and Houston, Texas, in March of 2006. We toured damage caused by the hurricanes in New Orleans, Louisiana, and Biloxi, Mississippi. Additionally we toured the FEMA Joint Field Offices that were located in Baton Rouge, Biloxi, and Austin; local emergency operations centers in Baton Rouge and Austin; as well as distribution centers established by the Red Cross and the Salvation Army.

We spoke with FEMA Voluntary Agency Liaisons in Louisiana, Mississippi, and Texas. Additionally, we met with local chapters of the Red Cross, the Salvation Army, Catholic Charities, and the United Way. In addition, we spoke with key officials from the East Baton Rouge Parish Office of Homeland Security and Emergency Preparedness, Office of Homeland Security and Public Safety: City of New Orleans, Texas Office of Homeland Security, Austin/Travis County Health and Human Services Department, City of Austin Office of Emergency Management, City of Houston Mayor's Office of Public Safety and Homeland Security, the Harris County Citizen Corps, and the Harris County Judge's office. We also met with representatives from the OneStar Foundation, a charitable organization established in coordination with Texas' Governor Perry's office.

Discussion Groups

To gain additional perspectives on disaster response, we conducted discussion groups of voluntary organizations that responded to the hurricanes. We attended the January Board of Directors meeting for the National Voluntary Organizations Active in Disaster. At this meeting, we observed the board members offering guidance to an organization that was new to disaster response and conducted a discussion group with board members, including representatives from the United Methodist Committee on Relief, America's Second Harvest, and Lutheran Disaster Response. We held two additional discussion groups—one in Jackson, Mississippi, and one in Houston, Texas—to learn the perspectives of local voluntary organizations that provided disaster relief. At these discussion groups, we heard from representatives of local chapters of the United Way and Catholic Charities USA, the Houston Food Bank, Independence Heights Ministerial Alliance, community action agencies from two counties in Mississippi, and the Christian Outreach Center.

Analysis of Red Cross Documents

To better understand the Red Cross's responsibilities and response to the Gulf Coast hurricanes, we analyzed numerous documents provided to us by the Red Cross. These documents included an August 2005 draft of the Standard Operating Procedures for Emergency Support Function-6; the American Red Cross Responsibilities under the Federal Response Plan; a statement of understanding between FEMA and the Red Cross; key statements of understanding between the Red Cross and other voluntary organizations that pertain to the Gulf Coast Response—including memorandums with Catholic Charities and the Salvation Army; training materials for Red Cross Emergency Support Function-6 personnel and disaster operation summary reports; after-action report by the Red Cross; and a spreadsheet of all Red Cross shelters. We also reviewed a Red Cross

summary document that listed each action request form it, as a primary agency for Emergency Support Function-6, submitted to FEMA between August 29, 2005, and September 30, 2005. Red Cross officials told us that they created this document after the Gulf Coast hurricanes in response to inquiries by us and others about their role as the primary agency for mass care. Additionally, we reviewed documents that the Red Cross provided to the Senate Committee on Finance, including documentation of Board of Governors' meeting agendas from the years 2001 through 2005 and communication from Red Cross executives to board members. As aforementioned, we also reviewed mission reports of the response to the Gulf Coast hurricanes by the International Committee of the Red Cross and the British Red Cross.

Analysis of FEMA Documents

To gain a better understanding of how FEMA worked with voluntary organizations after the Gulf Coast hurricanes, we reviewed documents that it provided to us. Specifically, we reviewed copies of the action request forms that FEMA had records of the Red Cross submitting to FEMA headquarters and a list documenting the status of these action request forms. We also reviewed FEMA maps of shelter locations. Following agency comments, we also reviewed a version of the ESF-6 standard operating procedures FEMA said it used during hurricane relief efforts and compared it to the version the Red Cross said that it used.

Appendix II: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

May 24, 2006

Ms. Cynthia M. Fagnoni
Managing Director
Education, Workforce, and Income Security Issues
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Fagnoni:

Re: Draft Report GAO-06-712, Hurricanes Katrina and Rita: Coordination between FEMA and the Red Cross Could Be Improved for the 2006 Hurricane Season (GAO Job Code 130529)

The Department of Homeland Security appreciates the opportunity to review and comment on the Government Accountability Office's draft report. Federal Emergency Management Agency (FEMA) officials have been actively preparing for hurricane season. At the present time, FEMA officials have no comments on the draft report.

We will provide technical comments under separate cover.

Sincerely,

Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

MMcP

www.dhs.gov

Appendix III: Comments from the Red Cross



Office of the General Counsel
2025 E Street, N W
Washington, DC 20006

(202) 303-5433
(202) 303-0143 (Fax)

Writers Direct Dial
(202) 303-5466
polacheckl@usa.redcross.org
Legal Assistant
(202) 303-5519
osumit@usa.redcross.org
Direct Fax
(202) 303-0143

May 24, 2006

BY E-MAIL

Cynthia M. Fagnoni, Managing Director
Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office (GAO)
441 G Street N W.
Washington D.C 20548

RE: GAO Draft Report

Dear Ms. Fagnoni:

Attached please find Comments of the American Red Cross on the U.S. Government Accountability Office Draft Report, "Hurricanes Katrina and Rita: Coordination between FEMA and the Red Cross Could Be Improved for the 2006 Hurricane Season." Please feel free to contact me with any questions.

Sincerely,

Lori Polacheck
Senior Counsel

Together, we can save a life

Comments of the American Red Cross on the U.S. Government Accountability Office Draft Report, "Hurricanes Katrina and Rita: Coordination between FEMA and the Red Cross Could Be Improved for the 2006 Hurricane Season"

The American Red Cross appreciates the opportunity to comment on the GAO Draft Report, "Hurricanes Katrina and Rita: Coordination between FEMA and the Red Cross Could Be Improved for the 2006 Hurricane Season" ("Draft Report"). Overall, the Red Cross agrees with the GAO's conclusion that the coordination between FEMA and the Red Cross could be improved for the 2006 hurricane season. That is why the Red Cross has been working closely with FEMA in recent months to develop a new Memorandum of Understanding (MOU) that outlines areas of mutual support and cooperation with respect to response and recovery in Presidentially-declared disasters and emergencies. The finalization of this MOU is imminent. In addition, the Red Cross and FEMA are working together to reach a better understanding regarding their respective roles under Emergency Support Function ("ESF") #6 of the National Response Plan ("NRP"), which was activated for the first time in the response to the Gulf Coast hurricanes. They expect to document their understanding in a separate document.

The Red Cross role in disaster response and ESF #6 of the NRP

The GAO correctly notes that the Red Cross is chartered by Congress to provide a system of disaster relief and that in response to Hurricanes Katrina and Rita the Red Cross mounted the largest disaster response in its history. For more than 125 years, the mission of the Red Cross -- a non-profit, charitable organization -- has been to help Americans prevent, prepare for and respond to emergencies. The Red Cross accomplishes this mission with a unique, community-based network of more than 800 local chapters, together with regional service areas and our national headquarters in Washington D.C. The Red Cross has expertise in meeting the human needs associated with disasters and it often partners with governmental entities in providing emergency shelter, food and other mass care services as well as short-term financial assistance to address basic human needs. The Red Cross' response to Hurricanes Katrina, Rita, and Wilma included serving nearly 65 million meals and snacks, sheltering nearly 500,000 hurricane survivors with approximately 3.4 million shelter nights, and providing emergency financial assistance to nearly 1.4 million families.

The Red Cross is concerned, however, that the Draft Report does not accurately characterize the Red Cross' *other* role in disaster response: its role under ESF #6 of the NRP. ESF #6 covers mass care, housing and human services. Under the NRP, the Red Cross is the Primary Agency for the mass care part of ESF #6, while FEMA is the Primary Agency for housing and human services. In the words of the NRP, the Red Cross' function as Primary Agency for mass care is to "coordinate Federal mass care assistance in support of State and local mass care efforts." National Response Plan, ESF #6 Annex, page 5. This means that the Red Cross works within the federal government structure to help bring federal resources to state and local governments. Among other things, the Red Cross receives resource requests from state and local governments and non-governmental organizations (NGOs) and transmits them to FEMA. FEMA then

decides which resource requests will be filled and assigns them to the appropriate federal agency

The Red Cross' role under ESF #6 of the NRP has been the subject of much confusion. For example, in its Draft Report the GAO erroneously states that under ESF #6 the Red Cross is tasked with "coordinating the nations' delivery of mass care services" (Draft Report, page 1), "coordinating the provision of mass care" (Draft Report, page 8), and "meeting the nation's mass care needs" (Draft Report, page 17). Similar erroneous statements are found throughout the Draft Report, including in the Highlights and on pages 3, 9, and 13. In fact, under the NRP the Red Cross' ESF #6 role is much more limited. The Red Cross' responsibilities as Primary Agency for mass care under ESF #6 relate solely to the system by which the federal government provides resources to support local disaster relief activities.

During the response to Hurricanes Katrina and Rita, the Red Cross fulfilled its responsibilities as Primary Agency for mass care under ESF #6 by, among other things, sending specially-trained Red Cross staff to FEMA locations to serve as contacts for state and local governmental entities and NGOs seeking federal resources to support their local relief efforts. Red Cross ESF #6 staff documented these resource requests and submitted them to FEMA's logistics system; FEMA, not the Red Cross, decided which resource requests would be funded. Red Cross ESF #6 staff also supplied subject matter expertise to state and local government entities regarding mass care activities and worked with liaisons from other voluntary agencies and ESFs to help on issues relating to the federal resourcing of state and local mass care response efforts.

The Red Cross' activities as Primary Agency for mass care under the NRP are quite different from the sheltering, feeding, and other mass care activities the Red Cross performs due to its humanitarian mission and Congressional Charter. In its ESF #6 role, the Red Cross' staff do not manage or direct the delivery of mass care by the Red Cross, other NGOs, or state and local governments.

ESF #6 Standard Operating Procedures and the role of the ESF #6 coordinator

The Draft Report's discussion of the ESF #6 standard operating procedures (Highlights, pages 11-12) contains a number of errors. First, the draft report erroneously suggests that FEMA and the Red Cross generated separate, conflicting standard operating procedures for ESF #6. In fact, the draft ESF #6 standard operating procedures were developed jointly by FEMA and the Red Cross. Throughout the spring and summer of 2005, the Red Cross and FEMA had a continuing dialog about the standard operating procedures, with FEMA circulating updated drafts and the Red Cross providing comments. Contrary to the statement in the Draft Report, the Red Cross did not develop any ESF #6 standard operating procedures on its own.

Second, the Draft Report erroneously states that the August 2005 version of the standard operating procedures differed significantly from the June 2005 standard operating procedures and that the Red Cross' and FEMA's adherence to different

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versions resulted in tension that affected the working relationship. (Draft Report, pages 11-12) In fact, the June 2005 and August 2005 versions are the same in every relevant respect. Most importantly, both versions contain the same description of the role of the ESF #6 coordinator. There is no basis for saying that the use of different versions of the standard operating procedures (if it even occurred) had any negative consequences. Furthermore, the Red Cross and FEMA did not continue negotiating the standard operating procedures while the response to the Gulf Coast hurricanes was underway.

Third, with respect to the Draft Report's discussion of the role of the ESF #6 coordinator (pages 3, 11-12), it is important to note that the Red Cross followed the appropriate chain of command, processed requests for federal resources through the appropriate channels, and worked closely with FEMA's designated ESF #6 coordinator. FEMA and the Red Cross continue to work together to ensure that they share an understanding about the role of the coordinator for purposes of the next major disaster, and they will develop policies and procedures incorporating that agreement.

Rotations of Red Cross ESF #6 staff

The Draft Report's discussion of the rotations of Red Cross ESF #6 staff (Highlights, pages 3-4 and 13-14) omits important background and looks at the issue out of context. In the vast majority of major disasters, an ESF #6 assignment for a Red Cross staff member or volunteer will last from a few days to a few weeks. Hurricane Katrina was an extraordinary event making unusual demands on all of the ESFs to support numerous deployments at multiple locations for unprecedented lengths of time. Federal ESF #6 efforts continued for much longer than they ever had before. This is why Red Cross ESF #6 staff – many of whom are volunteers – often could not continue to serve in the ESF #6 role throughout the weeks or months that a particular FEMA office was in operation. During the response to hurricanes Katrina and Rita, the Red Cross tried to ensure as much consistency as possible in its staffing of the ESF #6 positions at FEMA locations. Contrary to the statement in draft report, no Red Cross employee rotated 12 times. The employee to which the Draft Report refers rotated to six ESF #6 assignments and then returned to his home duty station at Red Cross national headquarters.

The Red Cross is taking various steps to lengthen the rotations of its ESF #6 personnel and ensure that ESF #6 personnel have the strong working relationships and ESF #6 expertise that are necessary to provide the highest level of service. Among other things, the Red Cross has revised its training course for ESF #6 staff so that they will be more knowledgeable about ESF #6 processes and policies. The Red Cross is in the process of hiring ESF #6 reservists, who will be deployed for extended periods of time to perform the Red Cross' ESF #6 mass care function at the federal level. In addition, the Red Cross is hiring 14 additional employees who will work in specific states and focus on coordination with state emergency management agencies concerning mass care issues, including ESF #6. These new staff will be knowledgeable about the mass care activities of state and local governments and will work closely with the Red Cross ESF #6 mass care personnel who will be deployed to FEMA locations during a disaster, thereby enhancing the communications about the state and local resource needs that can be

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addressed through the federal system. These new staff will not, however, "fill ESF 6 positions at the state level," as the GAO reports (Draft Report, pages 4, 14), because the Red Cross does not perform the ESF #6 role at the state government level.

Tracking resource requests

Although coordination between FEMA and the Red Cross is important, the more fundamental issue is FEMA's fulfillment of the requests for federal resources that are processed by ESF #6. Thus, the Red Cross heartily endorses the GAO's recommendation that FEMA should develop a comprehensive and effective system for tracking requests for federal mass care resources and incorporate Red Cross input in the development process.

Other issues

Draft Report, page 1, 7: The Red Cross is the only voluntary organization specifically named in the plan *as a primary agency*. The National VOAD represents other voluntary organizations and is designated as a Support Agency.

Draft Report, pages 4, 13: The report issued by the International Committee for the Red Cross ("ICRC") does not pertain to ESF #6. The ICRC report contains only a general statement regarding the normal deployment period for a Red Cross disaster volunteer and does not mention either ESF #6 or the NRP.

Draft Report, page 6: Pursuant to the Red Cross' Congressional Charter, 36 U.S.C. §§ 300101 et seq., the Red Cross' purposes include carrying out a nationwide system of disaster prevention and relief and serving as a medium of communication between the people of the United States and the members of the armed forces.

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Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Cynthia M. Fagnoni, (202)512-7215, fagnonic@gao.gov

Staff Acknowledgments

Andrew Sherrill, Assistant Director, and Tamara Fucile, Analyst in Charge, managed this assignment and made significant contributions to all aspects of this report. Mallory Barg Bulman, Scott Spicer, and Matthew Kundinger also made significant contributions. Additionally, Norm Rabkin, Bill Jenkins, Gale Harris, Mike Brostek, Michael Zola, Brodi Fontenot, and Walter Vance aided in this assignment. In addition, Jessica Botsford assisted in the legal analysis, and Rachael Valliere assisted in the message and report development.

Related GAO Products

Lessons Learned for Protecting and Educating Children after the Gulf Coast Hurricanes. GAO-06-680R. Washington, D.C.: May 11, 2006.

Hurricane Katrina: Planning for and Management of Federal Disaster Recovery Contracts. GAO-06-622T. Washington, D.C.: April 10, 2006.

Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO-06-460. Washington, D.C.: April 6, 2006.

Hurricane Katrina: Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO-06-600T. Washington, D.C.: April 6, 2006.

Hurricane Katrina: Status of the Health Care System in New Orleans and Difficult Decisions Related to Efforts to Rebuild It Approximately 6 Months after Hurricane Katrina. GAO-06-576R. Washington, D.C.: March 28, 2006.

Agency Management of Contractors Responding to Hurricanes Katrina and Rita. GAO-06-461R. Washington, D.C.: March 15, 2006.

Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery. GAO-06-442T. Washington, D.C.: March 8, 2006.

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Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse. GAO-06-403T. Washington, D.C.: February 13, 2006.

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Statement by Comptroller General David M. Walker on GAO's Preliminary Observations Regarding Preparedness and Response to Hurricanes Katrina and Rita. GAO-06-365R. Washington, D.C.: February 1, 2006.

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Tax Administration: IRS Improved Some Filing Season Services, but Long-term Goals Would Help Manage Strategic Trade-offs. GAO-06-51. Washington, D.C.: November 14, 2005.

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Tax-Exempt Organizations: Improvements Possible in Public, IRS, and State Oversight of Charities. GAO-02-526. Washington, D.C.: April 30, 2002.

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Appendix C

United States Government Accountability Office

GAO

Report to Congressional Committees

June 2006

EXPEDITED ASSISTANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse



GAO-06-655

June 2006

EXPEDITED ASSITANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-655, a report to congressional committees

Why GAO Did This Study

In the wake of Hurricanes Katrina and Rita, the Federal Emergency Management Agency (FEMA) faced the challenge of providing assistance quickly while having sufficient controls to provide assurance that benefits were paid only to those eligible under the Individuals and Households Program (IHP). On February 13, 2006, GAO testified on the initial results of its ongoing work related to whether (1) controls are in place and operating effectively to limit assistance to qualified applicants, (2) indications exist of fraud and abuse in the application for and receipt of assistance payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate payments and improper usage.

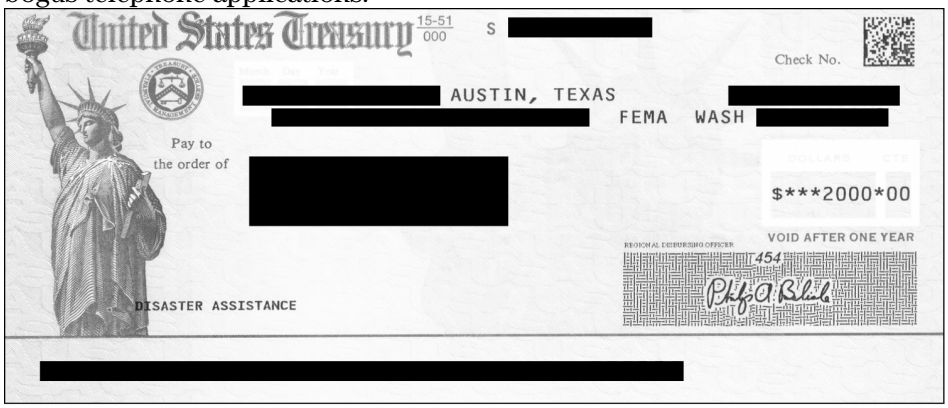
What GAO Recommends

GAO recommends that the Department of Homeland Security direct FEMA to take six actions, including establishing both an identity and address verification process, entering into agreements with other agencies to authenticate information on IHP registrations, establishing procedures to collect duplicate payments, and providing assurance that future distribution of debit cards includes instructions on the proper use of IHP funds. DHS and FEMA concurred fully with four of the six recommendations, and partially concurred with the remaining two. In addition, FEMA reported that it has instituted corrective actions to remedy the weaknesses we identified.
www.gao.gov/cgi-bin/getrpt?GAO-06-655.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at 202-512-7455 or kutzg@gao.gov.

What GAO Found

GAO identified significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse of expedited assistance (EA) payments. For Internet applications, limited automated controls were in place to verify a registrant's identity. However, there was no independent verification of the identity of those who applied for disaster assistance via the telephone. GAO demonstrated the vulnerability inherent in the call-in applications by using falsified identities, bogus addresses, and fabricated disaster stories to register for IHP. Below is a copy of one of the $2,000 checks that GAO received in response to its bogus telephone applications.



Source: GAO.

FEMA's automated system frequently identified potentially fraudulent registrations, such as multiple registrations with identical social security numbers (SSN) but different addresses. However, the manual process used to review these flagged applications did not prevent EA and other payments from being issued. Other control weaknesses include the lack of any validation of damaged property addresses for both Internet and telephone registrations.

Given these weak or nonexistent controls, it is not surprising that GAO's data mining and investigations showed substantial potential for fraud and abuse of EA. Thousands of registrants misused IHP by applying for assistance using SSNs that were never issued or belonged to deceased or other individuals. GAO's case study investigations of several hundred registrations also indicate the use of bogus damaged property addresses. Visits to over 200 of these damaged properties in Texas and Louisiana showed that at least 80 of these addresses were bogus—including vacant lots and nonexistent apartments. FEMA also made duplicate EA payments to about 5,000 of the nearly 11,000 debit card recipients—once through the distribution of debit cards and again by check or electronic funds transfer. In addition, while debit cards were used predominantly to obtain cash, food, clothing, and personal necessities, a small number were used for adult entertainment, bail bond services, and weapons purchase, which do not appear to be items or services required to satisfy disaster-related needs.

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United States Government Accountability Office
Washington, D.C. 20548

June 16, 2006

Congressional Committees

On February 13, 2006, we testified before the Senate Committee on Homeland Security and Governmental Affairs on the initial results of our ongoing forensic audits and related investigations of assistance provided by the Federal Emergency Management Agency (FEMA) to individuals and households affected by Hurricanes Katrina and Rita.[1] The Individuals and Households Program (IHP), a major component of the federal disaster response efforts established under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),[2] is designed to provide financial assistance to individuals and households who, as a direct result of a major disaster, have necessary expenses and serious needs that cannot be met through other means. In the wake of Hurricanes Katrina and Rita, FEMA provided $2,000 in IHP payments to affected households via its Expedited Assistance (EA) program. Victims who received EA may qualify for up to $26,200 in IHP assistance. As of mid-December 2005, IHP payments totaled about $5.4 billion, with $2.3 billion provided in the form of EA. These payments were made via checks, electronic fund transfers, and a small number of debit cards. Our initial work focused on whether (1) controls are in place and operating effectively so that expedited assistance payments are only made to qualified registrants, (2) indications exist of fraud and abuse in the registration for and receipt of expedited assistance and other payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate payments and improper usage. This report summarizes our testimony, which is reprinted in Appendix I, and makes specific recommendations for corrective actions. These recommendations relate only to the limited scope of work completed for our testimony and will therefore not prevent all improper and fraudulent IHP payments. In the future, we will continue to audit and investigate the assistance provided by FEMA in the aftermath of hurricanes Katrina and Rita, and we will issue further recommendations designed to create a more comprehensive fraud prevention program for IHP.

[1]GAO, *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, GAO-06-403T (Washington, D.C.: Feb. 13, 2006).

[2]42 U.S.C. §§ 5121-5206.

Overview of Testimony

In our testimony, we stated that weaknesses in the process that FEMA used to review registrations for disaster relief and approve assistance payments left the government vulnerable to fraud and abuse. Our work indicated that FEMA put in place limited procedures designed to prevent, detect, and deter certain types of duplicate and potentially fraudulent disaster registrations. Specifically, individuals could apply for disaster assistance via the Internet or telephone. FEMA subjected the Internet registrations to a limited verification process whereby a FEMA contractor used credit and other information to validate the identity of registrants. Those who failed the Internet verification process were advised to contact FEMA via telephone to reregister. However, FEMA did not apply the identity validation process to telephone registrations. Of the more than 2.5 million registrations recorded in FEMA's database as of mid-December 2005, 60 percent (more than 1.5 million) were exempt from any identity verification because they were submitted via the telephone. Our data mining and investigations confirmed FEMA's representation. For example, using falsified identities, bogus addresses, and fabricated disaster stories, we applied for disaster assistance over the telephone and obtained $2,000 expedited assistance payments.

Other control weaknesses further increased the government's exposure to fraud and abuse. For example, we found that FEMA instituted automated checks that flagged hundreds of thousands of potentially duplicate registrations in the computer system FEMA used to process and approve IHP registrations for payments. FEMA officials informed us that these flagged registrations were subjected to additional reviews to conclude whether they were, in fact, duplicates. However, while the additional review process may have prevented some potentially fraudulent and improper payments, it did not prevent other potentially fraudulent and improper payments based on duplicate registrations. We also found that FEMA did not implement procedures to validate whether damaged addresses used to register for assistance were bogus, for either Internet or telephone registrations.

With limited or nonexistent validation of registrants' identities and damaged addresses, it is not surprising that our data mining and investigations found substantial indicators of potential fraud and abuse related to false or duplicate information submitted on disaster registrations. For example, according to Social Security Administration (SSA) data, FEMA made millions of dollars in payments to thousands of registrants who submitted Social Security Numbers (SSN) that have not

been issued or belonged to deceased individuals. Our data mining also detected that FEMA made tens of thousands of payments to registrants who provided other false or duplicate information on their registrations. Specifically, we investigated 20 case studies with multiple registrations.[3] A majority of these registrations—165 of 248—contained SSNs that, according to the SSA, were never issued, belonged to deceased individuals, or did not match the name provided. In addition, about 80 of the over 200 alleged disaster addresses that we attempted to validate were bogus addresses. Also, our case study registrants did not live in many of the remaining valid addresses. In one specific case example, 17 individuals, some of whom shared the same last name and current addresses, used 34 different SSNs that did not belong to them and addresses that were either bogus or were not their residences to receive more than $103,000 in FEMA payments. In addition, because the hurricanes had destroyed many homes, we could not determine if approximately 15 of the alleged disaster addresses had ever existed.

Similar to the control weaknesses over expedited assistance payments distributed through checks and electronic funds transfers, we found that FEMA did not validate the identities of debit card recipients at three relief centers in Texas who registered via the telephone. Consequently, FEMA issued $2,000 debit cards to over 60 registrants who provided SSNs that were never issued or belonged to deceased individuals. We also found that FEMA made multiple expedited assistance payments to over 5,000 of the 11,000 debit card recipients. That is, FEMA provided the registrant both a $2,000 debit card and a $2,000 check or electronic fund transfer. Further, at the time of debit card issuance, unlike the recipients who received expedited assistance payments via checks or EFTs, FEMA did not issue specific instructions to debit card recipients on the use of the cards. We found that debit cards were used predominantly to obtain cash and thus are unable to determine how the money was actually used. The majority of the remaining debit card purchases were for food, clothing, and personal necessities. However, in isolated instances, a few debit cards were used to pay for items or services that, on their face, do not seem essential to satisfy disaster related needs. For example, these debit cards were used in part to

[3]We used various indicators such as identical names, SSNs, damaged addresses, and current addresses to link multiple registrations together in the 20 case studies.

purchase adult entertainment, a .45 caliber hand gun, jewelry, bail bond services, and to pay for prior traffic violations.[4]

Conclusions

FEMA has a substantial challenge in balancing the need to get money out quickly to those who are actually in need and sustaining public confidence in disaster programs by taking all possible steps to minimize fraud and abuse. Nevertheless, FEMA could reasonably be expected to have mature, fully tested processes, along with business partners in the federal, state, and private sector, that can provide it with real time access to the data required to validate identities and addresses for those seeking disaster assistance. Once fraudulent registrations are made and money is disbursed, detecting and pursuing those who committed fraud in a comprehensive manner is costly and may not result in recoveries. Further, many of those fraudulently registered in the FEMA system already received expedited assistance and will likely receive more money, as each registrant can receive as much as $26,200 per registration.

Another key element to preventing fraud in the future is to ensure there are consequences for those that commit fraud. We are referring the fraud cases that we are investigating to the Katrina Fraud Task Force for further investigation and, where appropriate, prosecution. We believe that prosecution of individuals who have obtained disaster relief payments through fraudulent means will send a message for future disasters that there are consequences for defrauding the government.

Recommendations for Executive Action

We recommend that the Secretary of the Department of Homeland Security (DHS) direct the Director of the Federal Emergency Management Agency to take six actions to address the weaknesses we identified in the administration of IHP. These six recommendations relate only to the limited scope of work that we have completed to date and will not prevent all types of improper and fraudulent IHP payments. Consequently, we will continue to audit and investigate the assistance provided by FEMA in the aftermath of hurricanes Katrina and Rita and we will issue further recommendations designed to create a more comprehensive fraud

[4]Under the Act's implementing regulations, FEMA may recover funds that it determines were provided erroneously, that were spent inappropriately, or were obtained through fraudulent means. 44 C.F.R. § 206.116 (b).

prevention program for IHP. To address the concerns raised in our February 13, 2006, testimony, we recommend that DHS and FEMA do the following:

- Establish an identity verification process for Individuals and Households Program (IHP) registrants applying via both the Internet and telephone, to provide reasonable assurance that disaster assistance payments are made only to qualified individuals. Within this process
  - establish detailed criteria for registration and provide clear instructions to registrants on the identification information required,
  - create a field within the registration that asks registrants to provide their name exactly as it appears on their Social Security Card in order to prevent name and Social Security Number (SSN) mismatches,
  - fully field test the identity verification process prior to implementation,
  - ensure that call center employees give real-time feedback to registrants on whether their identities have been validated, and
  - establish a process that uses alternative means of identity verification to expeditiously handle legitimate applicants that are rejected by identity verification controls.
- Develop procedures to improve the existing review process of duplicate registrations containing the exact same SSN and to identify the reasons why registrations flagged as invalid or as potential duplicates have been overridden and approved for payment.
- Establish an address verification process for IHP registrants applying via both the Internet and telephone, to provide reasonable assurance that disaster assistance payments are made only to qualified individuals. Within this process
  - create a uniform method to input street names and numbers and apartment numbers into the registration,
  - institute procedures to check IHP registration damaged addresses against publicly available address databases so that payments are not made based on bogus property addresses,

- fully field test the address verification process prior to implementation,
- ensure that call center employees can give real time feedback to registrants on whether addresses have been validated, and
- establish a process that uses alternative means of address verification to expeditiously handle legitimate applicants that are rejected by address verification controls.

- Explore entering into an agreement with other agencies, such as the Social Security Administration, to periodically authenticate information contained in IHP registrations.
- Establish procedures to collect duplicate expedited assistance payments or to offset these amounts against future payments. Such duplicate payments include
  - the payments made to IHP recipients who improperly received the $2,000 debit cards and an additional $2,000 EA check or Electronic Funds Transfer (EFT) and
  - the thousands of duplicate EA payments made to the same IHP registration number.
- Ensure that any future distribution of IHP debit cards includes instructions on the proper use of IHP funds, similar to those instructions provided to IHP check and EFT recipients, to prevent improper usage.

Agency Comments and Our Evaluation

In written comments on a draft of this report, which are reprinted in appendix II, DHS and FEMA made a number of observations that were not related to any specific recommendation, concurred fully with four of our six recommendations, and partially concurred with the remaining two recommendations. In general comments, FEMA and DHS stated that they could benefit more from the report if information sharing between GAO and FEMA had been reciprocal. We believe that we employed such an arrangement throughout this engagement. We regularly briefed DHS and FEMA concerning the progress of the audit. For example, we notified FEMA management immediately after we detected that duplicate EA payments were made to individuals who had received debit cards, and worked closely with FEMA's Disaster Finance Center to resolve other

issues related to payments that appeared to exceed the $26,200 limit for specific recipients.

DHS and FEMA also expressed concern over the objectivity and fairness of our report. Specifically, DHS and FEMA noted that our selection of 248 registrations was not a representative sample and was geared specifically toward identifying and reporting on registrations that had problems. Our testimony clearly states that the case studies we used were intended to demonstrate the type of fraud and abuse that occurred because of weak or nonexistent controls over the registration process and did not represent a statistical sample of registrations. The primary findings of our work relate to weak or nonexistent controls that leave the government vulnerable to substantial fraud and abuse in the IHP. Furthermore, as represented at the February 13, 2006, hearing, we are continuing our work in this area. Specifically, we have taken a statistical sample of IHP payments so that we can statistically estimate the magnitude of improper and potentially fraudulent claims. We have nearly completed this work and plan to report our findings later this month.

FEMA and DHS also found problems with our assertion that EA payments were the gateway to future IHP payments. Specifically, FEMA and DHS noted that future IHP payments are subjected to additional scrutiny. We did not test this additional scrutiny as part of our February 13, 2006, testimony. However, we continue to believe that accepting registrations for individuals using invalid identity and damaged property information subjects the federal government to a high risk of fraud and abuse beyond EA payments. We believe that our ongoing audit and investigative work sheds further light on whether the additional scrutiny that FEMA asserts does in fact prevent fraudulent and improper payments related to rental assistance and other covered losses.

FEMA and DHS further noted that we made several references to isolated incidents where debit cards were used for purchases that did not appear to be for disaster needs, and FEMA questioned whether highlighting those examples was appropriate. We specifically noted in each reference to these purchases that they were isolated and were not representative of the general breakdown of known debit card usage. We also clearly stated that over 60 percent of debit card transactions were used to obtain cash and could not be tracked further to identify the final use of the IHP funds. We identified the non-disaster-related purchases to highlight the fact that FEMA did not provide any instruction to debit card recipients on the appropriate use of IHP funds.

With regard to specific recommendations, FEMA and DHS concurred fully that FEMA (1) improve procedures to review registrations containing the same SSNs and other duplicate information; (2) subject all registration addresses to verification during the registration process; (3) explore entering into agreements with other agencies, such as the Social Security Administration, to periodically authenticate IHP information; and (4) issue proper instructions to any future debit card recipients. FEMA and DHS stated that they have already taken actions to address these recommendations. These actions include instituting an Internet application process that will prevent all duplicate registrations from the Internet, implementing procedures so that call centers will no longer accept duplicate registrations with the same SSN in the same disaster, and conducting conference calls and conducting data sharing tests with SSA. In addition, DHS and FEMA stated that, starting in June 2006, all registration addresses (even phone-in) will be subjected to an online verification during the registration process. While these are steps in the right direction, we will follow up on whether the actions taken fully address our recommendations.

FEMA and DHS partially concurred with our recommendation concerning duplicate payments. FEMA and DHS took exception with our categorization of some payments as being potential duplicates, and with our assessment that they should initiate actions to collect duplicate EA payments or offset these amounts in the future, stating that it was unclear whether some of the of the payments were in fact valid due to the "separated households" policy instituted for hurricanes Katrina and Rita. With respect to duplicate registrations, we maintain that these registrations are very likely duplicates because the payments were made to several individuals with the same last names, same damaged addresses, and the same current addresses; FEMA's own database clearly indicates that these were not separated households. For all our case study examples, we conducted further investigative work to confirm that the payments were made to actual duplicates, not covered by the separated household policy, and were therefore improper payments.

As for initiating actions to collect duplicate payments, DHS and FEMA stated that they had processed for recoupment nearly all the payments they believed were duplicates as of April 1, 2006. While we have not assessed the effectiveness of FEMA's recoupment process, we continue to believe that FEMA should attempt to recoup as many dollars of improper payments as possible, including those duplicate payments that we identified that FEMA questioned.

FEMA also stated that many of what we identified as duplicate payments effectively will be offset because the registrant will ultimately be eligible for more than the amount of the duplicate payments, up to a maximum of $26,200 that a single household can receive. We believe that FEMA's position is shortsighted because it does not reflect the likelihood that some individuals are not entitled to, and will not receive, additional funds regardless of the cap limitations. Thus, FEMA should not use $26,200 as the aggregate dollar test. Rather, FEMA should follow its own policy of limiting EA to $2,000; adhere to the statutory caps that are allowed for specific categories of aid; and promptly recover the amounts that exceed the category limits. Therefore, we continue to believe that FEMA should review all the registrations we identified as potential duplicates to access whether collection is necessary.

We also disagree with FEMA's statement that its "management was keenly aware" that a recipient could receive more than one EA payment, and that it knowingly issued these duplicate payments partly because individuals in shelters did not have access to their banking institution (and thus their EA payments) and therefore were in need of immediate assistance in the form of debit cards. While we recognize that providing individuals access to immediate funds was a priority following the hurricanes, FEMA's data and its representations made to us months ago do not support its claim that it knowingly made those payments. For example, when we questioned the official responsible for managing FEMA's national disaster assistance processing center about the more than duplicate 5,000 EA payments to individuals who had already received debit cards, he told us that he was unaware of the magnitude of the duplicate payments. After researching the issue, he informed us that the duplicate payments in question were made as a result of a "system glitch" and not as a result of a deliberate action on the part of FEMA management. In addition, the more than 5,000 duplicate payments in question were all made within the span of several hours roughly a week after FEMA completed issuing all the debit cards. An analysis of the more than 5,000 duplicate payments indicates that there was no apparent reason why only about half of the roughly 10,000 debit card recipients received the duplicate payments. Using FEMA's rationale, all 10,000 registrants who received a debit card should have received a duplicate EA payment.

FEMA and DHS partially concurred with our recommendation to establish identity verification processes for IHP registrants applying via the phone and Internet. FEMA and DHS stated that they had implemented identity proofing on call center applications. As noted in our report, FEMA

instituted identity proofing for Internet registrants at the time of the two hurricanes, and FEMA and DHS response to our report indicates that FEMA instituted identity proofing for call center registrants. In future work, we will follow up on whether these actions fully address our recommendations. FEMA and DHS additionally commented that they did not see the necessity of requiring registrants to also provide their name exactly as it appears on their Social Security Card, noting that their data contractor is able to use logic to find aliases and nicknames. While we do not object to FEMA collecting the nicknames or aliases of registrants applying for disaster assistance, we continue to believe that registrants should be instructed to provide their name as it appears on their Social Security Card to prevent name and social security mismatches. Instructing registrants to provide the name that appears on their Social Security Card can only help—not hinder—the registrant verification process.

FEMA and DHS's responses indicate that they are attempting to address some of the systemic problems we identified in the IHP program. Going forward it will be important for FEMA to establish effective controls to prevent fraudulent and improper payments before they occur, because fraud prevention is a far more effective control than detecting improper and potentially fraudulent payments after they are made. Our experience with organizations that rely on a process that attempts to detect improper and potentially fraudulent payments after they are made is that the organization recovers only a fraction of the payments that should not have been made.

We are sending copies of this report to the Secretary of the Department of Homeland Security, and the Director of Federal Emergency Management Agency. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov. Please contact me at (202) 512-7455 or kutzg@gao.gov if you or your staffs have any questions concerning this report. Contact

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Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

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Testimony on FEMA's Control Weaknesses over Expedited Assistance for Victims of Hurricanes Katrina and Rita

United States Government Accountability Office

GAO

Testimony

Before the Senate Committee on Homeland Security and Governmental Affairs

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EXPEDITED ASSISTANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse

Statement of Gregory D. Kutz, Managing Director
Forensic Audits and Special Investigations



GAO-06-403T

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Highlights

Highlights of GAO-06-403T, a testimony before the Senate Committee on Homeland Security and Governmental Affairs

Why GAO Did This Study

As a result of widespread congressional and public interest in the federal response to hurricanes Katrina and Rita, GAO conducted an audit of the Individuals and Households Program (IHP) under Comptroller General of the United States statutory authority.

Hurricanes Katrina and Rita destroyed homes and displaced millions of individuals. In the wake of these natural disasters, FEMA faced the challenge of providing assistance quickly and with minimal "red tape," while having sufficient controls to provide assurance that benefits were paid only to eligible individuals and households. In response to this challenge, FEMA provided $2,000 in IHP payments to affected households via its Expedited Assistance (EA) program. Victims who received EA may qualify for up to $26,200 in IHP assistance. As of mid-December 2005, IHP payments totaled about $5.4 billion, with $2.3 billion provided in the form of EA. These payments were made via checks, electronic fund transfers, and a small number of debit cards.

GAO's testimony will provide the results to date related to whether (1) controls are in place and operating effectively to limit EA to qualified applicants, (2) indications exist of fraud and abuse in the application for and receipt of EA and other payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate EA payments and improper usage.

www.gao.gov/cgi-bin/getrpt?GAO-06-403T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

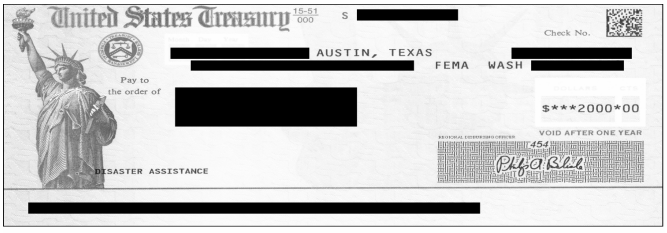
February 2006

EXPEDITED ASSISTANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse

What GAO Found

We identified significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse of EA payments. For Internet applications, limited automated controls were in place to verify a registrant's identity. However, we found no independent verification of the identity of registrants who registered for disaster assistance over the telephone. To demonstrate the vulnerability inherent in the call-in applications, we used falsified identities, bogus addresses, and fabricated disaster stories to register for IHP. Below is a copy of one of the $2,000 checks that we received to date for our bogus telephone applications.



Source: GAO.

We also found that FEMA's automated system frequently identified potentially fraudulent registrations, such as multiple registrations with identical social security numbers (SSN) but different addresses. However, the manual process used to review these registrations did not prevent EA and other payments from being issued. Other control weaknesses include the lack of any validation of damaged property addresses for both Internet and telephone registrations.

Given the weak or non existent controls, it is not surprising that our data mining and investigations to date show the potential for substantial fraud and abuse of EA. Thousands of registrants misused SSNs, i.e., used SSNs that were never issued or belonged to deceased or other individuals. Our case study investigations of several hundred registrations also indicate significant misuse of SSNs and the use of bogus damaged property addresses. For example, our visits to over 200 of the case study damaged properties in Texas and Louisiana showed that at least 80 of these properties were bogus—including vacant lots and nonexistent apartments.

We found that FEMA also made duplicate EA payments to about 5,000 of the nearly 11,000 debit card recipients—once through the distribution of debit cards and again by check or electronic funds transfer. We found that while debit cards were used predominantly to obtain cash, food, clothing, and personal necessities, a small number were used for adult entertainment, bail bond services and weapons purchase, which do not appear to be items or services that are essential to satisfy disaster related essential needs.

United States Government Accountability Office

Chairman and Members of the Committee:

Thank you for the opportunity to discuss our ongoing forensic audit and related investigations of assistance provided to individuals and households related to hurricanes Katrina and Rita. The Individuals and Households Program (IHP), a major component of the federal disaster response efforts established under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),[1] is designed to provide financial assistance to individuals and households who, as a direct result of a major disaster, have necessary expenses and serious needs that cannot be met through other means. As of mid-December 2005, the Federal Emergency Management Agency (FEMA) had distributed nearly $5.4 billion in IHP assistance on more than 1.4 million registrations. Hurricanes Katrina and Rita destroyed homes and displaced individuals across the gulf coast region. In the wake of these massive natural disasters, FEMA faced the formidable challenge of providing at least some initial assistance to over a million registrants quickly with minimal "red tape," while having sufficient controls in place to provide assurance that benefits were paid only to eligible individuals and households.

Disaster relief covered by IHP includes temporary housing assistance, real and personal property repair and replacement, and other necessary expenses related to a disaster. IHP assistance is generally delivered after an inspection has been conducted to verify the extent of loss and determine eligibility. Because of the tremendous devastation caused by hurricanes Katrina and Rita, FEMA activated expedited assistance to provide fast track money[2]—in the form of $2,000 in expedited assistance payments—to eligible disaster victims to help with immediate, emergency needs of food, shelter, clothing, and personal necessities. This swift response was vital in helping victims of hurricanes Katrina and Rita. FEMA specified that expedited assistance payments were to be provided only to individuals and households who, as a result of hurricanes Katrina and Rita, were displaced from their predisaster primary residences and

[1]Pub. L. 93-288, 88 Stat. 143 (1974) (amended 2000).

[2]The expedited assistance process is not specifically authorized in the Stafford Act. However, FEMA previously has asserted, and we have agreed, that it has legal authority under the act to implement expedited, or fast track, procedures. *Disaster Assistance: Guidance Needed for FEMA's "Fast Track" Housing Assistance Process*, GAO-RCED-98-1 (Washington, D.C.: Oct. 1997).

were in need of shelter. Typically a household[3] can only receive one expedited assistance payment. Exceptions are made in situations where household members are displaced to separate locations, in which case more than one member of the household may be eligible for payments. FEMA provided expedited assistance payments related to hurricanes Katrina and Rita predominantly through electronic funds transfer (EFT) and checks sent to the registrants' current addresses.[4] In addition, FEMA provided a limited amount of expedited assistance via debit cards[5] distributed at three locations in Texas.

As of mid-December 2005, FEMA data showed that the agency had delivered 44 percent ($2.3 billion) of the $5.4 billion in IHP aid through expedited assistance to hurricanes Katrina and Rita registrants across at least 175 counties in 4 different states. Almost $1.6 billion went to individuals with damaged addresses in Louisiana, more than $400 million to individuals in Texas, and over $300 million to individuals in Alabama and Mississippi. Registrants determined to be eligible for expedited assistance may also be eligible to receive additional IHP payments up to the overall IHP cap of $26,200.

Our current audit and investigation is being performed under the statutory authority given to the Comptroller General of the United States. Our audit and investigation is conducted under the premise that while the federal government needs to provide swift and compassionate assistance to the victims of natural disasters, public confidence in an effective disaster relief program that takes all possible steps to minimize fraud, waste, and abuse needs to be preserved. Today, we will summarize the results from our ongoing forensic audit and related investigations of the IHP program.[6]

[3]The Act's implementing regulations define a household as all persons (including adults and children) who lived in the predisaster residence, as well as any other persons not present at the time but who are expected to return during the assistance period. 44 C.F.R. § 206.111.

[4]Current address refers to the address at which the disaster victim is currently residing. Damaged addresses are the addresses which were affected by the hurricanes.

[5]The debit card program is a pilot program implemented primarily to provide expedited assistance to individuals and households housed at three Texas shelters. The debit cards, which resemble credit cards and bear the MasterCard logo, can be used at ATMs and at any commercial outlet that accepts MasterCard.

[6]We are also releasing today the results of our limited investigation into allegations that Military Meals, Ready-To-Eat rations intended for use in the hurricane relief efforts were instead sold to the public on the Internet auction site eBay. See GAO, *Investigation: Military Meals, Ready-To-Eat Sold on eBay*, GAO-06-410R (Washington, D.C.: Feb. 13, 2006).

This testimony will provide the results of our work related to whether (1) controls are in place and operating effectively to limit expedited assistance to qualified registrants, (2) indications exist of fraud and abuse in the registration for and receipt of expedited assistance and other payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate payments and improper usage. We plan to issue a detailed report with recommendations on the results of our audit.

Thus far, our work has focused primarily on the IHP registration process because individuals whose registrations are approved have access to expedited assistance payments and subsequently the full range of IHP benefits. To assess the design of controls, we performed walkthroughs of FEMA's processes for accepting registrations and awarding expedited assistance funds. To determine whether indications existed of fraud and abuse in expedited assistance and other disbursements, we provided FEMA data to the Social Security Administration (SSA) to verify against their records of valid social security numbers (SSNs), and reviewed the FEMA database of IHP registrations for other anomalies using data mining techniques. To determine whether registrations resulted in potentially fraudulent or improper payments, we selected a nonrepresentative selection of 248 registrations from our data mining results for further investigations. The 248 registrations represented 20 case studies—some involving multiple registrants—that we linked together through identical names, SSNs, damaged addresses and/or current addresses. Our analysis of potentially fraudulent use of SSNs and other data mining efforts are ongoing, and we plan to report on additional results in the future. For purposes of this testimony, we did not conduct sufficient work to project the magnitude of potentially fraudulent and improper IHP payments. We also proactively tested the adequacy of controls over the registration process for disaster assistance by submitting claims for relief using falsified identities, bogus addresses, and fabricated disaster stories. These tests were performed before FEMA provided us any information related to the processes used to screen IHP registrations and preclude some fraudulent registrations. Additional details on our scope and methodologies are included in appendix I.

In the course of our work, we made numerous written requests for key documents and sets of data related to the IHP, most dating back to October 2005. While FEMA officials promptly satisfied one key part of our request—databases of IHP registrants and payments—the majority of what

we requested has not been provided. On January 18, 2006, the Department of Homeland Security (DHS)[7] Office of General Counsel did provide us with well less than half of the documents that were requested. While the database and other data provided by FEMA enabled us to design procedures to test the effectiveness of FEMA's system of internal controls, it did not enable us to fully determine the root causes of weak or non-existent controls and formulate detailed recommendations. For example, as will be discussed later, FEMA and the DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments.

We conducted our audit and investigations from October 2005 through January 2006. Except for restrictions discussed previously related to the limitations that DHS placed on the scope on our audit work, we conducted our audit work in accordance with generally accepted government auditing standards and conducted investigative work in accordance with the standards prescribed by the President's Council on Integrity and Efficiency. Our findings today focus primarily on the results to date from of our data mining and investigative techniques.

Summary

We found weaknesses in the process that FEMA used to review registrations for disaster relief and approve assistance payments. These weaknesses leave the government vulnerable to fraud and abuse. Our work indicates that FEMA put in place limited procedures designed to prevent, detect, and deter certain types of duplicate and potentially fraudulent disaster registrations. However, FEMA did not apply these limited procedures to most registrations, thus leaving a substantial number of registrations without any protection against fraud and abuse. Specifically, individuals could apply for disaster assistance via the Internet or telephone. FEMA subjected Internet registrations to a limited verification process whereby a FEMA contractor used credit and other information to validate the identity of registrants. Those who failed the Internet verification process were advised to contact FEMA via telephone to reregister. However, FEMA did not apply the identity validation process

[7]In 2002, FEMA became part of the Department of Homeland Security (DHS). DHS officials required GAO to submit written requests for all documentation to DHS Office of General Counsel.

to any of the 1.5 million registrants who contacted FEMA and applied for assistance over the telephone. Our data mining and investigations confirmed FEMA's representation. For example, using falsified identities, bogus addresses, and fabricated disaster stories, we applied for disaster assistance over the telephone and obtained $2,000 expedited assistance payments.

Other control weaknesses further increased the government's exposure to fraud and abuse. We found that FEMA instituted automated checks that flagged hundreds of thousands of potentially duplicate registrations in the computer system FEMA used to process and approve IHP registrations for payments. FEMA officials informed us that these flagged registrations were subjected to additional reviews to conclude whether they were, in fact, duplicates. However, while the additional review process may have prevented many potentially fraudulent and improper payments, it did not prevent what appear to be other potentially fraudulent and improper payments based on duplicate registrations. We also found that FEMA did not implement procedures to validate whether damaged addresses used to register for assistance were bogus, for either Internet or telephone registrations.

With limited or nonexistent validation of registrants' identities and damaged addresses, it is not surprising that our data mining and investigations found substantial indicators of potential fraud and abuse related to false or duplicate information submitted on disaster registrations. For example, according to SSA data, FEMA made millions of dollars in payments to thousands of registrants who submitted SSNs that have not been issued or belonged to deceased individuals. Our data mining also detected that FEMA made tens of thousands of payments to registrants who provided other false or duplicate information on their registrations. Specifically, in the 20 case studies we investigated, a majority—165 of 248—of registrations contained SSNs that according to the SSA were never issued, belonged to deceased individuals, or did not match the name provided. In addition, about 80 of the over 200 alleged disaster addresses that we attempted to validate were bogus addresses. Also, our case study registrants did not live in many of the remaining valid addresses. In one specific case example, 17 individuals, some of whom shared the same last name and current addresses, used 34 different SSNs that did not belong to them and addresses that were bogus or not their residences to receive more than $103,000 in FEMA payments. In addition, because the hurricanes had destroyed many homes, we could not determine if approximately 15 of the alleged disaster addresses had ever existed.

Similar to the control weaknesses over expedited assistance payments distributed through checks and electronic funds transfers, we found that FEMA did not validate the identities of debit card recipients at three relief centers in Texas who registered via the telephone. Consequently, FEMA issued $2,000 debit cards to over 60 registrants who provided SSNs that were never issued or belonged to deceased individuals. We also found that FEMA made multiple expedited assistance payments to over 5,000 of the 11,000 debit card recipients. That is, FEMA provided the registrant both a $2,000 debit card and a $2,000 check or electronic fund transfer. Further, at the time of debit card issuance, unlike the recipients who received expedited assistance payments via checks or EFTs, FEMA did not issue specific instructions to debit card recipients on the use of the cards. We found that debit cards were used predominantly to obtain cash and thus are unable to determine how the money was actually used. The majority of the remaining debit card purchases were for food, clothing, and personal necessities. However, in isolated instances, a few debit cards were used for to pay for items or services that, on their face, do not seem essential to satisfy disaster related needs. For example, these debit cards were used in part to purchase adult entertainment, a .45 caliber hand gun, jewelry, bail bond services, and to pay for prior traffic violations.[8]

FEMA's Controls to Prevent Potentially Fraudulent Payments Were Not Effective

We found weak or nonexistent controls in the process that FEMA used to review disaster registrations and approve assistance payments that leave the federal government vulnerable to fraud and abuse. In the critical aftermath of hurricanes Katrina and Rita, FEMA moved swiftly to distribute expedited assistance payments to allow disaster victims to mitigate and overcome the effects of the disasters. In this context, the establishment of an effective control environment was a significant challenge. Specifically, we found that FEMA had implemented some controls prior to the disaster to provide automated validation of the identity of registrants who applied for assistance via the Internet. Our work thus far indicates that this resulted in FEMA rejecting some registrants who provided names and SSNs that did not pass the validation test. However, FEMA did not implement the same preventive controls for those who applied via the telephone. Our use of fictitious names, bogus addresses, and fabricated disaster stories to obtain expedited assistance

[8]Under the Act's implementing regulations, FEMA may recover funds that it determines were provided erroneously, that were spent inappropriately, or were obtained through fraudulent means. 44 C.F.R. § 206.116 (b)

payments from FEMA demonstrated the ease with which expedited assistance could be obtained by providing false information over the telephone. Because expedited assistance is a gateway to further IHP payments (up to $26,200 per registration), approval for expedited assistance payments potentially exposes FEMA, and the federal government, to more fraud and abuse related to temporary housing, home repair and replacement, and other needs assistance.

Pressure to Swiftly Deliver Aid Led to Approval of Expedited Assistance Payments with Minimal Verification

During the course of our audit and investigation, FEMA officials stated that they did not verify whether registrants had insurance and whether registrants were unable to live in their home prior to approving expedited assistance payments. According to FEMA officials, the unprecedented scale of the two disasters and the need to move quickly to mitigate their impact led FEMA to implement expedited assistance. Expedited assistance differs from the traditional way of delivering disaster assistance in that it calls for FEMA to provide assistance without requiring proof of losses and verifying the extent of such losses. Consequently, FEMA implemented limited controls to verify eligibility for the initial expedited assistance payments. According to FEMA officials, these controls were restricted to determining whether the damaged residence was in the disaster area and limited validation of the identity of registrants who used the Internet. Registrants who FEMA thought met these qualifications based on their limited assessments were deemed eligible for expedited assistance.

FEMA Did Not Validate Identity of Registrants Who Applied for Assistance via Telephone

FEMA implemented different procedures when processing disaster registrations submitted via the Internet and telephone calls. Of the more than 2.5 million registrations recorded in FEMA's database, i.e., registrations that were successfully recorded—60 percent (more than 1.5 million) were exempt from any identity verification because they were submitted via the telephone. Prior to sending out expedited assistance payments, FEMA did not have procedures in place for Internet or telephone registrations that screened out registrations where the alleged damaged address was a bogus address. The lack of identity verification for telephone registrations and any address validation exposed the government to fraud and abuse of the IHP program.

For registrations taken through FEMA's Web site, registrants were required to first provide a name, SSN, and date of birth. This information was immediately provided (in electronic format) to a FEMA contractor to compare against existing publicly available records. While registrants were

waiting on the Internet, the FEMA contractor took steps to verify registrants' identities. The verification steps involved confirming that the SSN matched with a SSN in public records, that the name and SSN combination matched with an identity registered in public records, and that the SSN was not associated with a deceased individual. The FEMA contractor was responsible for blocking any registrations for which any of these three conditions was not met. Additionally, registrants who passed the first gate had to provide answers to a number of questions aimed at further corroborating the registrants' identities. Registrants who were rejected via the Internet were advised to contact FEMA via telephone. Our audit and investigative work indicated that this verification process helped deter obviously fraudulent Internet registrations using false names and SSNs. However, FEMA kept no record of the names, SSNs, and other information related to the rejected registrations, and no record of the reasons that the FEMA contractor blocked the registration from going forward. FEMA acknowledged that it was conceivable that individuals who were rejected because of false information submitted via the Internet could get expedited assistance payments by providing the same false information over the telephone.

Although the identity verification process appeared to have worked for most Internet registrations, it did not identify a small number of registrations with invalid SSNs. According to information we received from the SSA, nearly 60 Internet registrants who received FEMA payments provided SSNs that were never issued or belonged to individuals who were deceased prior to the hurricanes. Results indicate that these individuals may have passed the verification process because public records used to verify registrants' identities were flawed. For example, one credit history we obtained indicated that a registrant had established a credit history using an invalid SSN.

Unlike the Internet process, FEMA did not verify the identity of telephone registrants who accounted for over 60 percent of disaster registrations recorded in FEMA's system. For registrants who registered only via telephone, or registrants who called FEMA subsequent to being denied on the Internet, FEMA did not have controls in place to verify that the SSN had been issued, that the SSN matched with the name, that the SSN did not belong to a deceased individual, or whether the registrants had been rejected on prior Internet registrations. Because the identity of telephone registrants was not subjected to basic verification, FEMA did not have any independent assurance that registrants did not falsify information to obtain disaster assistance. According to FEMA officials, FEMA had a request in place to modify its computer system to allow for identity

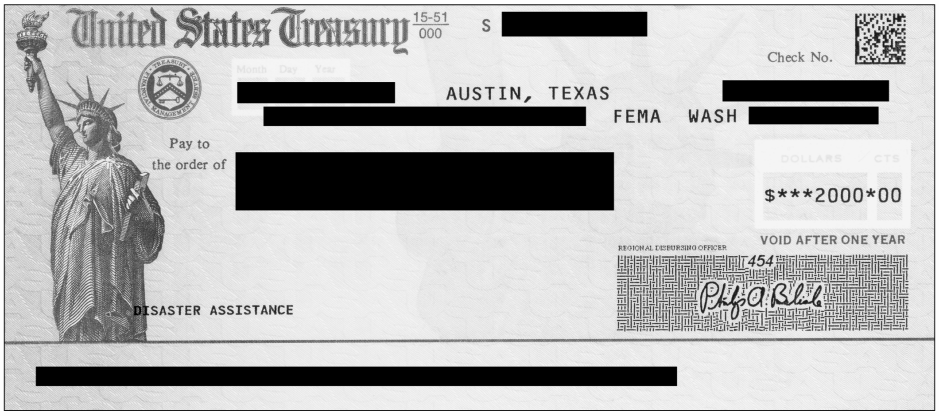
verification for telephone registrations similar to those used for the Internet. FEMA also represented to us that due to budget constraints and other considerations, the change was not implemented in time to respond to hurricanes Katrina and Rita. However, to date we have not received documentation to validate these representations.

Control Weaknesses Enabled GAO to Obtain $2,000 Expedited Assistance Checks

The lack of identity verification of phone registrants prior to disbursing funds makes FEMA vulnerable to authorizing expedited assistance payments based on fraudulent information submitted by registrants. Prior to obtaining information on the control procedures FEMA used to authorize expedited assistance payments, we tested the controls by attempting to register for disaster relief through two portals: (1) the Internet via FEMA's Web site and (2) telephone calls to FEMA. For both portals, we tested FEMA's controls by providing falsified identities and bogus addresses. In all instances, FEMA's Web site did not allow us to successfully finalize our registrations. Instead, the Web site indicated that there were problems with our registrations and advised us to contact the FEMA toll-free numbers if we thought that we were eligible for assistance. This is consistent with FEMA's representation that Internet registrations were compared against third-party information to verify identities.

Our investigative work also confirmed that the lack of similar controls over telephone registrations exposed FEMA to fraud and abuse. Specifically, in instances where we submitted via the telephone the same exact information that had been rejected on the Internet, i.e., falsified identities and bogus addresses, the information was accepted as valid. Subsequently, the claims were processed and $2,000 expedited assistance checks were issued. Figure 1 provides an example of an expedited assistance check provided to GAO.

Figure 1: $2,000 Expedited Assistance Check Provided to GAO Based on Bogus Registration



Source: GAO.

Additional case study investigations, which we discuss later, further demonstrated that individuals not affected by the disasters could easily provide false information to obtain expedited assistance and other IHP payments from FEMA. Convictions obtained by the Department of Justice also show that others have exploited these control weaknesses and received expedited assistance payments. For example, one individual in a College Station, Texas relief center pleaded guilty to false claims and mail fraud charges related to IHP and expedited assistance. Despite never having lived in any of the areas affected by the hurricane, this individual registered for and received $4,358 ($2,000 in expedited assistance and $2,358 in rental assistance) in hurricane Katrina IHP payments.

Other Control Weaknesses Exacerbated Government Exposure to Fraud and Abuse

We also found that FEMA instituted limited pre-payment checks in the National Emergency Management Information System (NEMIS) to automate the identification of duplicate registrations. However, the subsequent review process used to resolve these duplicate registrations was not effective in preventing duplicate and potentially fraudulent payments. We also found that FEMA did not implement procedures to

provide assurance that the disaster address was not a bogus address, either for Internet or telephone registrations.

FEMA's controls failed to prevent thousands of registrations with duplicate information from being processed and paid. Our work indicates that FEMA instituted limited automated checks within NEMIS to identify registrations containing duplicate information, e.g., multiple registrations with the same SSNs, duplicate damaged address telephone numbers, and duplicate bank routing numbers. Data FEMA provided enabled us to confirm that NEMIS identified nearly 900,000 registrations—out of 2.5 million total registrations—as potential duplicates. FEMA officials further represented to us that the registrations identified as duplicates by the system were "frozen" from further payments until additional reviews could be conducted. The purpose of the additional reviews was to determine whether the registrations were true duplicates, and therefore payments should continue to be denied, or whether indications existed that the registrations were not true duplicates, and therefore FEMA should make those payments. It appeared from FEMA data that the automated checks and the subsequent review process prevented hundreds of thousands of payments from being made on duplicate registrations. However, FEMA data and our case study investigations also indicate that the additional review process was not entirely effective because it allowed payments based on duplicate information.

We also found that FEMA did not implement effective controls for telephone and Internet registrations to verify that the address claimed by registrants as their damaged address existed. As will be discussed further below, many of our case studies of potential fraud show that payments were received based on claims made listing bogus damaged addresses. Our undercover work also corroborated that FEMA provided expedited assistance to registrants with bogus addresses.

Potentially Fraudulent Activities Resulting from Weak or Nonexistent FEMA IHP Controls

With limited or nonexistent validation of registrants' identities and the reported damaged addresses, it is not surprising that our data mining and investigations found substantial indicators of potential fraud and abuse related to false or duplicate information submitted on disaster registrations. Our audits and investigations of 20 cases studies comprising 248 registrations that received payments, and the undercover work we discussed earlier, clearly showed that individuals can obtain hundreds of

thousands of dollars of IHP payments based on fraudulent and duplicate information.[9] These case studies are not isolated instances of fraud and abuse. Rather, our data mining results to date indicate that they are illustrative of the wider internal control weaknesses at FEMA—control weaknesses that led to thousands of payments made to individuals who provided FEMA with incorrect information, e.g., incorrect SSNs and bogus addresses, and thousands more made to individuals who submitted multiple registrations for payments.

Case Study Examples Show That Control Weaknesses Have Been Exploited

Our audits and investigations of 20 case studies demonstrate that the weak or nonexistent controls over the registration and payment processes have opened the door to improper payments and individuals seeking to obtain IHP payments through fraudulent means. Specifically, a majority of our case study registrations—165 of 248—contained SSNs that were never issued or belonged to deceased or other individuals. About 20 of the 248 registrations we reviewed were submitted via the Internet. Further, of the over 200 alleged damaged addresses that we tried to visit, about 80 did not exist. Some were vacant lots, others turned out to be bogus apartment buildings and units. Because the hurricanes had destroyed many homes, we were unable to confirm whether about 15 additional addresses had ever existed. We also identified other fraud schemes unrelated to the weak and nonexistent validation and prepayment controls previously discussed, such as registrants who submitted registrations using valid addresses that were not their residences.

In total, the case study registrants of whom we conducted investigations have collected hundreds of thousands of dollars in payments based on potentially fraudulent activities. These payments include money for expedited assistance, rental assistance, and other IHP payments. Further, as our work progresses, we are uncovering evidence of larger schemes involving multiple registrants that are intended to defraud FEMA. We found these schemes because the registrants shared the same last names, current addresses, and/or damaged addresses—some of which we were able to confirm did not exist. While the facts surrounding the case studies provided us with indicators that potential fraud may have been perpetrated, further testing and investigations need to be conducted to determine whether these individuals were intentionally trying to defraud

[9]We used various indicators such as identical names, SSNs, damaged addresses, and current addresses to link multiple registrations together into the 20 case studies.

the government or whether the discrepancies and inaccuracies were the results of other errors. Consequently, we are conducting further investigations into these case studies. Table 1 highlights 10 of the 20 case studies we identified through data mining that we investigated. In addition, some individuals in the cases cited below submitted additional registrations but had not received payments as of mid December 2005.

Table 1: Examples of Potential Fraudulent and Duplicate Registrations That Received FEMA Payments

Case	Number of Registrations with Payments/ SSNs	Payments Received[a]	Number of Bogus Properties Used to Receive Payments[b]	Case Details
1	36/36	$103,000	At least 10	• Seventeen individuals received payments on 36 registrations using 34 SSNs that were not theirs. • Of the 17 addresses we visited, 13 were from the same apartment building, of which 6 did not exist. • 4 additional addresses were also invalid. • Payments included 31 expedited assistance payments totaling $62,000, and 18 in other payments, including rental payments.
2	15/15	$41,000	At least 8	• One individual received payments on 15 different SSNs—only one of which belonged to that person. • Investigative work also showed that 3 addresses were valid but were not addresses of the registrant. • Payments included 13 expedited assistance payments totaling $26,000 and $15,000 in other assistance, including housing. • The individual may have committed bank fraud by using an invalid SSN to open an account. • The individual had established credit using 2 SSNs that did not belong to the individual.
3	8/1	$16,000	None	• One individual received 8 expedited assistance payments using the same name, SSN, and current address. • Of the 8 addresses declared as damaged, two appeared to belong to the individual. • FEMA's automated edits identified at least 7 registrations as duplicates, nevertheless payments were issued.
4	23/23	$46,000	At least 14	• Two individuals received expedited assistance payments on 23 SSNs – 21 of which were not theirs. • Public records indicate that the individuals did not live at any of the 9 valid addresses. • Payments included 22 expedited assistance payments and 1 housing assistance payment.

Case	Number of Registrations with Payments/ SSNs	Payments Received[a]	Number of Bogus Properties Used to Receive Payments[b]	Case Details
5	38/38	$76,000	At least 10	• Six individuals received 38 payments on different SSNs—only 1 of which was traced back to them. • Payments included 37 expedited assistance payments totaling $74,000 and over $2,000 in other assistance.
6	18/18	$36,000	At least 12	• Individual received 18 expedited assistance payments using the same name and 18 different SSNs—only 1 of which belonged to the person. • Investigative work and public records also indicate that the individual had never lived at any of the 6 remaining valid addresses.
7	31/30	$92,000	At least 22	• A group of 8 individuals received payments on 31 registrations using 26 SSNs that did not belong to them. • 22 of the registrations were for addresses that did not exist. The remaining addresses were not validated. • Payments include 32 payments for expedited assistance and over $28,000 for other assistance including housing assistance.
8	6/6	$23,000	None	• Six apparent members of the same household registered 6 times using the same damaged addresses. • Five of the 6 individuals also shared the same current address. • Payments included 5 expedited assistance payments and $13,000 in other payments including housing assistance.
9	7/7	$15,000	None	• Seven apparent members of the same household received payments using the same damaged address. • One family member used a SSN that did not belong to the family member. • Six of the 7 individuals also shared the same current address. • Payments included 7 payments for expedited assistance.
10	7/7	$80,000	None	• Seven apparent members of the same household registered using the same damaged address. • Payments included 6 expedited assistance payments and $68,000 in other assistance.

Source: GAO analysis and investigation of FEMA data.

[a]Amount reflects total payments for IHP, which includes expedited assistance, temporary housing assistance, payments for repair and replacement of real and personal property, and payments for other needs such as medical, transportation, and other necessities.

[b]One address could be associated with multiple registrations.

The following provides illustrative detailed information on several of the cases.

- Case number 1 involves 17 individuals, several of whom had the same last name, who submitted at least 36 registrations claiming to be disaster victims of both Katrina and Rita. All 36 registrations were submitted through the telephone, using 36 different SSNs and 4 different current addresses. These individuals used their own SSNs on 2 of the registrations, but the remaining 34 SSNs were never issued or belonged to deceased or other individuals. The individuals received over $103,000 in IHP payments, including $62,000 in expedited payments and $41,000 in payments for other assistance, including temporary housing assistance. Our analysis shows that the individuals claimed 13 different damaged addresses within a single apartment building, and 4 other addresses within the same block in Louisiana. However, our physical inspection of these addresses revealed that 10 of the addresses were bogus addresses. Further audit and investigative work also shows that these individuals may not have lived at any of the valid disaster addresses at the time of hurricanes Katrina and Rita. We are conducting additional investigations on this case.

- Case number 2 involves an individual who used 15 different SSNs—one of which was the individual's own—to submit at least 15 registrations over the telephone. The individual claimed a different damaged address on all 15 registrations, and used 3 different current addresses—including a post office box, where the individual received payments. The individual received 16 payments totaling over $41,000 on 15 of the registrations. In all, the individual received 13 expedited assistance payments, 2 temporary housing assistance payments, and another payment of $10,500. Further investigative work disclosed that the individual may have committed bank fraud by using a false SSN to open a bank account. Other publicly available records indicate that the individual had used 2 SSNs that were issued to other people to establish credit histories.

- Case number 3 relates to a group of 8 registrations that resulted in 8 payments totaling $16,000. According to FEMA data, an individual registered for Rita disaster assistance at the end of September 2005. About 10 days later, the same individual submitted at least 7 additional registrations claiming 7 different disaster addresses, 2 of which we were able to confirm belonged to the individual and may be rental properties that the individual owns. However, because the FEMA database showed that these addresses were entered as the individual's primary residence—a primary requirement for IHP—the individual received 8 expedited assistance payments instead of just the one that he may have qualified for. We also found that the automated edits established in NEMIS identified

these registrations as potential duplicates. In spite of the edit flags, FEMA cleared the registrations for improper expedited assistance payments.

- Case number 4 involves 2 individuals who appear to be living together at the same current address in Texas. These 2 individuals received payments for 23 registrations submitted over the telephone using 23 different SSNs—two of which belonged to them—to obtain more than $46,000 in disaster assistance. The information the registrants provided related to many of the disaster addresses appeared false. The addresses either did not exist, or there was no proof the individuals had ever lived at these addresses.

- Case number 8 relates to 6 registrants with the same last name who registered for disaster assistance using the same damaged address, with 5 of the 6 using the same current address. FEMA criteria specify that individuals who reside together at the same address and who are displaced to the same address are entitled to only one expedited assistance payment. However, all 6 possible family members received 12 payments totaling over $23,000—$10,000 in expedited assistance and more than $13,000 in other assistance, including rental assistance.

Data Mining Indicates Potential Fraud and Abuse Beyond Our Case Studies

The case studies we identified and reported are not isolated instances of potential fraud and abuse. Rather, our data mining results show that they are indicative of fraud and abuse beyond these case studies, and point directly to the weaknesses in controls that we have identified. The weaknesses identified through data mining include ineffective controls to detect (1) SSNs that were never issued or belonged to deceased or other individuals, (2) SSNs used more than once, and (3) other duplicate information.

Misuse of Social Security Numbers on Registrations

Our data mining and case studies clearly show that FEMA's controls over IHP registrations provided little assurance that registrants provided FEMA with a valid SSN. Under 42 U.S.C. § 408, submitting a false SSN with the intent to deceive in order to obtain a federal benefit or other payment is a felony offense. Based on data provided by the SSA, FEMA made expedited assistance payments to thousands of registrants who provided SSNs that were never issued or belonged to deceased individuals. Further, SSA officials who assisted GAO in analyzing FEMA's registrant data informed us that tens of thousands more provided SSNs that belonged to other individuals. This problem is clearly illustrated in case 2, where FEMA made payments totaling over $41,000 to an individual using 15 different SSNs. According to SSA records, the individual received payments on 4 SSNs that belonged to deceased individuals and 10 SSNs that did not

match with the names provided on the registrations. As previously discussed, further testing and investigations need to be conducted to determine whether this individual was intentionally trying to defraud the government or whether the discrepancies and inaccuracies were the results of other errors.

Same Social Security Numbers Used on Multiple Registrations

Our data mining and case studies clearly show that FEMA's controls do not prevent individuals from making multiple IHP registrations using the same SSN. We found thousands of SSNs that were used on more than one registration associated with the same disaster. Because an individual can receive disaster relief only on his or her primary residence and a SSN is a unique number assigned to an individual, the same SSN should not be used to receive assistance for the same disaster. This problem is illustrated in case 3 above, where an individual registered for IHP 8 times using the same name, same SSN, and same current address—and thus could have qualified for only 1 expedited assistance payments—but instead received expedited assistance payments of $2,000 for 8 different registrations.

Multiple Payments Made to Different Registrations Containing the Same Key Information

Our data mining and case studies also show that the IHP controls to prevent duplicate payments did not prevent FEMA from making payments to tens of thousands of different registrants who used the same key registration information. FEMA's eligibility criteria specify that individuals who reside together at the same address and who are displaced to the same address are typically entitled to only one expedited assistance payment. FEMA policy also provides for expedited assistance payments to more than one member of the household in unusual circumstances, such as when a household was displaced to different locations. However, both our investigations and data mining found thousands of instances where FEMA made more than one payment to the same household that shared the same last name and damaged and current addresses. As illustrated in case 8, 5 of 6 individuals with the same last name, the same damaged address, and the same current address received multiple expedited assistance payments, instead of just one for which they qualified. While not all of the registrations that used the same key information were submitted fraudulently, additional investigations need to be conducted to determine whether or not the entire family was entitled to expedited and other IHP assistance.

Similarly, our data mining also determined that FEMA made payments to tens of thousands of IHP registrants who provided different damaged addresses but the same exact current address. As shown in case study 4 above, some registrations that fell into this category contained bogus addresses or addresses that were not the registrants' residences. Under 18

U.S.C. § 1001, a person who knowingly and willfully makes any materially false, fictitious, or fraudulent statement or representation shall be fined or imprisoned up to 5 years, or both.

Our data mining also found that FEMA made duplicate expedited assistance payments to tens of thousands of individuals for the same FEMA registration number. FEMA policy states that registrants should only receive one expedited assistance payment. However, in some cases, FEMA paid as many as four $2,000 expedited assistance payments to the same FEMA registration number. As discussed later, we also found that FEMA issued expedited assistance payments to more than 5,000 registrants who had already received debit cards. FEMA officials represented to us that they traced some of these obviously duplicate payments to a computer error that inadvertently caused the duplicate payments. However, they provided no supporting documentation.

Controls over Debit Cards Were Ineffective in Preventing Duplicate Payments and Improper Use

In the days following hurricane Katrina, FEMA experimented with the use of debit cards to expedite payments of $2,000 to about 11,000 disaster victims at three Texas shelters[10] who, according to FEMA, had difficulties accessing their bank accounts. Figure 2 is an example of a FEMA debit card.

Figure 2: FEMA Debit Card



Source: JP Morgan Chase.

[10]The shelters were located in Dallas, Houston, and San Antonio.

The debit card program was an effective means of distributing relief quickly to those most in need. However, we found that because FEMA did not validate the identity of debit card recipients who registered over the telephone, some individuals who supplied FEMA with SSNs that did not belong to them also received debit cards. We also found that controls over the debit card program were not effectively designed and implemented to prevent debit card recipients from receiving duplicate expedited assistance payments, once through the debit card and again through check or EFT. Finally, unlike the guidance provided to other IHP registrants, at the time FEMA distributed the debit cards, FEMA did not provide instructions informing them that the funds on their cards must be used for appropriate purposes.

Debit Cards Issued to Individuals Providing Invalid Social Security Numbers

As discussed previously, FEMA did not verify the identity of individuals and/or households who submitted disaster registrations over the telephone. This weakness occurred in the debit card program as well. FEMA required the completion of a disaster registration prior to a household or individual being able to receive a debit card. According to FEMA officials, registrants at the three centers applied for assistance via the telephone and Internet. Therefore, to the extent that registrations for the debit card were taken over the telephone, FEMA did not subject the identity of the registrants to a verification process. Consequently, we identified 50 debit cards issued to registrants listing SSNs that the SSA had no record of issuing, and 12 cards issued to registrants using SSNs belonging to deceased individuals. For example, one registrant used an invalid SSN to receive a $2,000 debit card and used about $500 of that money to pay prior traffic violations to reinstate a driver's license. In another case, a registrant used the SSN of an individual who died in 1995 to receive a $2,000 debit card. FEMA subsequently deposited an additional $7,554 in IHP payments to that debit card account for additional claims submitted by that individual. This registrant withdrew most of the $9,554 deposited into the debit card account by obtaining ATM cash withdrawals.

Thousands of Debit Card Recipients Received Multiple Expedited Assistance Payments

Based on a comparison of FEMA's IHP payments and the list of debit card recipients, we found that over 5,000 of the 11,000 debit card recipients received more than one $2,000 expedited assistance payment because they received a debit card and another form of payment (check or EFT). According to FEMA officials, they were aware that several individuals had already registered for IHP assistance and that some payments had already been made prior to issuance of a debit card. However, FEMA officials stated that individuals in the three shelters in Texas would not have access

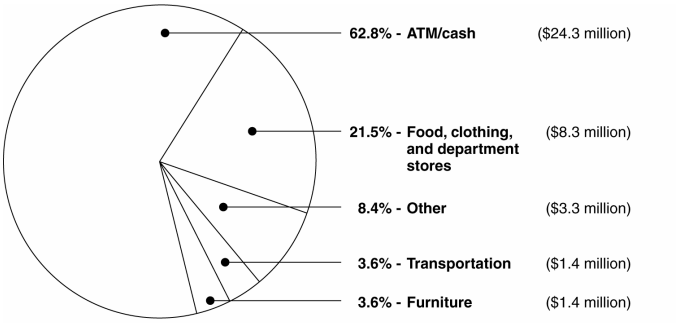
to their home addresses or bank accounts and therefore needed immediate assistance in the form of debit cards. Our review of FEMA data disproved FEMA's belief that only a few individuals who received debit cards also received other disaster assistance payments. Instead, thousands, or nearly half, of the individuals who received debit cards also received checks or EFTs that were made several days after the debit cards had been issued. The result was that FEMA paid more than $10 million dollars in duplicate expedited assistance payments to individuals who had already received their $2,000 of expedited assistance.

FEMA Debit Card Transactions

In general, once FEMA receives a disaster registration, FEMA sends a package containing IHP information and detailed instructions, including instructions on how to follow up on benefits, how to appeal if denied benefits, and the proper use of IHP payments. However, FMS and FEMA officials informed us that FEMA did not specifically provide instructions on how the debit cards should only be used for necessary expenses and serious needs related to the disasters at the same time the debit cards were distributed. We found that in isolated instances, debit cards were used for adult entertainment, to purchase weapons, and for purchases at a massage parlor that had been previously raided by local police for prostitution.

Our analysis of debit card transaction data provided by JP Morgan Chase found that the debit cards were used predominantly to obtain cash which did not allow us to determine how the money was actually used. The majority of the remaining transactions was associated with purchases of food, clothing, and personal necessities. Figure 3 shows a breakdown of the types of purchases made by cardholders.

Figure 3: Breakdown of Purchases Made with FEMA Debit Cards



Source: GAO analysis of JP Morgan Chase debit card transactions.

We found that in isolated instances, debit cards were used to purchase goods and services that did not appear to meet serious disaster related needs as defined by the regulations. In this regard, FEMA regulation provides that IHP assistance be used for housing-related needs and items or services that are essential to a registrant's ability to overcome disaster related hardship. Table 2 details some of the debit cards activities we found that did not appear to be for essential disaster related items or services.

Table 2: Purchases that Did Not Appear Necessary to Satisfy Immediate Emergency Needs

Vendors	Location	Nature of Transaction	Amount
Elliot's Gun Shop	Jefferson, LA	.45 caliber pistol	$1,300
D Houston	Houston, TX	Gentlemen's club	1,200
Friedman's Jewelers	Plano, TX	Diamond engagement ring	1,100
Argosy Casino	Baton Rouge, LA	7 ATM withdrawals within one day at a gambling institution	1,000
Tim Fanguy Bail Bonds	Houma, LA	Partial bail bond payment	1,000
Department of Public Safety	Baton Rouge, LA	Payment of prior traffic violations for driver's license reinstatement	700
Cat Tattoo	Addison, TX	Tattoo on arm	450
Swedish Institute	Irving, TX	Massage parlor	400
Tiger Beer and Wine	Dallas, TX	Alcohol beverages	200
Condoms To Go	Dallas, TX	Adult erotica products	150

Source: GAO analysis of debit card transactions and additional investigations.

Conclusions

FEMA has a substantial challenge in balancing the need to get money out quickly to those who are actually in need and sustaining public confidence in disaster programs by taking all possible steps to minimize fraud and abuse. Based on our work to date, we believe that more can be done to prevent fraud through validation of identities and damage addresses and enhanced use of automated system verification intended to prevent fraudulent disbursements. Once fraudulent registrations are made and money is disbursed, detecting and pursuing those who committed fraud in a comprehensive manner is more costly and may not result in recoveries. Further, many of those fraudulently registered in the FEMA system already received expedited assistance and will likely receive more money, as each registrant can receive as much as $26,200 per registration.

Another key element to preventing fraud in the future is to ensure there are consequences for those that commit fraud. For the fraud cases that we are investigating, we plan to refer them to the Katrina Fraud Task Force for further investigation and, where appropriate, prosecution. We believe that prosecution of individuals who have obtained disaster relief payments through fraudulent means will send a message for future disasters that there are consequences for defrauding the government.

Madam Chairman and Members of the Committee, this concludes my statement. I would be pleased to answer any questions that you or other members of the committee may have at this time.

Contacts and Acknowledgements

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-7455 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

Appendix I: Objectives, Scope, and Methodology

To assess controls in place over the Federal Emergency Management Agency (FEMA)'s Individuals and Households Program (IHP), we interviewed FEMA officials and performed walkthroughs at the National Processing Service Center in Winchester, Va. We reviewed the Stafford Act, Pub. L. 93-288, the implementing regulations, and FEMA's instructions to disaster registrants available via the Internet. In addition, to proactively test controls in place, we applied for assistance using falsified identities, bogus addresses, and fictitious disaster stories to determine if IHP payments could be obtained based on fraudulent information. Because of several key unanswered requests for documentation from the Department of Homeland Security (DHS), information needed to fully assess the expedited assistance program was limited. For example, FEMA and DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments. Consequently, our work was limited to our analysis of the FEMA databases, investigations we conducted, data widely available to the public via the Internet, and information FEMA officials orally provided to us.

To determine the magnitude and characteristics of IHP payments, we obtained the FEMA IHP database as of December 2005. We validated that the database was complete and reliable by comparing the total disbursements against reports FEMA provided to the Senate Appropriations Committee on Katrina/Rita disbursements. We summarized the amounts of IHP provided by type of assistance and by location of disaster address.

To determine whether indications existed of fraud and abuse in expedited assistance and other disbursements, we provided FEMA data to the Social Security Administration (SSA) to verify against their records of valid social security numbers (SSNs). We also used data mining and forensic audit techniques to identify registrations containing obviously false data, such as multiple registrations containing the same name, same current or damaged address, but different SSNs, and registrations containing duplicate information, such as duplicate names and SSNs. To determine whether registrations from our data mining resulted in potentially fraudulent and/or improper payments, we used a nonrepresentative selection of 248 registrations representing 20 case studies (case studies included multiple individuals and registrations) for further investigation. We restricted our case studies to registrations that received payments as of mid-December 2005, and noted that some registrants within our case studies also submitted additional registrations—for which they may receive future

payments. We also identified instances where groups of registrants may have been involved in schemes to defraud FEMA. We found these schemes because the registrants provided the same SSNs, last names, current addresses, and/or damaged addresses on their registrations. Our macro analysis of potentially fraudulent use of SSNs and other data mining are ongoing, and we plan to report additional results at a future date. For purposes of this testimony, we did not conduct sufficient work to project the magnitude of potentially fraudulent and improper payments of IHP. We also visited over 200 of the claimed damaged addresses related to our case studies to determine whether or not the addresses were valid.

To assess the types of purchases made with FEMA debit cards distributed at relief centers, we reviewed a database of transactions provided by JP Morgan Chase, the administrating bank for the debit cards. SSA also assisted us to compare cardholder data with SSA records to determine whether registrants receiving debit cards had provided valid identities. We performed data mining on debit card transactions to identify purchases that did not appear to be indicative of necessary expenses as defined by the Stafford Act's implementing regulations. Finally, we validated specific transactions identified in the database by obtaining information on actual items purchased from the vendors.

In the course of our work, we made numerous written requests for key documents and sets of data related to the IHP, most dating back to October 2005. While FEMA officials promptly complied with one key part of our request—that is FEMA made available databases of IHP registrants and payments—the majority of items requested have not been provided. On January 18, 2006, the Department of Homeland Security Office of General Counsel provided us with well less than half of the documents that were requested. For example, FEMA and the DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments. While the database and other data provided by FEMA enabled us to design procedures to test the effectiveness of the FEMA's system of internal controls, it did not enable us to comprehensively determine the root causes of weak or non-existent controls.

During the course of our audit work, we identified multiple cases of potential fraud. For cases that we investigated and found significant evidence of fraudulent activity, we plan to refer our cases directly to the Hurricane Katrina Fraud Task Force. Except for scope limitations due to a lack of documentation provided by DHS, we performed our work from

October 2005 through January 2006 in accordance with generally accepted government auditing standards and quality standards for investigations as set forth by the President's Council on Integrity and Efficiency.

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Comments from the Federal Emergency Management Agency

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

May 19, 2006

Mr. Gregory Kutz
Managing Director
Forensic Audits and Special Investigations
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Kutz:

Re: Draft Report GAO-06-655 "Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse."

Thank you for the opportunity to review the draft report. The GAO report gives great detail as to the amount of work their staff did in order to uncover weaknesses in FEMA's issuance of Expedited Assistance. It is useful also to note that some of the findings were already uncovered by FEMA's internal review and FEMA's review with the Office of Inspector General of potentially fraudulent cases. FEMA is going to great lengths to ensure that it is a good steward of taxpayer dollars; allowing applicants who are in serious need of assistance to get it quickly and appropriately, while deterring or eliminating fraud. FEMA has already made significant improvements in this arena and is already well into the recoupment phase of the disaster response for hurricanes Katrina and Rita. Below are a collection of comments from FEMA following a careful review of the GAO report and recommendations.

It should be noted that the GAO utilized a non-representative sample of 248 registrations from the NEMIS system. The sample seems to have been geared specifically towards those applications that were duplicates and did get multiple payments. Additionally it seems that the sample was geared towards those applicants with more than one duplicate registration associated with them. Since the majority of our applicants were not duplicates with other applicants, this is obviously not a representative sample of the implementation of the IHP or the Expedited Assistance program. It's worth noting that for Hurricane Katrina, FEMA took more than 1.7 million registrations.

Also of note, it is unclear whether what may appear to GAO as duplicative payments under the IHP program, were instead payments authorized under the "Separated Households" policy for hurricanes Katrina and Rita. In general, without access to the GAO case studies, we cannot comment fully on what FEMA could have done better to

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prevent duplication or fraud in these instances. Specifically, we were unable to locate the applicant they claimed received four Expedited Assistance (EA) payments under a single registration ID (page 28) via our reporting mechanisms. This applicant does not exist in our files.

In several places in the document, GAO contends that all applicants eligible for $2,000 are eligible for up to $26,200 for the IHP, describing "expedited assistance" as a gateway to further IHP payments (see page 17). This is simply untrue. Expedited Assistance was given to individuals applying for assistance under hurricanes Katrina and Rita, based on a damaged address located in the disaster area and the answers to specific questions concerning their disaster-related needs. *All other payments*, including the $2,358 scripted Transitional Housing payments, scripted Geospatial payments, and traditional IHP payments were subject to much more stringent requirements. In all instances, applicants had to demonstrate that they occupied the damaged dwelling at the time of the disaster. This could be done in several ways, including:

- Automated verification of primary residence (and therefore validation that an address exists) via a FEMA data contractor
- Traditional, on-site inspection verification of both address and primary residency
- Submitted, verifiable primary residency documentation submitted from the applicant via mail or fax

For those that received EA, and for this disaster only, "Transitional Housing Assistance" (THA) of $2,358 was provided to those registrants that lived in one of the five hardest hit Louisiana parishes or three counties in Mississippi. Verification of occupancy at a valid address was established utilizing a FEMA contractor. Many people were found ineligible for this THA because a contractor (Myriad) was unable to verify occupancy at the presented address and additional verification documents were required to be submitted prior to providing assistance.

Any additional 408 assistance was provided only after an in-person inspection was performed at an actual address, and additional documents were verified by FEMA and signed by the applicant.

Since the 2005 hurricane season began, FEMA has been proactively implementing more stringent controls concerning fraud and identity verification. Controls already implemented include:

- Deployment in October 2005 of a new Internet registration application that disallows *any* duplicate registrations
- Adding identity proofing to the call center registration application in February 2006 so that *all* IHP registrations are subjected to the same stringent criteria that includes verification that the SSN exists, that the SSN belongs to the name, and that the SSN is not for a deceased person
- Amending automated scripts to ensure no scripted payments are sent to applicants who failed identity proofing

- Sending, via batch, all applications taken on the call center application from August 2005 until February 2006 to FEMA's data contractor for identity proofing
- Data-marking any applications in NEMIS that fail identity proofing so they may be flagged for review and denied automated payment later
- Real-time interaction between the FEMA Service Representative and the applicant to ensure that the data entered that resulted in a failed identity check is correct before accepting the application.

With these new processes in place, we still need to need to take into consideration those families and individuals that may not have traditional means of identity and occupancy verification so that assistance is not delayed to the population that may have the greatest immediate need. For those registrations sent to a "duplicate investigation queue" for additional review and resolution, there were significant delays (sometimes additional months) in FEMA providing them with "emergency expedited" assistance. FEMA must strike the delicate balance of providing timely assistance to disaster victims in need while taking the necessary precautions to ensure against fraud, waste and abuse.

The following changes are being made to the NEMIS software and will be available by the start of the 2006 hurricane season on June 1:

- NEMIS will no longer allow *any* registration to be accepted when that registrant has the same SSN as another registrant in the same disaster
- NEMIS will conduct verification of ownership and occupancy through FEMA's data contractor during the application process

All software changes and data scripts are functionally tested before being implemented in the production environment. Before deployment, a software change must pass a developer test, an end-user test, a throughput test, and be approved by the IT Technical Review Committee (TRC).

The report also notes what it refers to as "isolated incidents" where EA Debit cards were used to purchase goods and services that did not appear to meet serious disaster-related needs. Though "isolated", these purchases did make their way to the first highlight page of the draft report and apparently warranted their own chart on page 32, though totaling just under $8,000. While such purchases may represent questionable judgment on the part of the recipient, highlighting those expenditures in the midst of this report, and this event, is similarly questionable. The real issue here is providing appropriate guidelines for the use of the assistance received. FEMA continues to develop guidance and control measures to prevent the inappropriate use of these funds.

Response to GAO Recommendations:

Recommendation:

Establish an identify verification process for Individuals and Households Program (IHP) registrants applying via both the Internet and telephone, to provide reasonable assurance that disaster assistance payments are made only to qualified individuals.

Response:

FEMA has already implemented identity proofing on the call center application, including verification that the SSN is valid, verification that the SSN matches the name, and verification that the SSN does not belong to a deceased individual.

When a registration fails identity proofing, the FEMA registrar is instructed to verify the data entered with the applicant. If the data is correct, the registrar continues with the application. At this time, it is considered unwise to have a registrar get into a potentially difficult situation with the applicant pertaining to failed identity verification. Instead, applicants will not be eligible for any scripted payments and will be subjected to additional review before payment. These applicants will have to substantiate their identities via other means before receiving FEMA assistance. The applicants receive a letter telling them what information they need to provide in order to verify their identity.

It is not necessary to ask a registrant to enter their name as it appears on their social security card. Unlike the SSA, FEMA's data contractor is able to use logic to find aliases and nicknames associated with an SSN. This includes married and maiden names, as well as the typical "Bill vs. William" scenario.

Recommendation:

Develop procedures to improve the existing review process of duplicate registrations containing the exact same Social Security Numbers (SSN) and to identify the reasons why registrations flagged as invalid or as potential duplicates have been overridden and approved for payment.

Response:

FEMA deployed a new Internet application in October 2005 that does not accept any duplicate applications. The majority of duplicate applications in Katrina and Rita came from the Internet application, usually because an applicant was not sure if their registration had been accepted and re-registered immediately after submitting their first registration. The closing screens on the Internet application have also been amended to help assure applicants that their application has been received and is being processed. Elimination of duplicate applications up front helps eliminate errors on the back end of processing. Additionally, the call center application will no longer accept duplicate

applications with the same SSN in the same disaster. These changes eliminate duplicate SSN applications and greatly reduce the fraud potential in the IHP.

Recommendation:

Establish an address verification process for IHP registrants applying via both the Internet and telephone, to provide reasonable assurance that disaster assistance payments are made only to qualified individuals.

Response:

Although Expedited Assistance ($2,000) payments in 2005 were not subject to address verification, all subsequent payments for the IHP were. Before becoming eligible for additional payments, applicants had to validate primary residence at the damaged address via one of three mechanisms detailed above. Starting June 1, this process will occur during registration (at the same time as the identity verification process). Therefore, all Expedited Assistance payments will go only to those applicants who pass identity proofing and who verify occupancy at the address provided.

With respect to the uniform method of inputting addresses, the NEMIS software has an address standardization component built in. Based on the address provided, NEMIS will "correct" it to the most acceptable form based on USPS data. Addresses are coded in the system with a degree of accuracy from being accurate to the street and number; to only being accurate to the zip code (the address could not be found, but the zip code and state match). FEMA management could consider limiting Expedited Assistance payments to those addresses with a high degree of confidence to alleviate this concern.

When an address is not recognized by the address correction software, NEMIS provides a pop-up with a corrected address (if any) or a null address if the address provided simply cannot be found. FEMA registrars then verify the address with the applicant, and proceed with the address the applicant claims is correct. Additional instruction could be provided to the registrars to ensure they are using the NEMIS-provided address whenever possible. At this time, NEMIS records which addresses were over-ridden by the registrar and which were accepted with the USPS data in the registrant's record.

During traditional processing, an inspector performs an on-site inspection. If the address is not valid or cannot be found, the inspection is withdrawn and returned to FEMA. No awards are made to applicants in these circumstances. If the address is valid, but the data is slightly incorrect, the inspector makes the appropriate changes to the address and returns it to FEMA. FEMA accepts the data into the NEMIS system and uses that address for processing.

Recommendation:

Explore entering into an agreement with other agencies, such as the Social Security Administration, to periodically authenticate information contained in IHP registrations.

Response:

FEMA has already conducted a conference call with the SSA and is in the process of sharing data in order to explore a real-time verification relationship. FEMA has also been interested in exploring data available from other agencies or commercial vendors pertaining to income and insurance, though this data has proven difficult to obtain at best. This research is ongoing.

Recommendation:

Establish procedures to collect duplicate expedited assistance payments or to offset these amounts against future payments.

Response:

GAO contends that allowing applicants to receive both a debit card and another form of expedited assistance was an error. To the contrary, FEMA management was keenly aware that this "duplication" could exist but was compelled to allow the debit cards to go to applicants in spite of their EA status. FEMA felt that these applicants would certainly be eligible for more than $4,000 through the 18 month assistance period, and that these applicants did not have access to their banking institution since they were homeless and living in shelters for extended periods following the event.

Although applicants received more than one type of Expedited Assistance payment in approximately 5,000 cases, this does not mean that all applications should be subject to recoupment. If any application was eligible for the maximum IHP grant, their grant was offset by any Expedited Assistance already received. Therefore, an applicant who was eligible via the traditional program for $26,200 but already received both a debit card and a $2,000 check would only receive another $22,200 in assistance.

For any applicant that was not eligible for a max grant and did not have other payments offset by expedited assistance, FEMA is conducting recoupments. A detailed recoupment process has been put into place and has been vetted with the senior officials in FEMA, DHS, and DOJ, and the process has been shared with the OIG and GAO. As of April 2006, nearly all duplicative EA payments have been processed for recoupment, and debit card collection is pending. FEMA is using its long-standing Recovery of Funds procedures for the 2005 hurricane season as it has in previous years.

Recommendation:

Ensure that any future distribution of IHP debit cards includes instructions on the proper use of IHP funds, similar to those instructions provided to IHP check and EFT recipients, to prevent improper usage.

Response:

FEMA agrees with this recommendation and also suggests that debit cards not be pre-loaded, but be given to applicants and then filled only when the applicant is determined eligible for assistance rather than presuming eligibility based on being located in a shelter.

Just as with our own staff, we appreciate the time and effort the GAO staff has put into this project. Their suggestions have helped both to underline the value and to sharpen some of the work already underway in this area. But we could also have found more benefits from the report if the information-sharing inherent in such a process had been reciprocal.

Thank you for the opportunity to review the report and provide comments.

Sincerely,

Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

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Appendix D

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

April 19, 2006

MEMORANDUM FOR: Berl D. Jones, Jr.
Acting Branch Chief
Recovery Division, Individual Assistance

Donna Dannels
Section Chief
NPSC Operations

FROM: Matt Jadacki
Special Inspector General
Gulf Coast Hurricane Recovery

SUBJECT: *Reimbursements for Other Needs Assistance Items*
Report Number GC-HQ-06-34

Background

FEMA's Other Needs Assistance (ONA) program includes assistance for personal property, transportation, moving and storage, funeral, medical, dental, and other expenses as needed. Specifically, ONA can be used for the following non-housing needs:

- disaster-related **medical and dental costs;**
- disaster-related **funeral and burial** costs;
- **clothing; household items** (room furnishings, appliances); **tools** (specialized or protective clothing and equipment) required for an individual's employment or education;
- miscellaneous clean-up items (**chainsaw, wet/dry vacuum, air purifier, dehumidifier**);
- **disaster damaged vehicle;**
- **moving and storage expenses** related to the disaster; and
- other necessary expenses or serious needs as determined by FEMA (i.e., generators).

All expenses must be verified prior to receiving ONA assistance. Necessary expenses and serious needs are verified **through on-site inspections or by using supporting documentation**, e.g., estimates, **bills, receipts or written statements, submitted by the applicant**. The federal government and the state share responsibility for ONA program award distribution by a respective 75:25 federal-to-state ratio. Following Hurricane Katrina, the cost-sharing plan was amended for certain programs, such as Direct Assistance, where the federal government covered 100 percent of the cost. However, the Stafford Act specifically prohibits a similar adjustment for funds provided to states for ONA. These

funds will continue to be reimbursed at 75 percent of total eligible costs to states. We reviewed payments to applicants as a result of Hurricanes Katrina, Rita, and Wilma for items qualifying under FEMA's ONA provision. The review was requested by Congressman Kendrick B. Meek, who expressed concerns after several newspaper articles were published discussing overpayments made to individuals in South Florida. Our objective was to determine whether overpayments were made for ONA items, specifically chainsaws and generators, and if so, why.

We interviewed FEMA officials about its reimbursement program under the "Miscellaneous/Other" category of the Indivduals and Households Programs (IHP) ONA provision for Hurricane Katrina (1603-Louisiana, 1604-Mississippi, and 1605-Alabama), Hurricane Rita (1606-Texas and 1607-Louisiana), and Hurricane Wilma (1609-Florida). We reviewed the ONA Reference Guide, dated December 16, 2005, for Miscellaneous/Other needs, and interviewed FEMA officials at the Virginia National Processing Service Center (NPSC), as well as FEMA staff at each respective joint field office. We performed other procedures as necessary to achieve our objectives.

In conclusion, we determined that FEMA's controls are either not implemented or ineffective in preventing overpayments.

Generators

According to FEMA records, approximately 106,000 reimbursements for generators have been issued as a result of power outages caused by Hurricane Wilma in Florida; 113,000 for Hurricane Katrina in Louisiana, Mississippi, and Alabama; and 74,000 for Hurricane Rita in Texas and Louisiana, for a total of 293,000 reimbursements. The majority of these payments were automatic disbursements generated by the National Emergency Management Information System (NEMIS) based on information entered by a field inspector who was required only to verify the following information:

1) the generator must be purchased or rented during the incident that results in an emergency or major disaster declaration issued by the President;
2) the generator must be purchased or rented within 30 days after the incident;
3) the dwelling to be supported by the generator is located in a declared area that has suffered a verifiable power interruption.

Although inspectors are required to review receipts, inspectors are not required to record prices from receipts, even though, according to FEMA's ONA reference guide, an applicant's award amount will be the lesser of the line item price or receipt. FEMA officials said that recording prices from receipts would lead to lower productivity by the inspector in the field. It will also impact FEMA's ability to auto-determine their casework. The inspector would have to enter the price in the comments field of NEMIS and flag the inspection for manual review. Because FEMA does not require recording of the actual price, automatic disbursements are being issued for the maximum amount authorized, currently set at $791.40 for Louisiana, $761.92 for Mississippi, $796.45 for Alabama, and $835.97 for Florida. This price is based on the average cost of a generator statewide and is calculated based on cost data obtained from Marshall and Swift, a supplier of residential and commercial property valuation information.

NEMIS is not designed to allow the inspector to record the actual purchase price of the item in a specific field, effectively eliminating the opportunity for a systematic comparison to prevent overpayments. Only when claims are filed manually, i.e., the applicant mails in his or her receipt, does FEMA have the opportunity to compare the actual purchase price to the maximum allowable amount. FEMA officials said that, out of the approximately 106,000 generator reimbursements made by FEMA in Florida, only 900 claims were manually reviewed, resulting in only 127 claims being paid for less than $835.97. Furthermore, out of the 113,000 generator reimbursements for Katrina in Louisiana, Mississippi, and Alabama, approximately 4,000 were paid at less than the maximum allowable rate, and of the 74,000 for Rita in Texas and Louisiana, approximately 5,000 were paid at less than the maximum allowable rate. Also, for all three hurricane affected areas, 24 generator reimbursements were for greater than the maximum allowed rate.

FEMA officials said that it is feasible to enhance NEMIS, and that the required systematic changes are not overly complex. Enhancements would require the addition of a data field to the software and NEMIS databases to allow storage of the additional data recorded, some business rule changes to enable the system to process the variable amount, and NEMIS client changes to allow the amount to be displayed.

Because, in most cases, the actual purchase price for the generator was not recorded, we were unable to accurately determine the exact number of overpayments issued or the associated dollar amounts.

Wet & Dry Vacuums/Dehumidifiers/Air Purifiers/Chainsaws

In most cases, miscellaneous items other than generators, including wet & dry vacuums, dehumidifiers, air purifiers, and chainsaws, are not subject to review by the field inspectors, and are processed and reviewed manually by FEMA. Although applicant claims are manually processed by FEMA to ensure their validity, internet controls are not effective. Consequently, payments were made in excess of the maximum amount authorized. NEMIS currently defaults to the maximum amount allowed for these items, even though there is a field in NEMIS where the caseworker can change the amount to the actual cost of the item. NEMIS is not programmed to perform comparisons to determine which amount to pay and, for the most part, the NPSC caseworker may not be performing price comparisons or recording the lesser amount, resulting in a disbursement for the maximum amount. If the caseworker changes the amount to a lesser amount, the system will pay that lesser amount.

Recovery of Overpayments

For miscellaneous items qualifying under the ONA provision, FEMA does not actively attempt to identify overpayments or recoup the excess funds from the applicants. FEMA takes the position that it is not cost effective to seek recovery because of the small amounts involved. They believe it is more cost effective to put more emphasis on recouping improperly distributed funds associated with the repair and replacement of residential property because the individual allowances are for larger amounts.

Qualification for Reimbursement

Because ONA items are purchased after a disaster has been declared and not normally covered under the applicant's insurance program, qualification for reimbursement does not require any type of income test, any proof of financial hardship, or evidence that all other avenues of assistance have been exhausted. Although these items are considered low cost, it is feasible that some lower income individuals or families may not be able to make the initial investment necessary to qualify for assistance from FEMA, even though their emergency needs may be equally or more justified.

The nature and brevity of this assessment precluded the use of our normal audit protocols; therefore, this review was not conducted according to generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricane Katrina. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors' General review of this important subject.

We recommend that FEMA:

1) Develop and implement enhancements to NEMIS to ensure that actual purchase amounts are recorded during field inspections and systematically compared to the maximum amounts authorized. This will ensure that automatic disbursement payments do not exceed the lesser of either the actual purchase price or the maximum authorized amount.
2) Review and test system and manual review controls that are in place for those claims processed manually. Adequate controls will ensure that claims processed manually do not exceed the lesser of either the actual purchase price or the maximum authorized amount.
3) Develop a plan to identify and recoup any future monies issued for amounts greater than actual purchase price or maximum amount allowed, whichever is lesser.
4) Research and institute a process for assisting those individuals who have legitimate financial hardships and cannot make the initial purchase for ONA items.

Please advise us within two weeks of the actions taken to implement our recommendations. Should you have any questions concerning this report, please call me or Dennis White, Deputy Special Inspector General, at (202) 254-4100.

cc: Under Secretary for Management
Acting Under Secretary for Emergency Preparedness and Response
Acting Chief Financial Officer, DHS
Chief Procurement Officer, DHS
Audit Liaison, DHS
Audit Liaisons, FEMA
Chief Financial Officer, FEMA
Senior Procurement Officer, FEMA
Deputy Director, Gulf Coast Recovery

Appendix E

United States Government Accountability Office

GAO

Testimony

Before the Senate Committee on Homeland Security and Governmental Affairs

For Release on Delivery
Expected at 10 a.m. EST
Monday, February 13, 2006

EXPEDITED ASSISTANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse

Statement of Gregory D. Kutz, Managing Director
Forensic Audits and Special Investigations



GAO
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Highlights

Highlights of GAO-06-403T, a testimony before the Senate Committee on Homeland Security and Governmental Affairs

EXPEDITED ASSISTANCE FOR VICTIMS OF HURRICANES KATRINA AND RITA

FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse

Why GAO Did This Study

As a result of widespread congressional and public interest in the federal response to hurricanes Katrina and Rita, GAO conducted an audit of the Individuals and Households Program (IHP) under Comptroller General of the United States statutory authority.

Hurricanes Katrina and Rita destroyed homes and displaced millions of individuals. In the wake of these natural disasters, FEMA faced the challenge of providing assistance quickly and with minimal "red tape," while having sufficient controls to provide assurance that benefits were paid only to eligible individuals and households. In response to this challenge, FEMA provided $2,000 in IHP payments to affected households via its Expedited Assistance (EA) program. Victims who received EA may qualify for up to $26,200 in IHP assistance. As of mid-December 2005, IHP payments totaled about $5.4 billion, with $2.3 billion provided in the form of EA. These payments were made via checks, electronic fund transfers, and a small number of debit cards.

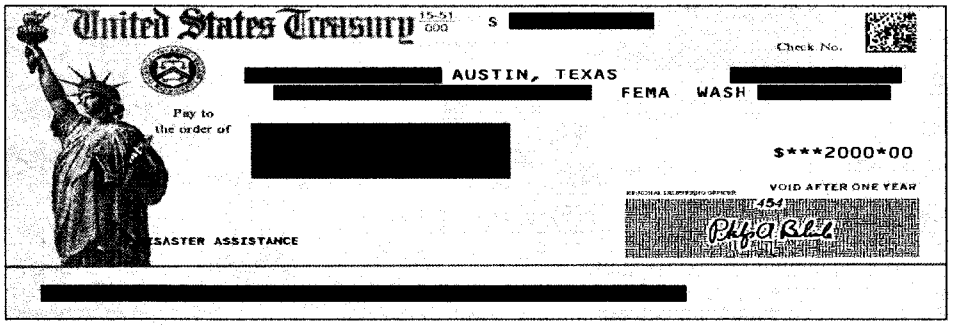
GAO's testimony will provide the results to date related to whether (1) controls are in place and operating effectively to limit EA to qualified applicants, (2) indications exist of fraud and abuse in the application for and receipt of EA and other payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate EA payments and improper usage.

www.gao.gov/cgi-bin/getrpt?GAO-06-403T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

What GAO Found

We identified significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse of EA payments. For Internet applications, limited automated controls were in place to verify a registrant's identity. However, we found no independent verification of the identity of registrants who registered for disaster assistance over the telephone. To demonstrate the vulnerability inherent in the call-in applications, we used falsified identities, bogus addresses, and fabricated disaster stories to register for IHP. Below is a copy of one of the $2,000 checks that we received to date for our bogus telephone applications.



Source: GAO.

We also found that FEMA's automated system frequently identified potentially fraudulent registrations, such as multiple registrations with identical social security numbers (SSN) but different addresses. However, the manual process used to review these registrations did not prevent EA and other payments from being issued. Other control weaknesses include the lack of any validation of damaged property addresses for both Internet and telephone registrations.

Given the weak or non existent controls, it is not surprising that our data mining and investigations to date show the potential for substantial fraud and abuse of EA. Thousands of registrants misused SSNs, i.e., used SSNs that were never issued or belonged to deceased or other individuals. Our case study investigations of several hundred registrations also indicate significant misuse of SSNs and the use of bogus damaged property addresses. For example, our visits to over 200 of the case study damaged properties in Texas and Louisiana showed that at least 80 of these properties were bogus—including vacant lots and nonexistent apartments.

We found that FEMA also made duplicate EA payments to about 5,000 of the nearly 11,000 debit card recipients—once through the distribution of debit cards and again by check or electronic funds transfer. We found that while debit cards were used predominantly to obtain cash, food, clothing, and personal necessities, a small number were used for adult entertainment, bail bond services and weapons purchase, which do not appear to be items or services that are essential to satisfy disaster related essential needs.

Chairman and Members of the Committee:

Thank you for the opportunity to discuss our ongoing forensic audit and related investigations of assistance provided to individuals and households related to hurricanes Katrina and Rita. The Individuals and Households Program (IHP), a major component of the federal disaster response efforts established under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),[1] is designed to provide financial assistance to individuals and households who, as a direct result of a major disaster, have necessary expenses and serious needs that cannot be met through other means. As of mid-December 2005, the Federal Emergency Management Agency (FEMA) had distributed nearly $5.4 billion in IHP assistance on more than 1.4 million registrations. Hurricanes Katrina and Rita destroyed homes and displaced individuals across the gulf coast region. In the wake of these massive natural disasters, FEMA faced the formidable challenge of providing at least some initial assistance to over a million registrants quickly with minimal "red tape," while having sufficient controls in place to provide assurance that benefits were paid only to eligible individuals and households.

Disaster relief covered by IHP includes temporary housing assistance, real and personal property repair and replacement, and other necessary expenses related to a disaster. IHP assistance is generally delivered after an inspection has been conducted to verify the extent of loss and determine eligibility. Because of the tremendous devastation caused by hurricanes Katrina and Rita, FEMA activated expedited assistance to provide fast track money[2]—in the form of $2,000 in expedited assistance payments—to eligible disaster victims to help with immediate, emergency needs of food, shelter, clothing, and personal necessities. This swift response was vital in helping victims of hurricanes Katrina and Rita. FEMA specified that expedited assistance payments were to be provided only to individuals and households who, as a result of hurricanes Katrina and Rita, were displaced from their predisaster primary residences and

[1]Pub. L. 93-288, 88 Stat. 143 (1974) (amended 2000).

[2]The expedited assistance process is not specifically authorized in the Stafford Act. However, FEMA previously has asserted, and we have agreed, that it has legal authority under the act to implement expedited, or fast track, procedures. *Disaster Assistance: Guidance Needed for FEMA's "Fast Track" Housing Assistance Process*, GAO-RCED-98-1 (Washington, D.C.: Oct. 1997).

were in need of shelter. Typically a household[3] can only receive one expedited assistance payment. Exceptions are made in situations where household members are displaced to separate locations, in which case more than one member of the household may be eligible for payments. FEMA provided expedited assistance payments related to hurricanes Katrina and Rita predominantly through electronic funds transfer (EFT) and checks sent to the registrants' current addresses.[4] In addition, FEMA provided a limited amount of expedited assistance via debit cards[5] distributed at three locations in Texas.

As of mid-December 2005, FEMA data showed that the agency had delivered 44 percent ($2.3 billion) of the $5.4 billion in IHP aid through expedited assistance to hurricanes Katrina and Rita registrants across at least 175 counties in 4 different states. Almost $1.6 billion went to individuals with damaged addresses in Louisiana, more than $400 million to individuals in Texas, and over $300 million to individuals in Alabama and Mississippi. Registrants determined to be eligible for expedited assistance may also be eligible to receive additional IHP payments up to the overall IHP cap of $26,200.

Our current audit and investigation is being performed under the statutory authority given to the Comptroller General of the United States. Our audit and investigation is conducted under the premise that while the federal government needs to provide swift and compassionate assistance to the victims of natural disasters, public confidence in an effective disaster relief program that takes all possible steps to minimize fraud, waste, and abuse needs to be preserved. Today, we will summarize the results from our ongoing forensic audit and related investigations of the IHP program.[6]

[3]The Act's implementing regulations define a household as all persons (including adults and children) who lived in the predisaster residence, as well as any other persons not present at the time but who are expected to return during the assistance period. 44 C.F.R. § 206.111.

[4]Current address refers to the address at which the disaster victim is currently residing. Damaged addresses are the addresses which were affected by the hurricanes.

[5]The debit card program is a pilot program implemented primarily to provide expedited assistance to individuals and households housed at three Texas shelters. The debit cards, which resemble credit cards and bear the MasterCard logo, can be used at ATMs and at any commercial outlet that accepts MasterCard.

[6]We are also releasing today the results of our limited investigation into allegations that Military Meals, Ready-To-Eat rations intended for use in the hurricane relief efforts were instead sold to the public on the Internet auction site eBay. See GAO, *Investigation: Military Meals, Ready-To-Eat Sold on eBay*, GAO-06-410R (Washington, D.C.: Feb. 13, 2006).

This testimony will provide the results of our work related to whether (1) controls are in place and operating effectively to limit expedited assistance to qualified registrants, (2) indications exist of fraud and abuse in the registration for and receipt of expedited assistance and other payments, and (3) controls are in place and operating effectively over debit cards to prevent duplicate payments and improper usage. We plan to issue a detailed report with recommendations on the results of our audit.

Thus far, our work has focused primarily on the IHP registration process because individuals whose registrations are approved have access to expedited assistance payments and subsequently the full range of IHP benefits. To assess the design of controls, we performed walkthroughs of FEMA's processes for accepting registrations and awarding expedited assistance funds. To determine whether indications existed of fraud and abuse in expedited assistance and other disbursements, we provided FEMA data to the Social Security Administration (SSA) to verify against their records of valid social security numbers (SSNs), and reviewed the FEMA database of IHP registrations for other anomalies using data mining techniques. To determine whether registrations resulted in potentially fraudulent or improper payments, we selected a nonrepresentative selection of 248 registrations from our data mining results for further investigations. The 248 registrations represented 20 case studies—some involving multiple registrants—that we linked together through identical names, SSNs, damaged addresses and/or current addresses. Our analysis of potentially fraudulent use of SSNs and other data mining efforts are ongoing, and we plan to report on additional results in the future. For purposes of this testimony, we did not conduct sufficient work to project the magnitude of potentially fraudulent and improper IHP payments. We also proactively tested the adequacy of controls over the registration process for disaster assistance by submitting claims for relief using falsified identities, bogus addresses, and fabricated disaster stories. These tests were performed before FEMA provided us any information related to the processes used to screen IHP registrations and preclude some fraudulent registrations. Additional details on our scope and methodologies are included in appendix I.

In the course of our work, we made numerous written requests for key documents and sets of data related to the IHP, most dating back to October 2005. While FEMA officials promptly satisfied one key part of our request—databases of IHP registrants and payments—the majority of what

we requested has not been provided. On January 18, 2006, the Department of Homeland Security (DHS)[7] Office of General Counsel did provide us with well less than half of the documents that were requested. While the database and other data provided by FEMA enabled us to design procedures to test the effectiveness of FEMA's system of internal controls, it did not enable us to fully determine the root causes of weak or non-existent controls and formulate detailed recommendations. For example, as will be discussed later, FEMA and the DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments.

We conducted our audit and investigations from October 2005 through January 2006. Except for restrictions discussed previously related to the limitations that DHS placed on the scope on our audit work, we conducted our audit work in accordance with generally accepted government auditing standards and conducted investigative work in accordance with the standards prescribed by the President's Council on Integrity and Efficiency. Our findings today focus primarily on the results to date from of our data mining and investigative techniques.

Summary

We found weaknesses in the process that FEMA used to review registrations for disaster relief and approve assistance payments. These weaknesses leave the government vulnerable to fraud and abuse. Our work indicates that FEMA put in place limited procedures designed to prevent, detect, and deter certain types of duplicate and potentially fraudulent disaster registrations. However, FEMA did not apply these limited procedures to most registrations, thus leaving a substantial number of registrations without any protection against fraud and abuse. Specifically, individuals could apply for disaster assistance via the Internet or telephone. FEMA subjected Internet registrations to a limited verification process whereby a FEMA contractor used credit and other information to validate the identity of registrants. Those who failed the Internet verification process were advised to contact FEMA via telephone to reregister. However, FEMA did not apply the identity validation process

[7]In 2002, FEMA became part of the Department of Homeland Security (DHS). DHS officials required GAO to submit written requests for all documentation to DHS Office of General Counsel.

to any of the 1.5 million registrants who contacted FEMA and applied for assistance over the telephone. Our data mining and investigations confirmed FEMA's representation. For example, using falsified identities, bogus addresses, and fabricated disaster stories, we applied for disaster assistance over the telephone and obtained $2,000 expedited assistance payments.

Other control weaknesses further increased the government's exposure to fraud and abuse. We found that FEMA instituted automated checks that flagged hundreds of thousands of potentially duplicate registrations in the computer system FEMA used to process and approve IHP registrations for payments. FEMA officials informed us that these flagged registrations were subjected to additional reviews to conclude whether they were, in fact, duplicates. However, while the additional review process may have prevented many potentially fraudulent and improper payments, it did not prevent what appear to be other potentially fraudulent and improper payments based on duplicate registrations. We also found that FEMA did not implement procedures to validate whether damaged addresses used to register for assistance were bogus, for either Internet or telephone registrations.

With limited or nonexistent validation of registrants' identities and damaged addresses, it is not surprising that our data mining and investigations found substantial indicators of potential fraud and abuse related to false or duplicate information submitted on disaster registrations. For example, according to SSA data, FEMA made millions of dollars in payments to thousands of registrants who submitted SSNs that have not been issued or belonged to deceased individuals. Our data mining also detected that FEMA made tens of thousands of payments to registrants who provided other false or duplicate information on their registrations. Specifically, in the 20 case studies we investigated, a majority—165 of 248—of registrations contained SSNs that according to the SSA were never issued, belonged to deceased individuals, or did not match the name provided. In addition, about 80 of the over 200 alleged disaster addresses that we attempted to validate were bogus addresses. Also, our case study registrants did not live in many of the remaining valid addresses. In one specific case example, 17 individuals, some of whom shared the same last name and current addresses, used 34 different SSNs that did not belong to them and addresses that were bogus or not their residences to receive more than $103,000 in FEMA payments. In addition, because the hurricanes had destroyed many homes, we could not determine if approximately 15 of the alleged disaster addresses had ever existed.

Similar to the control weaknesses over expedited assistance payments distributed through checks and electronic funds transfers, we found that FEMA did not validate the identities of debit card recipients at three relief centers in Texas who registered via the telephone. Consequently, FEMA issued $2,000 debit cards to over 60 registrants who provided SSNs that were never issued or belonged to deceased individuals. We also found that FEMA made multiple expedited assistance payments to over 5,000 of the 11,000 debit card recipients. That is, FEMA provided the registrant both a $2,000 debit card and a $2,000 check or electronic fund transfer. Further, at the time of debit card issuance, unlike the recipients who received expedited assistance payments via checks or EFTs, FEMA did not issue specific instructions to debit card recipients on the use of the cards. We found that debit cards were used predominantly to obtain cash and thus are unable to determine how the money was actually used. The majority of the remaining debit card purchases were for food, clothing, and personal necessities. However, in isolated instances, a few debit cards were used for to pay for items or services that, on their face, do not seem essential to satisfy disaster related needs. For example, these debit cards were used in part to purchase adult entertainment, a .45 caliber hand gun, jewelry, bail bond services, and to pay for prior traffic violations.[8]

FEMA's Controls to Prevent Potentially Fraudulent Payments Were Not Effective

We found weak or nonexistent controls in the process that FEMA used to review disaster registrations and approve assistance payments that leave the federal government vulnerable to fraud and abuse. In the critical aftermath of hurricanes Katrina and Rita, FEMA moved swiftly to distribute expedited assistance payments to allow disaster victims to mitigate and overcome the effects of the disasters. In this context, the establishment of an effective control environment was a significant challenge. Specifically, we found that FEMA had implemented some controls prior to the disaster to provide automated validation of the identity of registrants who applied for assistance via the Internet. Our work thus far indicates that this resulted in FEMA rejecting some registrants who provided names and SSNs that did not pass the validation test. However, FEMA did not implement the same preventive controls for those who applied via the telephone. Our use of fictitious names, bogus addresses, and fabricated disaster stories to obtain expedited assistance

[8]Under the Act's implementing regulations, FEMA may recover funds that it determines were provided erroneously, that were spent inappropriately, or were obtained through fraudulent means. 44 C.F.R. § 206.116 (b)

payments from FEMA demonstrated the ease with which expedited assistance could be obtained by providing false information over the telephone. Because expedited assistance is a gateway to further IHP payments (up to $26,200 per registration), approval for expedited assistance payments potentially exposes FEMA, and the federal government, to more fraud and abuse related to temporary housing, home repair and replacement, and other needs assistance.

Pressure to Swiftly Deliver Aid Led to Approval of Expedited Assistance Payments with Minimal Verification

During the course of our audit and investigation, FEMA officials stated that they did not verify whether registrants had insurance and whether registrants were unable to live in their home prior to approving expedited assistance payments. According to FEMA officials, the unprecedented scale of the two disasters and the need to move quickly to mitigate their impact led FEMA to implement expedited assistance. Expedited assistance differs from the traditional way of delivering disaster assistance in that it calls for FEMA to provide assistance without requiring proof of losses and verifying the extent of such losses. Consequently, FEMA implemented limited controls to verify eligibility for the initial expedited assistance payments. According to FEMA officials, these controls were restricted to determining whether the damaged residence was in the disaster area and limited validation of the identity of registrants who used the Internet. Registrants who FEMA thought met these qualifications based on their limited assessments were deemed eligible for expedited assistance.

FEMA Did Not Validate Identity of Registrants Who Applied for Assistance via Telephone

FEMA implemented different procedures when processing disaster registrations submitted via the Internet and telephone calls. Of the more than 2.5 million registrations recorded in FEMA's database, i.e., registrations that were successfully recorded—60 percent (more than 1.5 million) were exempt from any identity verification because they were submitted via the telephone. Prior to sending out expedited assistance payments, FEMA did not have procedures in place for Internet or telephone registrations that screened out registrations where the alleged damaged address was a bogus address. The lack of identity verification for telephone registrations and any address validation exposed the government to fraud and abuse of the IHP program.

For registrations taken through FEMA's Web site, registrants were required to first provide a name, SSN, and date of birth. This information was immediately provided (in electronic format) to a FEMA contractor to compare against existing publicly available records. While registrants were

waiting on the Internet, the FEMA contractor took steps to verify registrants' identities. The verification steps involved confirming that the SSN matched with a SSN in public records, that the name and SSN combination matched with an identity registered in public records, and that the SSN was not associated with a deceased individual. The FEMA contractor was responsible for blocking any registrations for which any of these three conditions was not met. Additionally, registrants who passed the first gate had to provide answers to a number of questions aimed at further corroborating the registrants' identities. Registrants who were rejected via the Internet were advised to contact FEMA via telephone. Our audit and investigative work indicated that this verification process helped deter obviously fraudulent Internet registrations using false names and SSNs. However, FEMA kept no record of the names, SSNs, and other information related to the rejected registrations, and no record of the reasons that the FEMA contractor blocked the registration from going forward. FEMA acknowledged that it was conceivable that individuals who were rejected because of false information submitted via the Internet could get expedited assistance payments by providing the same false information over the telephone.

Although the identity verification process appeared to have worked for most Internet registrations, it did not identify a small number of registrations with invalid SSNs. According to information we received from the SSA, nearly 60 Internet registrants who received FEMA payments provided SSNs that were never issued or belonged to individuals who were deceased prior to the hurricanes. Results indicate that these individuals may have passed the verification process because public records used to verify registrants' identities were flawed. For example, one credit history we obtained indicated that a registrant had established a credit history using an invalid SSN.

Unlike the Internet process, FEMA did not verify the identity of telephone registrants who accounted for over 60 percent of disaster registrations recorded in FEMA's system. For registrants who registered only via telephone, or registrants who called FEMA subsequent to being denied on the Internet, FEMA did not have controls in place to verify that the SSN had been issued, that the SSN matched with the name, that the SSN did not belong to a deceased individual, or whether the registrants had been rejected on prior Internet registrations. Because the identity of telephone registrants was not subjected to basic verification, FEMA did not have any independent assurance that registrants did not falsify information to obtain disaster assistance. According to FEMA officials, FEMA had a request in place to modify its computer system to allow for identity

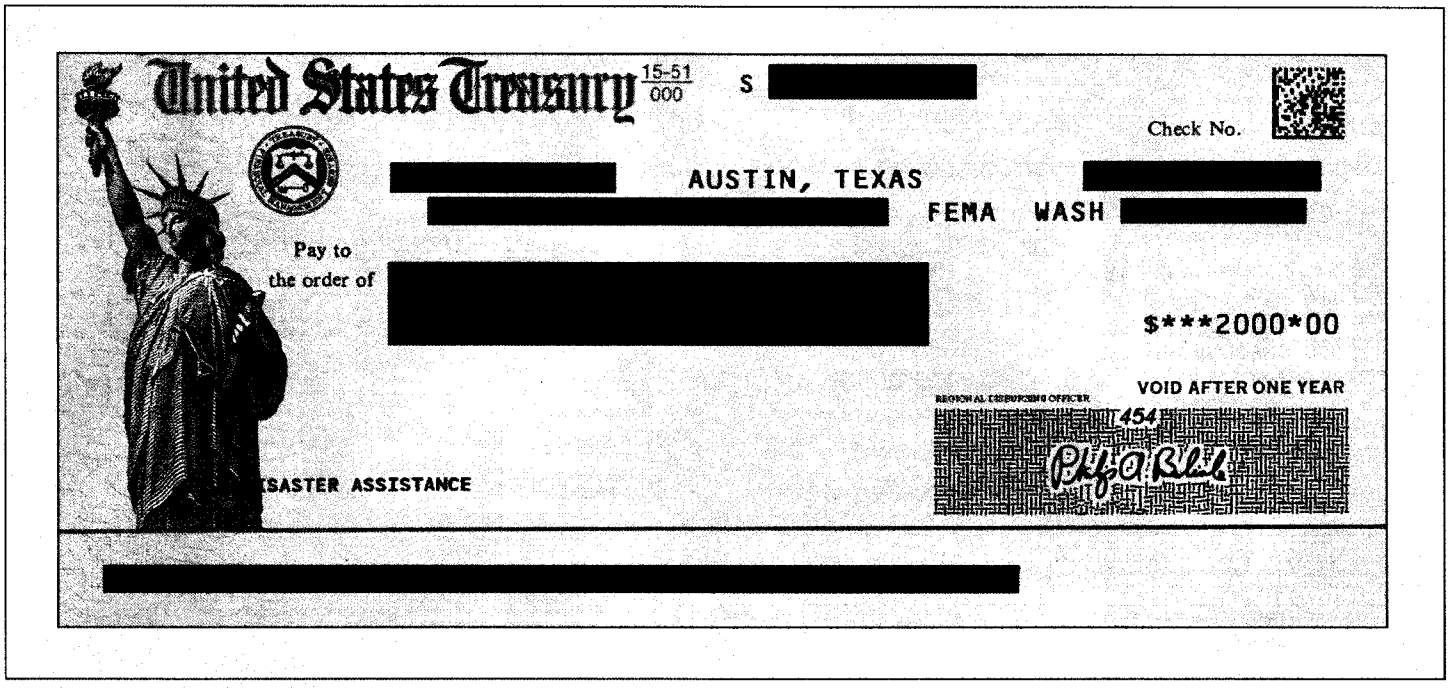
verification for telephone registrations similar to those used for the Internet. FEMA also represented to us that due to budget constraints and other considerations, the change was not implemented in time to respond to hurricanes Katrina and Rita. However, to date we have not received documentation to validate these representations.

Control Weaknesses Enabled GAO to Obtain $2,000 Expedited Assistance Checks

The lack of identity verification of phone registrants prior to disbursing funds makes FEMA vulnerable to authorizing expedited assistance payments based on fraudulent information submitted by registrants. Prior to obtaining information on the control procedures FEMA used to authorize expedited assistance payments, we tested the controls by attempting to register for disaster relief through two portals: (1) the Internet via FEMA's Web site and (2) telephone calls to FEMA. For both portals, we tested FEMA's controls by providing falsified identities and bogus addresses. In all instances, FEMA's Web site did not allow us to successfully finalize our registrations. Instead, the Web site indicated that there were problems with our registrations and advised us to contact the FEMA toll-free numbers if we thought that we were eligible for assistance. This is consistent with FEMA's representation that Internet registrations were compared against third-party information to verify identities.

Our investigative work also confirmed that the lack of similar controls over telephone registrations exposed FEMA to fraud and abuse. Specifically, in instances where we submitted via the telephone the same exact information that had been rejected on the Internet, i.e., falsified identities and bogus addresses, the information was accepted as valid. Subsequently, the claims were processed and $2,000 expedited assistance checks were issued. Figure 1 provides an example of an expedited assistance check provided to GAO.

Figure 1: $2,000 Expedited Assistance Check Provided to GAO Based on Bogus Registration



Source: GAO.

Additional case study investigations, which we discuss later, further demonstrated that individuals not affected by the disasters could easily provide false information to obtain expedited assistance and other IHP payments from FEMA. Convictions obtained by the Department of Justice also show that others have exploited these control weaknesses and received expedited assistance payments. For example, one individual in a College Station, Texas relief center pleaded guilty to false claims and mail fraud charges related to IHP and expedited assistance. Despite never having lived in any of the areas affected by the hurricane, this individual registered for and received $4,358 ($2,000 in expedited assistance and $2,358 in rental assistance) in hurricane Katrina IHP payments.

Other Control Weaknesses Exacerbated Government Exposure to Fraud and Abuse

We also found that FEMA instituted limited pre-payment checks in the National Emergency Management Information System (NEMIS) to automate the identification of duplicate registrations. However, the subsequent review process used to resolve these duplicate registrations was not effective in preventing duplicate and potentially fraudulent payments. We also found that FEMA did not implement procedures to

provide assurance that the disaster address was not a bogus address, either for Internet or telephone registrations.

FEMA's controls failed to prevent thousands of registrations with duplicate information from being processed and paid. Our work indicates that FEMA instituted limited automated checks within NEMIS to identify registrations containing duplicate information, e.g., multiple registrations with the same SSNs, duplicate damaged address telephone numbers, and duplicate bank routing numbers. Data FEMA provided enabled us to confirm that NEMIS identified nearly 900,000 registrations—out of 2.5 million total registrations—as potential duplicates. FEMA officials further represented to us that the registrations identified as duplicates by the system were "frozen" from further payments until additional reviews could be conducted. The purpose of the additional reviews was to determine whether the registrations were true duplicates, and therefore payments should continue to be denied, or whether indications existed that the registrations were not true duplicates, and therefore FEMA should make those payments. It appeared from FEMA data that the automated checks and the subsequent review process prevented hundreds of thousands of payments from being made on duplicate registrations. However, FEMA data and our case study investigations also indicate that the additional review process was not entirely effective because it allowed payments based on duplicate information.

We also found that FEMA did not implement effective controls for telephone and Internet registrations to verify that the address claimed by registrants as their damaged address existed. As will be discussed further below, many of our case studies of potential fraud show that payments were received based on claims made listing bogus damaged addresses. Our undercover work also corroborated that FEMA provided expedited assistance to registrants with bogus addresses.

Potentially Fraudulent Activities Resulting from Weak or Nonexistent FEMA IHP Controls

With limited or nonexistent validation of registrants' identities and the reported damaged addresses, it is not surprising that our data mining and investigations found substantial indicators of potential fraud and abuse related to false or duplicate information submitted on disaster registrations. Our audits and investigations of 20 cases studies comprising 248 registrations that received payments, and the undercover work we discussed earlier, clearly showed that individuals can obtain hundreds of

thousands of dollars of IHP payments based on fraudulent and duplicate information.[9] These case studies are not isolated instances of fraud and abuse. Rather, our data mining results to date indicate that they are illustrative of the wider internal control weaknesses at FEMA—control weaknesses that led to thousands of payments made to individuals who provided FEMA with incorrect information, e.g., incorrect SSNs and bogus addresses, and thousands more made to individuals who submitted multiple registrations for payments.

Case Study Examples Show That Control Weaknesses Have Been Exploited

Our audits and investigations of 20 case studies demonstrate that the weak or nonexistent controls over the registration and payment processes have opened the door to improper payments and individuals seeking to obtain IHP payments through fraudulent means. Specifically, a majority of our case study registrations—165 of 248—contained SSNs that were never issued or belonged to deceased or other individuals. About 20 of the 248 registrations we reviewed were submitted via the Internet. Further, of the over 200 alleged damaged addresses that we tried to visit, about 80 did not exist. Some were vacant lots, others turned out to be bogus apartment buildings and units. Because the hurricanes had destroyed many homes, we were unable to confirm whether about 15 additional addresses had ever existed. We also identified other fraud schemes unrelated to the weak and nonexistent validation and prepayment controls previously discussed, such as registrants who submitted registrations using valid addresses that were not their residences.

In total, the case study registrants of whom we conducted investigations have collected hundreds of thousands of dollars in payments based on potentially fraudulent activities. These payments include money for expedited assistance, rental assistance, and other IHP payments. Further, as our work progresses, we are uncovering evidence of larger schemes involving multiple registrants that are intended to defraud FEMA. We found these schemes because the registrants shared the same last names, current addresses, and/or damaged addresses—some of which we were able to confirm did not exist. While the facts surrounding the case studies provided us with indicators that potential fraud may have been perpetrated, further testing and investigations need to be conducted to determine whether these individuals were intentionally trying to defraud

[9]We used various indicators such as identical names, SSNs, damaged addresses, and current addresses to link multiple registrations together into the 20 case studies.

the government or whether the discrepancies and inaccuracies were the results of other errors. Consequently, we are conducting further investigations into these case studies. Table 1 highlights 10 of the 20 case studies we identified through data mining that we investigated. In addition, some individuals in the cases cited below submitted additional registrations but had not received payments as of mid December 2005.

Table 1: Examples of Potential Fraudulent and Duplicate Registrations That Received FEMA Payments

Case	Number of Registrations with Payments/ SSNs	Payments Received[a]	Number of Bogus Properties Used to Receive Payments[b]	Case Details
1	36/36	$103,000	At least 10	• Seventeen individuals received payments on 36 registrations using 34 SSNs that were not theirs. • Of the 17 addresses we visited, 13 were from the same apartment building, of which 6 did not exist. • 4 additional addresses were also invalid. • Payments included 31 expedited assistance payments totaling $62,000, and 18 in other payments, including rental payments.
2	15/15	$41,000	At least 8	• One individual received payments on 15 different SSNs—only one of which belonged to that person. • Investigative work also showed that 3 addresses were valid but were not addresses of the registrant. • Payments included 13 expedited assistance payments totaling $26,000 and $15,000 in other assistance, including housing. • The individual may have committed bank fraud by using an invalid SSN to open an account. • The individual had established credit using 2 SSNs that did not belong to the individual.
3	8/1	$16,000	None	• One individual received 8 expedited assistance payments using the same name, SSN, and current address. • Of the 8 addresses declared as damaged, two appeared to belong to the individual. • FEMA's automated edits identified at least 7 registrations as duplicates, nevertheless payments were issued.
4	23/23	$46,000	At least 14	• Two individuals received expedited assistance payments on 23 SSNs – 21 of which were not theirs. • Public records indicate that the individuals did not live at any of the 9 valid addresses. • Payments included 22 expedited assistance payments and 1 housing assistance payment.

Case	Number of Registrations with Payments/ SSNs	Payments Received[a]	Number of Bogus Properties Used to Receive Payments[b]	Case Details
5	38/38	$76,000	At least 10	• Six individuals received 38 payments on different SSNs—only 1 of which was traced back to them. • Payments included 37 expedited assistance payments totaling $74,000 and over $2,000 in other assistance.
6	18/18	$36,000	At least 12	• Individual received 18 expedited assistance payments using the same name and 18 different SSNs—only 1 of which belonged to the person. • Investigative work and public records also indicate that the individual had never lived at any of the 6 remaining valid addresses.
7	31/30	$92,000	At least 22	• A group of 8 individuals received payments on 31 registrations using 26 SSNs that did not belong to them. • 22 of the registrations were for addresses that did not exist. The remaining addresses were not validated. • Payments include 32 payments for expedited assistance and over $28,000 for other assistance including housing assistance.
8	6/6	$23,000	None	• Six apparent members of the same household registered 6 times using the same damaged addresses. • Five of the 6 individuals also shared the same current address. • Payments included 5 expedited assistance payments and $13,000 in other payments including housing assistance.
9	7/7	$15,000	None	• Seven apparent members of the same household received payments using the same damaged address. • One family member used a SSN that did not belong to the family member. • Six of the 7 individuals also shared the same current address. • Payments included 7 payments for expedited assistance.
10	7/7	$80,000	None	• Seven apparent members of the same household registered using the same damaged address. • Payments included 6 expedited assistance payments and $68,000 in other assistance.

Source: GAO analysis and investigation of FEMA data.

[a]Amount reflects total payments for IHP, which includes expedited assistance, temporary housing assistance, payments for repair and replacement of real and personal property, and payments for other needs such as medical, transportation, and other necessities.

[b]One address could be associated with multiple registrations.

The following provides illustrative detailed information on several of the cases.

- Case number 1 involves 17 individuals, several of whom had the same last name, who submitted at least 36 registrations claiming to be disaster victims of both Katrina and Rita. All 36 registrations were submitted through the telephone, using 36 different SSNs and 4 different current addresses. These individuals used their own SSNs on 2 of the registrations, but the remaining 34 SSNs were never issued or belonged to deceased or other individuals. The individuals received over $103,000 in IHP payments, including $62,000 in expedited payments and $41,000 in payments for other assistance, including temporary housing assistance. Our analysis shows that the individuals claimed 13 different damaged addresses within a single apartment building, and 4 other addresses within the same block in Louisiana. However, our physical inspection of these addresses revealed that 10 of the addresses were bogus addresses. Further audit and investigative work also shows that these individuals may not have lived at any of the valid disaster addresses at the time of hurricanes Katrina and Rita. We are conducting additional investigations on this case.

- Case number 2 involves an individual who used 15 different SSNs—one of which was the individual's own—to submit at least 15 registrations over the telephone. The individual claimed a different damaged address on all 15 registrations, and used 3 different current addresses—including a post office box, where the individual received payments. The individual received 16 payments totaling over $41,000 on 15 of the registrations. In all, the individual received 13 expedited assistance payments, 2 temporary housing assistance payments, and another payment of $10,500. Further investigative work disclosed that the individual may have committed bank fraud by using a false SSN to open a bank account. Other publicly available records indicate that the individual had used 2 SSNs that were issued to other people to establish credit histories.

- Case number 3 relates to a group of 8 registrations that resulted in 8 payments totaling $16,000. According to FEMA data, an individual registered for Rita disaster assistance at the end of September 2005. About 10 days later, the same individual submitted at least 7 additional registrations claiming 7 different disaster addresses, 2 of which we were able to confirm belonged to the individual and may be rental properties that the individual owns. However, because the FEMA database showed that these addresses were entered as the individual's primary residence—a primary requirement for IHP—the individual received 8 expedited assistance payments instead of just the one that he may have qualified for. We also found that the automated edits established in NEMIS identified

these registrations as potential duplicates. In spite of the edit flags, FEMA cleared the registrations for improper expedited assistance payments.

- Case number 4 involves 2 individuals who appear to be living together at the same current address in Texas. These 2 individuals received payments for 23 registrations submitted over the telephone using 23 different SSNs—two of which belonged to them—to obtain more than $46,000 in disaster assistance. The information the registrants provided related to many of the disaster addresses appeared false. The addresses either did not exist, or there was no proof the individuals had ever lived at these addresses.

- Case number 8 relates to 6 registrants with the same last name who registered for disaster assistance using the same damaged address, with 5 of the 6 using the same current address. FEMA criteria specify that individuals who reside together at the same address and who are displaced to the same address are entitled to only one expedited assistance payment. However, all 6 possible family members received 12 payments totaling over $23,000—$10,000 in expedited assistance and more than $13,000 in other assistance, including rental assistance.

Data Mining Indicates Potential Fraud and Abuse Beyond Our Case Studies

The case studies we identified and reported are not isolated instances of potential fraud and abuse. Rather, our data mining results show that they are indicative of fraud and abuse beyond these case studies, and point directly to the weaknesses in controls that we have identified. The weaknesses identified through data mining include ineffective controls to detect (1) SSNs that were never issued or belonged to deceased or other individuals, (2) SSNs used more than once, and (3) other duplicate information.

Misuse of Social Security Numbers on Registrations

Our data mining and case studies clearly show that FEMA's controls over IHP registrations provided little assurance that registrants provided FEMA with a valid SSN. Under 42 U.S.C. § 408, submitting a false SSN with the intent to deceive in order to obtain a federal benefit or other payment is a felony offense. Based on data provided by the SSA, FEMA made expedited assistance payments to thousands of registrants who provided SSNs that were never issued or belonged to deceased individuals. Further, SSA officials who assisted GAO in analyzing FEMA's registrant data informed us that tens of thousands more provided SSNs that belonged to other individuals. This problem is clearly illustrated in case 2, where FEMA made payments totaling over $41,000 to an individual using 15 different SSNs. According to SSA records, the individual received payments on 4 SSNs that belonged to deceased individuals and 10 SSNs that did not

match with the names provided on the registrations. As previously discussed, further testing and investigations need to be conducted to determine whether this individual was intentionally trying to defraud the government or whether the discrepancies and inaccuracies were the results of other errors.

Same Social Security Numbers Used on Multiple Registrations

Our data mining and case studies clearly show that FEMA's controls do not prevent individuals from making multiple IHP registrations using the same SSN. We found thousands of SSNs that were used on more than one registration associated with the same disaster. Because an individual can receive disaster relief only on his or her primary residence and a SSN is a unique number assigned to an individual, the same SSN should not be used to receive assistance for the same disaster. This problem is illustrated in case 3 above, where an individual registered for IHP 8 times using the same name, same SSN, and same current address—and thus could have qualified for only 1 expedited assistance payments—but instead received expedited assistance payments of $2,000 for 8 different registrations.

Multiple Payments Made to Different Registrations Containing the Same Key Information

Our data mining and case studies also show that the IHP controls to prevent duplicate payments did not prevent FEMA from making payments to tens of thousands of different registrants who used the same key registration information. FEMA's eligibility criteria specify that individuals who reside together at the same address and who are displaced to the same address are typically entitled to only one expedited assistance payment. FEMA policy also provides for expedited assistance payments to more than one member of the household in unusual circumstances, such as when a household was displaced to different locations. However, both our investigations and data mining found thousands of instances where FEMA made more than one payment to the same household that shared the same last name and damaged and current addresses. As illustrated in case 8, 5 of 6 individuals with the same last name, the same damaged address, and the same current address received multiple expedited assistance payments, instead of just one for which they qualified. While not all of the registrations that used the same key information were submitted fraudulently, additional investigations need to be conducted to determine whether or not the entire family was entitled to expedited and other IHP assistance.

Similarly, our data mining also determined that FEMA made payments to tens of thousands of IHP registrants who provided different damaged addresses but the same exact current address. As shown in case study 4 above, some registrations that fell into this category contained bogus addresses or addresses that were not the registrants' residences. Under 18

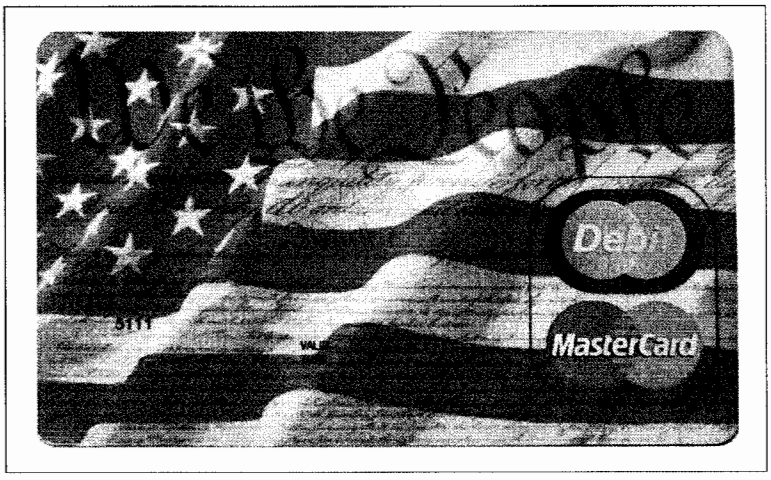
U.S.C. § 1001, a person who knowingly and willfully makes any materially false, fictitious, or fraudulent statement or representation shall be fined or imprisoned up to 5 years, or both.

Our data mining also found that FEMA made duplicate expedited assistance payments to tens of thousands of individuals for the same FEMA registration number. FEMA policy states that registrants should only receive one expedited assistance payment. However, in some cases, FEMA paid as many as four $2,000 expedited assistance payments to the same FEMA registration number. As discussed later, we also found that FEMA issued expedited assistance payments to more than 5,000 registrants who had already received debit cards. FEMA officials represented to us that they traced some of these obviously duplicate payments to a computer error that inadvertently caused the duplicate payments. However, they provided no supporting documentation.

Controls over Debit Cards Were Ineffective in Preventing Duplicate Payments and Improper Use

In the days following hurricane Katrina, FEMA experimented with the use of debit cards to expedite payments of $2,000 to about 11,000 disaster victims at three Texas shelters[10] who, according to FEMA, had difficulties accessing their bank accounts. Figure 2 is an example of a FEMA debit card.

Figure 2: FEMA Debit Card



Source: JP Morgan Chase.

[10]The shelters were located in Dallas, Houston, and San Antonio.

The debit card program was an effective means of distributing relief quickly to those most in need. However, we found that because FEMA did not validate the identity of debit card recipients who registered over the telephone, some individuals who supplied FEMA with SSNs that did not belong to them also received debit cards. We also found that controls over the debit card program were not effectively designed and implemented to prevent debit card recipients from receiving duplicate expedited assistance payments, once through the debit card and again through check or EFT. Finally, unlike the guidance provided to other IHP registrants, at the time FEMA distributed the debit cards, FEMA did not provide instructions informing them that the funds on their cards must be used for appropriate purposes.

Debit Cards Issued to Individuals Providing Invalid Social Security Numbers

As discussed previously, FEMA did not verify the identity of individuals and/or households who submitted disaster registrations over the telephone. This weakness occurred in the debit card program as well. FEMA required the completion of a disaster registration prior to a household or individual being able to receive a debit card. According to FEMA officials, registrants at the three centers applied for assistance via the telephone and Internet. Therefore, to the extent that registrations for the debit card were taken over the telephone, FEMA did not subject the identity of the registrants to a verification process. Consequently, we identified 50 debit cards issued to registrants listing SSNs that the SSA had no record of issuing, and 12 cards issued to registrants using SSNs belonging to deceased individuals. For example, one registrant used an invalid SSN to receive a $2,000 debit card and used about $500 of that money to pay prior traffic violations to reinstate a driver's license. In another case, a registrant used the SSN of an individual who died in 1995 to receive a $2,000 debit card. FEMA subsequently deposited an additional $7,554 in IHP payments to that debit card account for additional claims submitted by that individual. This registrant withdrew most of the $9,554 deposited into the debit card account by obtaining ATM cash withdrawals.

Thousands of Debit Card Recipients Received Multiple Expedited Assistance Payments

Based on a comparison of FEMA's IHP payments and the list of debit card recipients, we found that over 5,000 of the 11,000 debit card recipients received more than one $2,000 expedited assistance payment because they received a debit card and another form of payment (check or EFT). According to FEMA officials, they were aware that several individuals had already registered for IHP assistance and that some payments had already been made prior to issuance of a debit card. However, FEMA officials stated that individuals in the three shelters in Texas would not have access

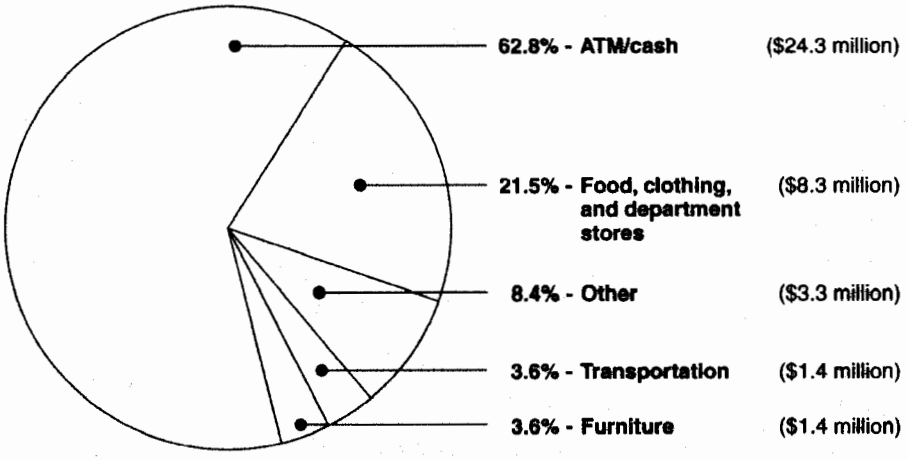
to their home addresses or bank accounts and therefore needed immediate assistance in the form of debit cards. Our review of FEMA data disproved FEMA's belief that only a few individuals who received debit cards also received other disaster assistance payments. Instead, thousands, or nearly half, of the individuals who received debit cards also received checks or EFTs that were made several days after the debit cards had been issued. The result was that FEMA paid more than $10 million dollars in duplicate expedited assistance payments to individuals who had already received their $2,000 of expedited assistance.

FEMA Debit Card Transactions

In general, once FEMA receives a disaster registration, FEMA sends a package containing IHP information and detailed instructions, including instructions on how to follow up on benefits, how to appeal if denied benefits, and the proper use of IHP payments. However, FMS and FEMA officials informed us that FEMA did not specifically provide instructions on how the debit cards should only be used for necessary expenses and serious needs related to the disasters at the same time the debit cards were distributed. We found that in isolated instances, debit cards were used for adult entertainment, to purchase weapons, and for purchases at a massage parlor that had been previously raided by local police for prostitution.

Our analysis of debit card transaction data provided by JP Morgan Chase found that the debit cards were used predominantly to obtain cash which did not allow us to determine how the money was actually used. The majority of the remaining transactions was associated with purchases of food, clothing, and personal necessities. Figure 3 shows a breakdown of the types of purchases made by cardholders.

Figure 3: Breakdown of Purchases Made with FEMA Debit Cards



Source: GAO analysis of JP Morgan Chase debit card transactions.

We found that in isolated instances, debit cards were used to purchase goods and services that did not appear to meet serious disaster related needs as defined by the regulations. In this regard, FEMA regulation provides that IHP assistance be used for housing-related needs and items or services that are essential to a registrant's ability to overcome disaster related hardship. Table 2 details some of the debit cards activities we found that did not appear to be for essential disaster related items or services.

Table 2: Purchases that Did Not Appear Necessary to Satisfy Immediate Emergency Needs

Vendors	Location	Nature of Transaction	Amount
Elliot's Gun Shop	Jefferson, LA	.45 caliber pistol	$1,300
D Houston	Houston, TX	Gentlemen's club	1,200
Friedman's Jewelers	Plano, TX	Diamond engagement ring	1,100
Argosy Casino	Baton Rouge, LA	7 ATM withdrawals within one day at a gambling institution	1,000
Tim Fanguy Bail Bonds	Houma, LA	Partial bail bond payment	1,000
Department of Public Safety	Baton Rouge, LA	Payment of prior traffic violations for driver's license reinstatement	700
Cat Tattoo	Addison, TX	Tattoo on arm	450
Swedish Institute	Irving, TX	Massage parlor	400
Tiger Beer and Wine	Dallas, TX	Alcohol beverages	200
Condoms To Go	Dallas, TX	Adult erotica products	150

Source: GAO analysis of debit card transactions and additional investigations.

Conclusions

FEMA has a substantial challenge in balancing the need to get money out quickly to those who are actually in need and sustaining public confidence in disaster programs by taking all possible steps to minimize fraud and abuse. Based on our work to date, we believe that more can be done to prevent fraud through validation of identities and damage addresses and enhanced use of automated system verification intended to prevent fraudulent disbursements. Once fraudulent registrations are made and money is disbursed, detecting and pursuing those who committed fraud in a comprehensive manner is more costly and may not result in recoveries. Further, many of those fraudulently registered in the FEMA system already received expedited assistance and will likely receive more money, as each registrant can receive as much as $26,200 per registration.

Another key element to preventing fraud in the future is to ensure there are consequences for those that commit fraud. For the fraud cases that we are investigating, we plan to refer them to the Katrina Fraud Task Force for further investigation and, where appropriate, prosecution. We believe that prosecution of individuals who have obtained disaster relief payments through fraudulent means will send a message for future disasters that there are consequences for defrauding the government.

Madam Chairman and Members of the Committee, this concludes my statement. I would be pleased to answer any questions that you or other members of the committee may have at this time.

Contacts and Acknowledgements

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-7455 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

Appendix I: Objectives, Scope, and Methodology

To assess controls in place over the Federal Emergency Management Agency (FEMA)'s Individuals and Households Program (IHP), we interviewed FEMA officials and performed walkthroughs at the National Processing Service Center in Winchester, Va. We reviewed the Stafford Act, Pub. L. 93-288, the implementing regulations, and FEMA's instructions to disaster registrants available via the Internet. In addition, to proactively test controls in place, we applied for assistance using falsified identities, bogus addresses, and fictitious disaster stories to determine if IHP payments could be obtained based on fraudulent information. Because of several key unanswered requests for documentation from the Department of Homeland Security (DHS), information needed to fully assess the expedited assistance program was limited. For example, FEMA and DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments. Consequently, our work was limited to our analysis of the FEMA databases, investigations we conducted, data widely available to the public via the Internet, and information FEMA officials orally provided to us.

To determine the magnitude and characteristics of IHP payments, we obtained the FEMA IHP database as of December 2005. We validated that the database was complete and reliable by comparing the total disbursements against reports FEMA provided to the Senate Appropriations Committee on Katrina/Rita disbursements. We summarized the amounts of IHP provided by type of assistance and by location of disaster address.

To determine whether indications existed of fraud and abuse in expedited assistance and other disbursements, we provided FEMA data to the Social Security Administration (SSA) to verify against their records of valid social security numbers (SSNs). We also used data mining and forensic audit techniques to identify registrations containing obviously false data, such as multiple registrations containing the same name, same current or damaged address, but different SSNs, and registrations containing duplicate information, such as duplicate names and SSNs. To determine whether registrations from our data mining resulted in potentially fraudulent and/or improper payments, we used a nonrepresentative selection of 248 registrations representing 20 case studies (case studies included multiple individuals and registrations) for further investigation. We restricted our case studies to registrations that received payments as of mid-December 2005, and noted that some registrants within our case studies also submitted additional registrations—for which they may receive future

payments. We also identified instances where groups of registrants may have been involved in schemes to defraud FEMA. We found these schemes because the registrants provided the same SSNs, last names, current addresses, and/or damaged addresses on their registrations. Our macro analysis of potentially fraudulent use of SSNs and other data mining are ongoing, and we plan to report additional results at a future date. For purposes of this testimony, we did not conduct sufficient work to project the magnitude of potentially fraudulent and improper payments of IHP. We also visited over 200 of the claimed damaged addresses related to our case studies to determine whether or not the addresses were valid.

To assess the types of purchases made with FEMA debit cards distributed at relief centers, we reviewed a database of transactions provided by JP Morgan Chase, the administrating bank for the debit cards. SSA also assisted us to compare cardholder data with SSA records to determine whether registrants receiving debit cards had provided valid identities. We performed data mining on debit card transactions to identify purchases that did not appear to be indicative of necessary expenses as defined by the Stafford Act's implementing regulations. Finally, we validated specific transactions identified in the database by obtaining information on actual items purchased from the vendors.

In the course of our work, we made numerous written requests for key documents and sets of data related to the IHP, most dating back to October 2005. While FEMA officials promptly complied with one key part of our request—that is FEMA made available databases of IHP registrants and payments—the majority of items requested have not been provided. On January 18, 2006, the Department of Homeland Security Office of General Counsel provided us with well less than half of the documents that were requested. For example, FEMA and the DHS had not provided us documentation to enable us to conclusively determine the reason that FEMA submitted some registrations, and did not submit other registrations, to identity validation prior to issuing expedited assistance payments. While the database and other data provided by FEMA enabled us to design procedures to test the effectiveness of the FEMA's system of internal controls, it did not enable us to comprehensively determine the root causes of weak or non-existent controls.

During the course of our audit work, we identified multiple cases of potential fraud. For cases that we investigated and found significant evidence of fraudulent activity, we plan to refer our cases directly to the Hurricane Katrina Fraud Task Force. Except for scope limitations due to a lack of documentation provided by DHS, we performed our work from

October 2005 through January 2006 in accordance with generally accepted government auditing standards and quality standards for investigations as set forth by the President's Council on Integrity and Efficiency.

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Appendix F

AUDITOR GENERAL

WILLIAM O. MONROE, CPA

DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF EMERGENCY MANAGEMENT
HURRICANE DISASTER RELIEF AND EMERGENCY ASSISTANCE TO INDIVIDUALS

Operational Audit

SUMMARY

This operational audit focused primarily on the Department of Community Affairs' Division of Emergency Management's (Division) role and responsibilities under agreements with the Federal Emergency Management Agency (FEMA) to provide assistance to individuals that sustained damage from one or more of the four hurricanes that struck Florida in the Fall of 2004. Our audit was performed subsequent to the hurricane events and not under the emergency conditions existing at the time of the disasters. The audit included the period January 2004 through February 2005, and selected actions taken through August 2005. Our audit disclosed that Division procedures could be enhanced, as described below:

Finding No. 1: The Division's verification and payment processing procedures for reimbursing FEMA did not provide adequate assurance that amounts were appropriate prior to payment.

Finding No. 2: The Division's agreed-upon replacement amount for destroyed automobiles sometimes resulted in FEMA payments to individuals in excess of the pre-disaster value of automobiles.

BACKGROUND

The Division is responsible for coordinating emergency planning, preparedness, recovery, and mitigation for all natural and man-made disasters that may occur in the State of Florida. One aspect of these responsibilities includes coordination with efforts of FEMA in providing disaster relief and emergency assistance. FEMA and the Division established a partnership for the administration of the Other Needs Assistance (ONA) portion of the Individuals and Households Program.[1] On August 13, 2004, FEMA and the Division executed a State Administrative Plan (SAP) to govern the delivery of assistance following Presidential declared major disasters. Under this SAP, the Division on behalf of the State of Florida selected the administrative option whereby FEMA would directly administer and process assistance payments to individuals.

As a result of the four hurricanes that struck Florida in the Fall of 2004, the President issued major disaster declarations. The Division and FEMA entered into four FEMA-State Agreements (Agreement), one for each Presidential declared major disaster. The provisions of each Agreement include a list of areas of the State eligible for Federal assistance and the financial responsibilities of FEMA and the State. In all four Agreements the State of Florida agreed to reimburse FEMA for 25 percent of assistance FEMA provides to individuals for ONA. FEMA was responsible for billing the State on a monthly basis and the State agreed to pay the bill within 30 days of receipt. Under the administrative option discussed above, the cost of State

[1] Section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 United States Code 5174.

level activities associated with processing reimbursements to FEMA for the State's 25 percent share are the sole responsibility of the State.

FEMA provided approximately $618 million to 471,000 individuals for ONA from September 2004 through June 2005 for losses and damage sustained from Hurricanes Charley (August 11, 2004), Frances (September 3, 2004), Ivan (September 13, 2004), and Jeanne (September 24, 2004).[2] The Division has paid to FEMA approximately 25 percent of this amount, $155 million as of June 30, 2005.

FINDINGS AND RECOMMENDATIONS

FEMA Individuals and Households Assistance Program

The FEMA Individuals and Households Assistance (IA) Program pays amounts to individuals in areas of a major disaster who sustain damage resulting in a loss that is not otherwise subject to recovery from homeowners or other insurance. The Program pays individuals under two major categories (limited to $25,600[3] per incident/claimant), Housing Assistance (funded 100 percent by FEMA) and ONA (funded 75 percent by FEMA and 25 percent by the State). Housing Assistance is for uninsured losses for home repair or replacement and rental assistance for temporary housing. ONA is for uninsured loss of personal property, transportation expenses, moving and storage expenses, and the reimbursement of serious need expenses such as medical, dental, and funeral costs.

Individuals who sustain uninsured losses for nonbusiness damage attributable to a hurricane or other natural disaster in a declared county can apply to FEMA for program assistance. Individuals applying for this assistance must supply their name, social security number, a description of the damage, insurance information, the address or directions to the damaged property, and a contact telephone number. Individuals can apply by phone or over the Internet. Also, the applicant must indicate if they are currently able to live in their residence (home, mobile home, apartment, condominium, boat, or other). Applications are assigned a FEMA application number and entered into the FEMA National Emergency Management Information System (NEMIS).[4] If an inspection is required, within 10 days, the applicant is contacted to set up an appointment time with a FEMA inspector, who will go to the damage site and assess the damage. The inspectors enter information into NEMIS and within 10 more days a decision is made and a letter is written to the applicant. This letter states whether the claim has been approved and the amount to be paid on the claim.

Under the provisions of the SAP dated August 13, 2004, the Division established dollar amounts for certain types and categories of claims. For example, a $6,500 fixed lump-sum amount was set for the replacement of a destroyed automobile and a $7,500 maximum amount was set for funeral expenses for hurricane-related deaths. In addition, the SAP establishes quantity limits for certain ONA miscellaneous items such as generators, chain saws, wet-dry vacuums, dehumidifiers, and air purifiers. For these miscellaneous items, FEMA determines the reimbursement methodology and amounts using a nationwide appraisal firm.

Finding No. 1: Payments to FEMA

In accordance with each Agreement, FEMA submits monthly bills to the Division requesting reimbursement for the State's 25 percent share of payments made to individuals under the ONA program. FEMA provides information including the applicant name, registration identification number, and amounts paid for each individual claim. Using the registration identification number, the Division can access NEMIS which provides detailed information to sample and verify paid

[2] Table 1 on pages 4 and 5 includes storm data by county.

[3] For events occurring on or after October 1, 2004, this amount increased to $26,200.

[4] Weaknesses and limitations of NEMIS were addressed in a September 2005, Department of Homeland Security Internal Audit Report (OIG-05-36 September 2005) on Information Technology. The audit indicated that state users can access NEMIS using stand-alone computers but not directly from their desktops. This has forced some states to use manual or convoluted processes to transfer NEMIS information to their state systems.

claims. Our review of the Division's verification and payment processing procedures disclosed the following:

- Although the Division had detailed claim information from FEMA, for over seven months it did not perform any sampling or verification procedures on the approximately 471,000 individual claims prior to reimbursing FEMA $155 million. In May 2005, subsequent to audit inquiry, the Division selected a sample of 3,500 individual claims and conducted phone verifications of these claims. Division personnel indicated that contact was made with approximately 2,000 of the 3,500 individuals. The individuals contacted were asked to confirm both the type and dollar amount of assistance received. The Division indicated that for 10 payments, additional follow-up procedures were required. In August 2005, the Division completed follow-up procedures needed for all 10 payments. As of the close of our field work, the Division had not performed alternative verification procedures for the 1,500 individuals not contacted and had not sampled additional claims.
- Monthly billings from FEMA include credits for refunds. Refunds through June 30, 2005, on monthly billings totaled approximately $2.1 million. The Division indicated that detailed information (i.e., applicant name, registration identification number, reason for refund, etc.) was not provided by FEMA. As part of determining the appropriateness of the net amount billed, the Division needs a basis for determining the appropriateness of refund amounts.

We recognize that after-the-fact sampling and verification efforts by the Division are not a substitute for effective FEMA[5] controls and procedures over claims inspection and payment. We also acknowledge that the financial cost associated with sampling and verification procedures implemented by the Division would be the sole responsibility of the State. However, timely, focused verification efforts by the Division may assist in identifying patterns of erroneous payments and more egregious false claims.

Recommendation: The Division should develop and implement verification and payment processing procedures that provide reasonable assurance that reimbursements made to FEMA represent valid obligations of the State. These procedures should incorporate timely sampling of both individual claims payments and applied refunds.

Finding No. 2: Payments for Destroyed Automobiles

In each Agreement, the Division agreed to pay FEMA the State's 25 percent share of all ONA paid claims, including amounts paid for the replacement of automobiles. As stated earlier, the Division in the SAP established $6,500 as the fixed lump-sum amount to be paid by FEMA for the replacement of destroyed automobiles. As of March 31, 2005, FEMA data indicated that 10,732 claims were paid for automobile repairs and replacements totaling $10,577,840 for the four hurricanes of 2004.

Of the 10,732 claims, 775 vehicle replacement payments were made for $6,500 each ($5,037,500). In a May 2005, Department of Homeland Security Inspector General Audit Report,[5] it was noted from a test of 21 payments that 18 were for $6,500 each. The report noted that 13 of these vehicle replacement payments were for vehicles that had a retail value less than $6,500 (ranging from $850 to $5,500). On May 10, 2005, the Division revised the SAP establishing the new fixed lump-sum replacement amount at $4,000.

Recommendation: The Division should continue to work with FEMA to ensure that the amounts to be paid for destroyed automobiles is reasonable in relation to the pre-disaster value of the automobile.

[5] FEMA received criticism in a May 2005, Department of Homeland Security Internal Audit Report (OIG-05-20 May 2005) for the administration of this program in Miami-Dade County. The audit cited lack of oversight of poorly trained contract inspectors and procedures that were unclear, ineffective, and inadequate which caused many of the problems noted by the Department of Homeland Security Inspector General. The audit noted that many of the issues cited were pervasive in FEMA's administration of the Individuals and Households Assistance Program and could affect the claims process in other counties and in other States. The issues cited above were not under or subject to the control of the Division.

TABLE 1
INDIVIDUALS AND HOUSEHOLD PROGRAM PAYMENTS (IN THOUSANDS)
JULY 2004 THROUGH MARCH 2005

	Other Needs Assistance											
	Hurricane Charley			Hurricane Frances			Hurricane Ivan			Hurricane Jeanne		
County	Federal	State	Total	Federal	State	Total	Federal	State	Total	Federal	State	Total
Alachua	$ -	$ -	$ -	$ 1,452	$ 484	$ 1,936	$ -	$ -	$ -	$ 678	$ 226	$ 904
Baker	-	-	-	84	28	112	-	-	-	103	34	137
Bay	-	-	-	-	-	-	968	323	1,291	-	-	-
Bradford	-	-	-	751	250	1,001	-	-	-	708	236	944
Brevard	986	329	1,315	16,082	5,361	21,443	18	6	24	12,510	4,170	16,680
Broward	-	-	-	5,877	1,959	7,836	-	-	-	-	-	-
Calhoun	-	-	-	-	-	-	165	55	220	-	-	-
Charlotte	18,171	6,057	24,228	752	251	1,003	-	-	-	466	155	621
Citrus	-	-	-	1,196	399	1,595	10	3	13	569	190	759
Clay	-	-	-	772	257	1,029	12	4	16	450	150	600
Collier	153	51	204	-	-	-	-	-	-	-	-	-
Columbia	-	-	-	1,296	432	1,728	-	-	-	622	207	829
DeSoto	8,330	2,777	11,107	831	277	1,108	-	-	-	1,830	610	2,440
Dixie	23	8	31	321	107	428	-	-	-	347	116	463
Duval	234	78	312	1,140	380	1,520	35	12	47	953	318	1,271
Escambia	-	-	-	-	-	-	34,412	11,471	45,883	-	-	-
Flagler	137	46	183	910	303	1,213	3	1	4	295	98	393
Franklin	-	-	-	-	-	-	109	36	145	-	-	-
Gadsden	-	-	-	-	-	-	66	22	88	-	-	-
Gilchrist	-	-	-	438	146	584	-	-	-	223	74	297
Glades	11	4	15	91	30	121	-	-	-	293	98	391
Gulf	-	-	-	-	-	-	183	61	244	-	-	-
Hamilton	-	-	-	-	-	-	-	-	-	115	38	153
Hardee	4,613	1,538	6,151	932	311	1,243	-	-	-	1,508	503	2,011
Hendry	139	46	185	456	152	608	-	-	-	853	284	1,137
Hernando	-	-	-	676	225	901	-	-	-	497	166	663
Highlands	2,293	764	3,057	926	309	1,235	6	2	8	3,828	1,276	5,104
Hillsborough	-	-	-	2,310	770	3,080	-	-	-	3,983	1,328	5,311
Holmes	-	-	-	-	-	-	327	109	436	-	-	-
Indian River	31	10	41	7,819	2,606	10,425	14	5	19	10,462	3,487	13,949
Jackson	-	-	-	-	-	-	378	126	504	-	-	-
Jefferson	-	-	-	-	-	-	-	-	-	57	19	76
Lafayette	-	-	-	-	-	-	-	-	-	27	9	36
Lake	286	95	381	1,777	592	2,369	8	3	11	2,054	685	2,739
Lee	7,732	2,577	10,309	866	289	1,155	34	11	45	-	-	-
Leon	-	-	-	-	-	-	85	28	113	-	-	-
Levy	46	15	61	585	195	780	-	-	-	242	81	323
Liberty	-	-	-	-	-	-	42	14	56	-	-	-
Madison	-	-	-	-	-	-	-	-	-	178	59	237
Manatee	337	112	449	481	160	641	3	1	4	1,293	431	1,724
Marion	-	-	-	4,278	1,426	5,704	70	23	93	3,201	1,067	4,268
Martin	-	-	-	6,380	2,127	8,507	8	3	11	6,819	2,273	9,092
Miami-Dade	-	-	-	13,385	4,462	17,847	-	-	-	-	-	-
Monroe	43	14	57	-	-	-	-	-	-	-	-	-
Nassau	-	-	-	94	31	125	-	-	-	79	26	105
Okaloosa	-	-	-	-	-	-	4,778	1,593	6,371	-	-	-
Okeechobee	17	6	23	2,301	767	3,068	12	4	16	4,738	1,579	6,317
Orange	10,977	3,659	14,636	7,947	2,649	10,596	28	9	37	7,692	2,564	10,256
Osceola	7,039	2,346	9,385	3,312	1,104	4,416	3	1	4	3,504	1,168	4,672
Palm Beach	-	-	-	28,807	9,602	38,409	79	26	105	23,103	7,701	30,804
Pasco	168	56	224	1,179	393	1,572	17	6	23	1,665	555	2,220
Pinellas	-	-	-	714	238	952	-	-	-	1,990	663	2,653
Polk	12,481	4,160	16,641	6,322	2,107	8,429	32	11	43	18,584	6,195	24,779
Putnam	-	-	-	2,597	866	3,463	-	-	-	1,724	575	2,299
Santa Rosa	-	-	-	-	-	-	19,560	6,520	26,080	-	-	-
Sarasota	496	165	661	395	132	527	-	-	-	746	249	995
Seminole	4,252	1,417	5,669	3,467	1,156	4,623	30	10	40	1,908	636	2,544
St. Johns	47	16	63	922	307	1,229	10	3	13	494	165	659
St. Lucie	-	-	-	15,740	5,247	20,987	24	8	32	19,720	6,573	26,293
Sumter	-	-	-	834	278	1,112	-	-	-	1,130	377	1,507
Suwannee	-	-	-	264	88	352	-	-	-	282	94	376
Taylor	-	-	-	-	-	-	36	12	48	42	14	56
Union	-	-	-	184	61	245	-	-	-	105	35	140
Volusia	7,740	2,580	10,320	14,305	4,768	19,073	24	8	32	3,323	1,108	4,431
Wakulla	-	-	-	-	-	-	29	10	39	-	-	-
Walton	-	-	-	-	-	-	934	311	1,245	-	-	-
Washington	-	-	-	-	-	-	131	44	175	-	-	-
Total	$ 86,782	$ 28,926	$ 115,708	$ 162,248	$ 54,082	$ 216,330	$ 62,683	$ 20,895	$ 83,578	$ 145,993	$ 48,665	$ 194,658

Source: Data provided by Federal Emergency Management Agency

TABLE 1 (CONTINUED)
INDIVIDUALS AND HOUSEHOLD PROGRAM PAYMENTS (IN THOUSANDS)
JULY 2004 THROUGH MARCH 2005

	Combined Totals for all Four 2004 Hurricanes				
County	Total Federal Other Needs Assistance	Total State Other Needs Assistance	Combined Total Other Needs Assistance	Total Federal Housing Assistance	Combined Total Individuals and Households Program
Alachua	$ 2,130	$ 710	$ 2,840	$ 3,845	$ 6,685
Baker	187	62	249	424	673
Bay	968	323	1,291	1,572	2,863
Bradford	1,459	486	1,945	2,105	4,050
Brevard	29,596	9,866	39,462	29,605	69,067
Broward	5,877	1,959	7,836	6,278	14,114
Calhoun	165	55	220	311	531
Charlotte	19,389	6,463	25,852	17,183	43,035
Citrus	1,775	592	2,367	2,909	5,276
Clay	1,234	411	1,645	1,697	3,342
Collier	153	51	204	219	423
Columbia	1,918	639	2,557	3,719	6,276
DeSoto	10,991	3,664	14,655	10,389	25,044
Dixie	691	231	922	1,879	2,801
Duval	2,362	788	3,150	3,254	6,404
Escambia	34,412	11,471	45,883	38,649	84,532
Flagler	1,345	448	1,793	1,162	2,955
Franklin	109	36	145	207	352
Gadsden	66	22	88	166	254
Gilchrist	661	220	881	1,379	2,260
Glades	395	132	527	727	1,254
Gulf	183	61	244	229	473
Hamilton	115	38	153	289	442
Hardee	7,053	2,352	9,405	8,096	17,501
Hendry	1,448	482	1,930	1,650	3,580
Hernando	1,173	391	1,564	2,288	3,852
Highlands	7,053	2,351	9,404	7,100	16,504
Hillsborough	6,293	2,098	8,391	10,515	18,906
Holmes	327	109	436	792	1,228
Indian River	18,326	6,108	24,434	20,249	44,683
Jackson	378	126	504	747	1,251
Jefferson	57	19	76	206	282
Lafayette	27	9	36	97	133
Lake	4,125	1,375	5,500	7,019	12,519
Lee	8,632	2,877	11,509	11,456	22,965
Leon	85	28	113	153	266
Levy	873	291	1,164	2,103	3,267
Liberty	42	14	56	159	215
Madison	178	59	237	1,006	1,243
Manatee	2,114	704	2,818	2,666	5,484
Marion	7,549	2,516	10,065	10,421	20,486
Martin	13,207	4,403	17,610	14,690	32,300
Miami-Dade	13,385	4,462	17,847	13,172	31,019
Monroe	43	14	57	55	112
Nassau	173	57	230	219	449
Okaloosa	4,778	1,593	6,371	5,656	12,027
Okeechobee	7,068	2,356	9,424	8,396	17,820
Orange	26,644	8,881	35,525	36,445	71,970
Osceola	13,858	4,619	18,477	22,357	40,834
Palm Beach	51,989	17,329	69,318	65,696	135,014
Pasco	3,029	1,010	4,039	7,918	11,957
Pinellas	2,704	901	3,605	4,751	8,356
Polk	37,419	12,473	49,892	44,514	94,406
Putnam	4,321	1,441	5,762	5,243	11,005
Santa Rosa	19,560	6,520	26,080	21,975	48,055
Sarasota	1,637	546	2,183	1,198	3,381
Seminole	9,657	3,219	12,876	8,398	21,274
St. Johns	1,473	491	1,964	1,759	3,723
St. Lucie	35,484	11,828	47,312	37,843	85,155
Sumter	1,964	655	2,619	2,802	5,421
Suwannee	546	182	728	1,320	2,048
Taylor	78	26	104	266	370
Union	289	96	385	517	902
Volusia	25,392	8,464	33,856	23,527	57,383
Wakulla	29	10	39	59	98
Walton	934	311	1,245	2,264	3,509
Washington	131	44	175	410	585
Total	$ 457,706	$ 152,568	$ 610,274	$ 546,370	$ 1,156,644

Source: Data provided by Federal Emergency Management Agency

OTHER MATTERS

The limitations in the FEMA NEMIS, as disclosed by the September 2005, Department of Homeland Security Internal Audit Report (OIG-05-36), significantly hinders the Department's ability to perform needed verification and monitoring responsibilities. To facilitate Federal and State cooperation in this matter, copies of this report have been provided to Federal stakeholders including, the Governmental Accountability Office and the Department of Homeland Security.

OBJECTIVES, SCOPE, AND METHODOLOGY

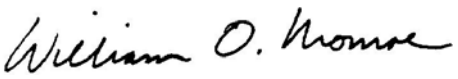
Our audit focused on the Department of Community Affairs' Division of Emergency Management's role and responsibilities under agreements with the Federal Emergency Management Agency (FEMA) to provide assistance to individuals that sustained damage from one or more of the four hurricanes that struck Florida in the Fall of 2004. The objectives of the audit were:

- To evaluate the effectiveness of the Division's verification and payment assessing procedures for making reimbursements to FEMA.
- To evaluate the extent to which the Division had complied with controlling laws, administrative rules, and other guidelines.

In conducting our audit, we interviewed Division personnel, observed selected operations, reviewed Division records, and completed various analyses and procedures. Our audit included the examination of various documents (as well as events and conditions) applicable to the period January 2004 through February 2005, and selected actions take through August 2005. The scope of our audit did not extend to the examination of FEMA controls or a review of the NEMIS.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated January 13, 2006, the Secretary of the Department concurred with our findings and recommendations and described corrective actions already taken or planned for future implementation. The letter is included in its entirety at the end of this report as Appendix A.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was conducted by Ben H. Cox, CPA, and supervised by David R. Vick, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, via e-mail at **davidvick@aud.state.fl.us** or by telephone at (850) 487-9100.

This report and audit reports prepared by the Auditor General can be obtained on our Web site (**http://www.state.fl.us/audgen**); by telephone ((850) 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
MANAGEMENT RESPONSE

STATE OF FLORIDA
DEPARTMENT OF COMMUNITY AFFAIRS
"Dedicated to making Florida a better place to call home"

JEB BUSH
Governor

THADDEUS L. COHEN, AIA
Secretary

January 13, 2006

Mr. William O. Monroe
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

On December 15, 2005, the Department of Community Affairs received two findings from an audit completed by your staff for the Individual and Households Program (IHP). The IHP is one of the programs offered by the Federal Emergency Management Agency (FEMA) following a Presidentially declared disaster. This audit covered the period from January, 2004 through February, 2005, with selected actions through August, 2005.

The IHP program is administered and managed by FEMA. The State opts to not have management of the program, given its enormity and heavy reliance on manpower. Instead, the State depends on FEMA to manage and administer the program, with a limited amount of State oversight. The State then is obligated to reimburse FEMA the 25 percent non-federal share, given the IHP program requires a 25 percent non-federal match to the 75 percent federal share.

Our responses to the findings follow:

Recommendation 1: The Division should develop and implement verification and payment processing procedures that provide reasonable assurance that reimbursements made to FEMA represent valid obligations of the State. These procedures should incorporate timely sampling of both individual claims payments and applied refunds.

Response: Despite the administrative limitations and tremendous work loads of the staff, the audit only revealed a minimal error rate regarding individual claims. As a result, re-examining payments can cost the State more monies and risk the potential of slowing down payments.

The Division will continue to review and revise as necessary, its verification of the process. This verification process involves contacting applicants for each disaster and determining if they have actually received FEMA financial assistance within the ONA (Other Needs Assistance) program. ONA is a component program of the Individual and Households program. This program requires a State match which the State has agreed to provide to FEMA.

2555 SHUMARD OAK BOULEVARD • TALLAHASSEE, FLORIDA 32399-2100
Phone: 850.488.8466/Suncom 278.8466 FAX: 850.921.0781/Suncom 291.0781
Internet address: http://www.dca.state.fl.us

CRITICAL STATE CONCERN FIELD OFFICE
2796 Overseas Highway, Suite 212
Marathon, FL 33050-2227
(305) 289-2402

COMMUNITY PLANNING
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100
(850) 488-2356

EMERGENCY MANAGEMENT
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100
(850) 413-9969

HOUSING & COMMUNITY DEVELOPMENT
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100
(850) 488-7956

APPENDIX A (CONTINUED)
MANAGEMENT RESPONSE

Mr. William Monroe
January 13, 2006
Page 2

The Division will work with FEMA to document the procedures that FEMA utilizes in determining the monthly invoice that is sent to the State for payment of the State's 25 percent match.

Further, the Division will work with FEMA to develop a reporting mechanism that shows how refunds are determined and applied to the current billing in as much detail as practical.

Recommendation 2: The Division should continue to work with FEMA to ensure that the amounts to be paid for destroyed automobiles is reasonable in relation to the pre-disaster value of the automobile.

Response: FEMA used a default system whereby applicants who were eligible for automobile replacement were given the default value, regardless of the cost of the vehicle. This was done in order to expedite the repayment of the victims during times of great need. Using the default values is allowable under the federal system.

To rectify this, the State is developing a revised State Management Plan (SAP) that will address the automatic use of default values for not only vehicle, but any other item eligible for reimbursement under the IHP program. This plan is under development and will be forwarded to the Auditor General's attention once it is completed. This SAP will require policy decisions as to the legitimacy of sacrificing speed for accuracy. We are reviewing policy to determine if items eligible under the ONA program should be discontinued, such as generators.

Sincerely,

THADDEUS L. COHEN

Thaddeus L. Cohen, A.I.A.
Secretary

Appendix G

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Emergency Preparedness and Response Could Better Integrate Information Technology with Incident Response and Recovery



Office of Information Technology

OIG-05-36

September 2005

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (*Public Law 107-296*) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared by our office as part of our DHS oversight responsibility to promote economy, effectiveness, and efficiency within the department.

This report assesses the strengths and weaknesses of the information technology that the Emergency Preparedness and Response Directorate uses to support incident response and recovery operations. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

Richard L. Skinner
Inspector General

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Abbreviations

ADD	Automated Deployment Database
CIO	Chief Information Officer
DHS	Department of Homeland Security
EP&R	Emergency Preparedness and Response Directorate
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
IFMIS	Integrated Financial Management Information System
IT	Information Technology
LIMS III	Logistics Information Management System III
NEMIS	National Emergency Management Information System
OIG	Office of Inspector General

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OIG

Department of Homeland Security
Office of Inspector General

Executive Summary

Providing disaster recovery assistance and responding to the emergency needs of victims of four consecutive hurricanes in 2004 was a major challenge for the U.S.[1] When devastation from such incidents is so great that state resources cannot handle the response and recovery efforts, states turn to the federal government for assistance. The Federal Emergency Management Agency (FEMA), now part of the Emergency Preparedness and Response (EP&R) Directorate of the Department of Homeland Security (DHS), is responsible for coordinating disaster relief efforts across federal, state, and volunteer organizations, such as the American Red Cross. FEMA relies heavily on a range of information technology (IT) systems and tools to carry out its response and recovery operations. Strategic management of these assets is important to ensure that the technology can perform effectively during times of disaster and tremendous stress.

As part of our ongoing responsibility to assess the efficiency, effectiveness, and economy of departmental programs and operations, we conducted an audit of the information and technology that EP&R uses to support incident management. The objectives of the audit were to (1) review the directorate's approach for responding to and recovering from terrorist attacks, major disasters, and other domestic emergencies, (2) determine the effectiveness of guidance and processes to support IT users during incident management, and (3) evaluate existing and proposed systems and other technologies used to accomplish EP&R's response and recovery mission. The scope and methodology of this review are discussed in Appendix A.

Strategic IT management is essential to the successful accomplishment of EP&R's response and recovery mission. EP&R's IT approach has met the disaster management challenges to date, including the four major hurricanes of 2004. However, a number of information and technology management issues limit the directorate's effectiveness.

[1] The 2004 hurricanes that made landfall in Florida and the Gulf Coast included Charley on August 13th, Frances on September 5th, Ivan on September 16th, and Jeanne on September 26th.

For example, the EP&R Chief Information Officer (CIO) is making progress with respect to IT planning, including the development of the agency's first IT strategic plan. However, while the IT plan aligns with FEMA's outdated strategic plan, it does not reflect FEMA's integration into DHS and therefore may not support DHS' strategic goals. Additionally, to better align EP&R's IT with the agency's strategic direction, integration with evolving DHS-wide initiatives, such as *eMerge*^{2} and *MAX*^{HR}, will prove challenging.

Further, EP&R CIO support to IT users could be improved. EP&R CIO staff, including the national IT helpdesk, provided significant service during the 2004 hurricanes. However, additional guidance and training for systems users is necessary to ensure that they have the knowledge and information needed to perform their jobs. The EP&R CIO's office maintains up-to-date—and often online—systems procedure manuals and guidance, but FEMA field personnel are often unaware of these materials. In addition, the IT manuals online describe the procedures necessary to complete actions in the systems, but they do not contain the business context for when or how the procedures should be used. Although EP&R's custom, complex systems require significant amounts of front-end instruction, users said that they received insufficient training.

Currently, EP&R systems are not integrated and do not effectively support information exchange during response and recovery operations. Also, EP&R has not fully updated its enterprise architecture to govern the IT environment. As a result, during significant disaster response and recovery operations, such as the 2004 hurricanes, IT systems cannot effectively handle increased workloads, are not adaptable to change, and lack needed real-time reporting capabilities. Such problems usually are due to FEMA's focus on short-term IT fixes rather than long-term solutions. Inadequate requirements definition, alternatives analysis, and testing prior to systems deployment are characteristics of this reactive IT management approach.

Although EP&R is working to introduce and web-enable systems to resolve disparity between its current IT environment and DHS expectations, additional measures are needed. EP&R would benefit from strategically managing IT by aligning its IT planning with DHS' direction as well as ensuring systems users receive more timely training and communication. Further, once broad-based requirements are fully defined and documented, and alternatives are analyzed, EP&R will be in a better position to complete an enterprise architecture, and test and deploy the most appropriate technology needed to support its response and recovery mission.

Background

Following the terrorist attacks of September 11, 2001, DHS was established to prevent and deter terrorism, and to protect against and respond to threats and hazards to the nation. The *Homeland Security Act of 2002*[2] assigns responsibility to the EP&R directorate to lead federal disaster response and recovery activities. FEMA, transferred in its entirety into the EP&R directorate, is directly responsible for executing this aspect of DHS' mission. The organization chart below illustrates EP&R and FEMA within the context of the DHS organization. (See Figure 1).

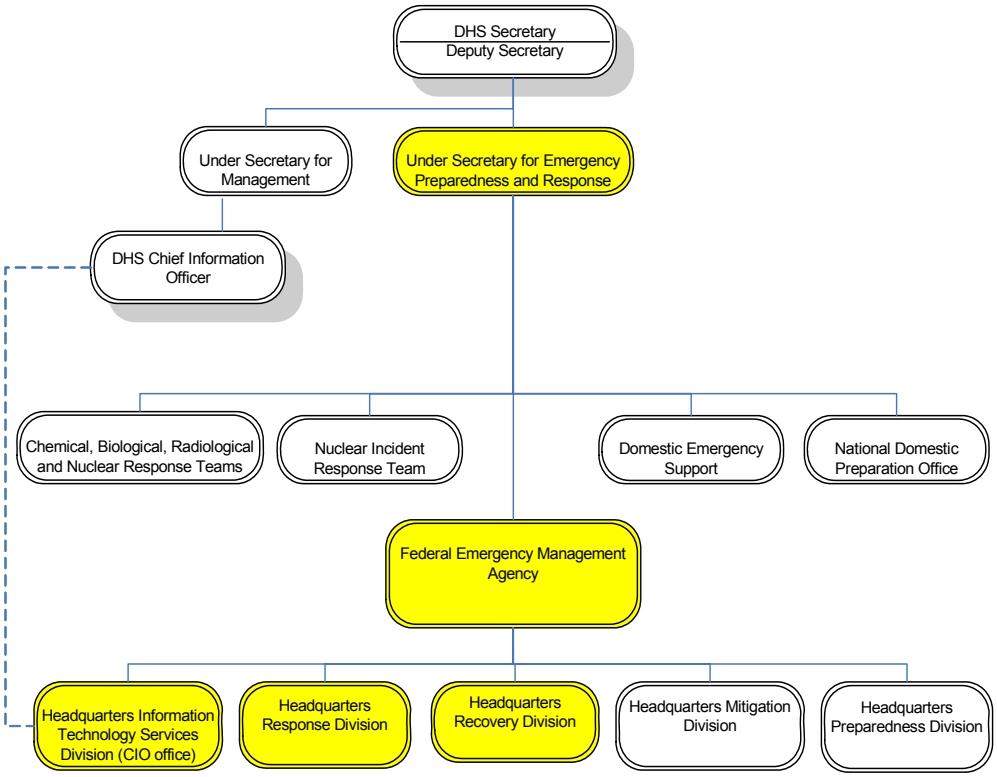


Figure 1: EP&R/FEMA Organization

When devastation exceeds the capability and resources of local and state governments to respond they turn to the federal government for assistance. The *Stafford Act*[3] gives FEMA the authority to lead the disaster response and

[2]Public Law 107-296, November 25, 2002.
[3] *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended by Public Law 106-390, October 30, 2000.

recovery operations of 28 major federal agencies and departments, the American Red Cross, and other volunteer organizations. FEMA supplies immediate needs, such as ice, water, food, and temporary housing. FEMA also provides financial assistance to individuals who have sustained damage to their personal property, and to state and local governments for damage to public property.

FEMA has ten regional offices across the country to assist the states in disaster management. The map below depicts this regional office structure. (See Figure 2).



Figure 2: FEMA Regional Offices

Emergency and IT Support Capabilities

EP&R provides an array of emergency operations, facilities, and systems to help manage disasters. FEMA has four National Processing Service Centers which handle telephone registration and process victims' claims for disaster assistance, as well as five geographically-dispersed Mobile Emergency Response Support operations which provide initial support for on-site disaster management. This mobile support includes providing voice, data, and video capabilities for emergency managers, as well as services such as water purification and power generation. Immediately following this initial response, FEMA establishes disaster field offices and disaster recovery

centers to assist victims on a long-term basis. Emergency operations centers at FEMA headquarters and at the Mount Weather facility near Bluemont, Virginia, coordinate response and recovery operations nationwide.

In FY 2005, the EP&R directorate's CIO had a budget of approximately $80 million and a total of about 400 full-time and temporary employees. The CIO's office is responsible for designing, developing, testing, implementing, and maintaining the operation of FEMA's systems, including the following four key applications:

- National Emergency Management Information System (NEMIS) is the backbone IT system for response and recovery operations. FEMA uses NEMIS to electronically enter, record, and manage information regarding registered applicants for disaster assistance, obligations and payments, mission assignments, and grants.

- Integrated Financial Management Information System (IFMIS) forwards financial information to the Department of Treasury for payment of disaster assistance claims.

- Logistics Information Management System III (LIMS III) maintains the inventory of equipment and supplies.

- Automated Deployment Database (ADD) is used to identify and deploy personnel to disaster sites.

With the exception of NEMIS, these systems were not developed by and do not solely belong to IT. However, IT partners with EP&R program areas in providing support for these systems.

The CIO's office manages and maintains the IT infrastructure, i.e., networks, databases, desktops, and telephone systems, to support operations of permanent facilities at FEMA headquarters and regional locations. The CIO also is responsible for providing the IT infrastructure to support hundreds of emergency personnel at temporary disaster field offices and recovery centers, often in remote locations. This involves running cable, establishing networks, supplying wireless connectivity, and installing equipment for information processing and data and voice communications. In addition, a national IT helpdesk assists users in various ways such as providing and maintaining system accounts, ensuring remote access, troubleshooting systems problems, and making referrals to engineers for systems fixes.

Prior assessments have identified concerns with several aspects of FEMA's IT management. Specifically, in an August 2001 report,[4] the GAO identified issues with NEMIS internal controls, reliability, usability, and training. A July 2004 GAO report[5] discussed FEMA's property management controls and highlighted concerns with asset accountability and the accuracy of data recorded in the LIMS III system. In that report, GAO recommended that FEMA's property system be linked to its acquisition and financial systems so that certain key information could be available for effective property management. In December 2003, we issued a report[6] on the NEMIS system access controls, and identified related issues concerning separation of duties, audit trails, and training which needed to be monitored. Further, a July 2004 DHS OIG report[7] discussed the need for component CIOs, such as the EP&R CIO, to report to the department's CIO on IT issues to help ensure that strategies are aligned and systems are consolidated for more effective use of IT assets across the department.

Results of Audit

Challenges Remain in Aligning EP&R's IT Approach with DHS Mission

Information resource management plans support an agency's strategic plan for fulfilling its mission. The 2004 DHS strategic plan contains specific response and recovery goals and metrics. FEMA's strategic plan, however, is not aligned with them. FEMA developed its strategic plan prior to becoming part of the new department and has not updated it since then. EP&R's IT plan aligns with FEMA's outdated plan, but does not line up fully with goals and measures defined in the more recent DHS plan. As a result, EP&R's IT systems approach may not support progress toward meeting DHS goals. Updating its strategic and IT plans to reflect evolving DHS-wide direction and initiatives poses a major challenge for EP&R.

[4] *Disaster Assistance: Improvement Needed in Disaster Declaration Criteria and Eligibility Assurance Procedures*, GAO-01-837, August 2001.
[5] *Federal Emergency Management Agency: Lack of Controls and Key Information for Property Leave Assets Vulnerable to Loss or Misappropriation*, GAO-04-819R, July 2004.
[6] *Audit of the National Emergency Management Information System Access Control System*, DHS-OIG-04-02, December 2003.
[7] *Improvements Needed to DHS' Information Technology Management Structure*, DHS-OIG-04-30, July 2004.

Strategic and IT Plans Not Fully Aligned

FEMA's strategic and IT plans do not align completely with DHS' strategic plan, providing little assurance that the agency can monitor and achieve the emergency management goals established by the department. Pursuant to requirements of the *Government Performance and Results Act of 1993*,[8] DHS developed its strategic and performance plans which, taken together, establish its mission and outline goals and metrics for its disaster response and recovery efforts. According to the EP&R CIO, FEMA participated in working groups to help develop these DHS goals and objectives and owns all the metrics that support the response and recovery section of the DHS strategic plan. Goals in the plans include leading, managing, and coordinating the national response and recovery effort, and rebuilding communities after acts of terrorism, natural disasters, or other emergencies. Corresponding metrics include reducing response time for emergency personnel deployment and logistics as well as reducing recovery assistance delivery costs and processing time. The following diagram illustrates the alignment between these goals and metrics to help ensure effective and efficient mission accomplishment. (See Figure 3).

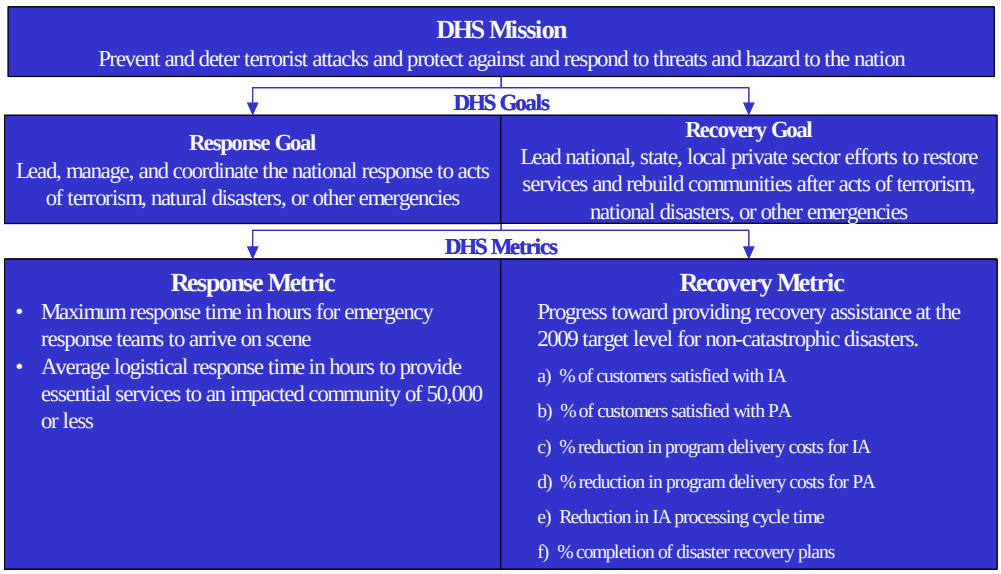


Figure 3: DHS Mission and Response and Recovery Goals and Metrics

Although Office of Management and Budget Circular A-11 directs that component agencies create their own strategic plans linked to overarching

[8]Public Law 103-62.

departmentwide plans, FEMA has not updated its strategic plan to reflect its integration into the DHS organization.[9] FEMA developed its strategic plan prior to implementation of the *Homeland Security Act* and the creation of DHS. DHS has established specific metrics for response and recovery response time, customer satisfaction, program delivery cost, and disaster assistance cycle time. However, as demonstrated in Figure 4, FEMA's strategic plan fails to identify such metrics, and therefore is not in line with DHS direction.

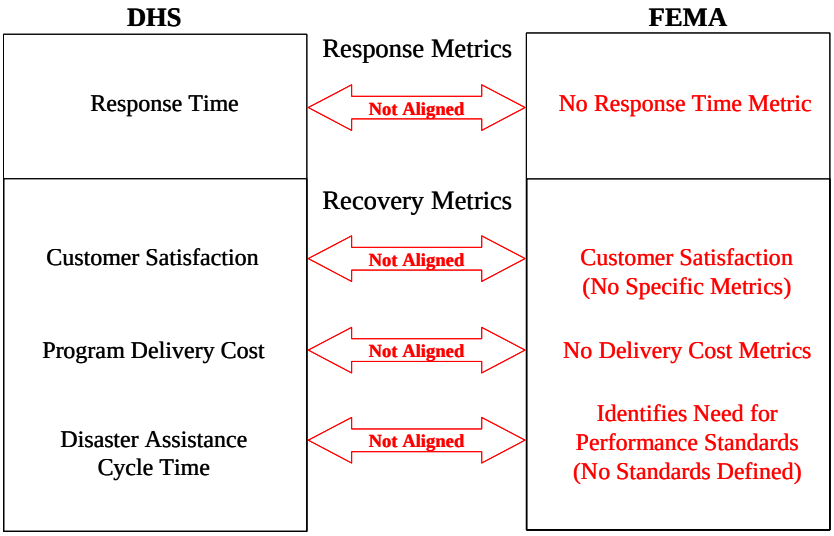


Figure 4: DHS and FEMA Response and Recovery Metrics Not Aligned

A planning official said that FEMA uses both the DHS strategic plan and FEMA's outdated plan. Use of both plans may lead to ambiguous guidance and direction. For example, the two plans identify different metrics to measure improvement in the federal government's ability to respond quickly when states are overwhelmed by a disaster. The DHS plan sets the goal of 12-hour response time for emergency response teams and 24-hour logistics response time by 2009. In contrast, FEMA's plan establishes a goal to respond concurrently to four catastrophic and twelve non-catastrophic disasters by 2008. Although it began updating its strategic plan in mid 2004 to reflect the organizational changes and new performance expectations,

[9] Circular A-11, Part 6, *Preparing and Submitting a Strategic Plan*, Executive Office of the President, Office of Management and Budget, June 2005.

FEMA put the updates on hold due to the need to shift resources to the 2004 hurricane response and recovery activities.

Further, the misalignment of DHS and FEMA strategic plans complicates efforts to link IT initiatives to overarching mission direction. According to the *Paperwork Reduction Act*[10] and the supporting Office of Management and Budget Circular A-130[11], each federal agency is required to develop an Information Resource Management Plan to demonstrate how IT management activities help accomplish an agency's mission. The EP&R CIO accomplished an important step by implementing FEMA's first IT strategic plan for FY 2005. However, the CIO's IT plan maps to FEMA's outdated strategic plan rather than to the more recent DHS strategic plan. For example, the IT plan identifies six strategic management initiatives, which it aligns to the goals identified in the FEMA strategic plan; however, the initiatives do not align completely to goals and metrics identified in DHS level planning. As a result, the initiatives defined by the CIO organization may not support the achievement of the response and recovery goals and metrics established by DHS.

Performance Data Not Available from Systems

Federal regulations, including the *Paperwork Reduction Act*, require agencies to use information resources to improve the efficiency and effectiveness of their operations to fulfill their missions. However, EP&R's IT systems do not provide the data needed to support the response and recovery metrics established by DHS effectively. Some of the metrics are IT-dependent, reliant upon automated systems to capture quantifiable information with which to measure performance in specific response and recovery activities. Where IT systems do not provide the data for measuring performance, it is not possible successfully to measure progress toward the achievement of specific goals, and ultimately the agency's mission.

Response Metrics

With regard to disaster response, DHS' strategic plan identifies specific performance indicators, such as the time it takes to deploy personnel and assets to aid in a disaster. In 2004 DHS allotted 72 hours for providing both

[10] Public Law 104–13, May 22, 1995.
[11] Circular A-130, *Memorandum for Heads of Executive Departments and Establishments, Management of Federal Information Resources*, Executive Office of the President, Office of Management and Budget, February 8, 1996.

emergency teams and essential services[12] to disaster areas; DHS expects to significantly reduce this response time by 2009. The following diagram illustrates DHS' performance objectives for FEMA response time. (See Figure 5).

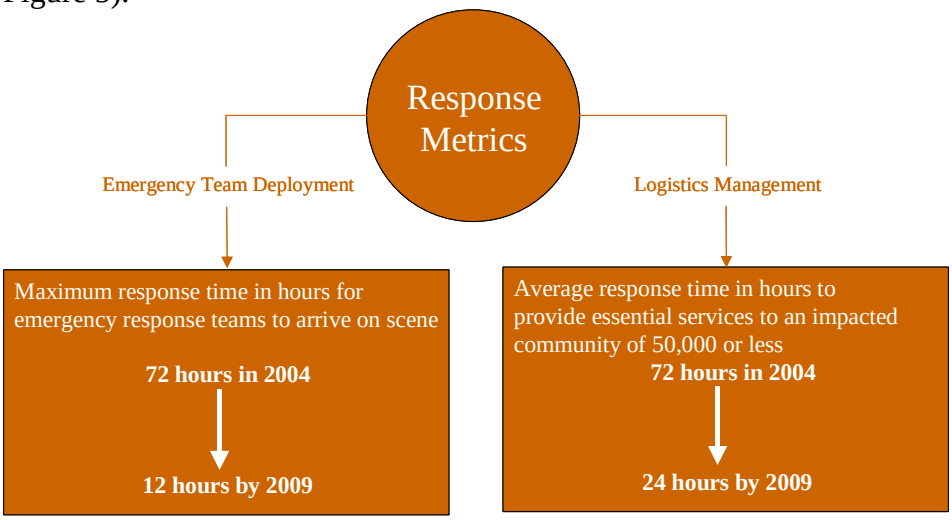


Figure 5: DHS Target Response Metrics

However, measuring response time and progress toward achieving DHS targets is problematic. FEMA's systems for personnel deployment and logistics do not easily track performance information. ADD, for example, does not capture data on how long it takes for emergency personnel to arrive at a disaster site. In other words, the system does not have a "stopwatch" to measure the elapsed time between contacting personnel of their need to deploy and their ultimate arrival at a disaster scene. Currently, program officials must review information manually tracked either on paper or on spreadsheets to determine response time, a very inefficient process. EP&R plans to develop a new deployment management system to address this issue.

Similarly, LIMS III provides no tracking of essential commodities, such as ice and water, needed by disaster victims. As a result, FEMA cannot readily determine its effectiveness in achieving DHS' specific disaster response goals and whether or not there is a need to improve. FEMA is currently working to establish a baseline for average response time in providing essential services, beginning in 2006. FEMA officials said that they are pilot-testing a Total Asset Visibility system to track shipment and distribution of essential commodities such as ice, water, and food.

[12] Essential services are generally defined as life-saving commodities and emergency supplies including water, food, ice, medical supplies, mobile homes, travel trailers, or other housing options.

Recovery Metrics

With regard to disaster recovery, DHS' strategic plan identifies specific measures for delivering services to disaster victims. Although no baselines are available on the average cost or cycle time for providing assistance, DHS expects to reduce these averages by several percentage points by 2009. The diagram below identifies the performance goals for 2009. (See Figure 6).

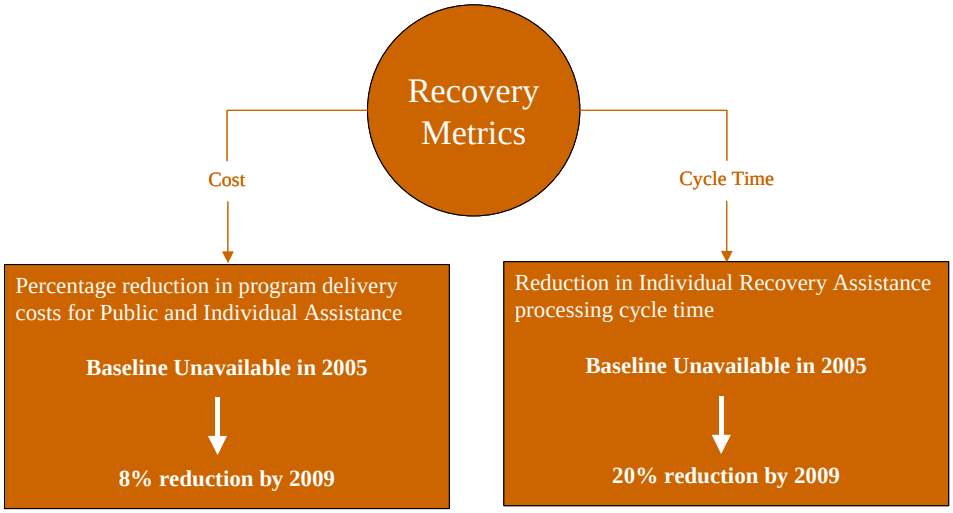


Figure 6: DHS Target Recovery Measures

However, such goals are futile without effective means to accomplish them. Currently, EP&R IT systems provide limited data to measure recovery assistance performance. For example, EP&R's Recovery Division is using IFMIS to capture unit cost data on recovery assistance. However, according to several FEMA officials, this data is not available at a single point in IFMIS and must be manually calculated. Compiling this data requires significant time, effort, and resources because information for establishing unit costs for rent, IT, security, and other elements is pulled from different systems and files.

Similarly, FEMA is working to establish a baseline for the average cycle time from a victim's initial registration until disaster assistance payments are issued. Program officials said that, although NEMIS collects information on cycle time, this information is not readily or routinely available. These officials said that they must request EP&R's IT division to access the system and compile weekly ad hoc reports to provide the information. Program officials said that additional information on subcomponents of the cycle time

would be useful, such as how long it takes a victim to register or get an inspection after registration.

Officials in EP&R's Recovery Division said that they are working to establish baselines this year against which to measure progress in reducing cost and time for delivering individual and public assistance. However, until FEMA's systems can capture the underlying performance data, the agency will be unable to do so.

Challenges in Aligning IT with Evolving DHS Direction

In addition to addressing the need to align its strategic and IT planning with DHS direction, EP&R faces the challenge of integrating its emergency management approach with several emerging departmentwide initiatives. Specifically, DHS implementation of the National Response Plan and the National Incident Management System created new requirements that will affect IT systems and processes. Additionally, the DHS Chief Financial Officer's efforts to provide integrated resource management must be taken into consideration as EP&R moves forward in its approach to managing IT.

Impact of the National Response Plan and National Incident Management System on EP&R IT

The National Response Plan provides the framework for federal coordination with state, local, and tribal governments, as well as the private sector during disasters. DHS implemented the National Response Plan in December 2004, according to the *Homeland Security Act of 2002* and *Homeland Security Presidential Directive 5.*[13] The National Response Plan consolidates existing federal government emergency response plans into a single, coordinated plan to manage disaster response and recovery. This consolidated plan replaces the Federal Response Plan, which FEMA previously used as the basis for organizing its response and recovery operations. The new plan introduces changes to the organizational structure for disaster management operations, and will require software code updates to information systems.

For example, the NEMIS Access Control System assigns access rights to users based on positions within the organization structure, which are defined in the former Federal Response Plan. Moving to the National Response Plan has changed this organizational structure and, consequently, affected NEMIS Access Controls, requiring that new roles and rights be added to the system

[13] "Management of Domestic Incidents," Homeland Security Presidential Directive 5, February 28, 2003.

before NEMIS can be used to support the plan. One FEMA official was concerned that there are no funds available for correlating the organizational changes with IT processes. This official was unaware of any IT involvement in the National Response Plan development process. Consequently, FEMA's IT managers now must identify ways to adapt existing systems to meet new response plan requirements.

In conjunction with the National Response Plan, DHS developed the National Incident Management System in 2004 to provide guidance, such as common terminology and organizational processes, to enable first responders at all government levels to work together effectively during disasters. First responders include federal, state, local, and tribal governments and private sector and nongovernmental organizations. The National Incident Management System policy requires inter-operability of response structure, equipment, communications, qualifications, and certifications. According to National Incident Management System guidelines, maintaining an accurate picture of resource utilization is a critical component of incident management. The system requires standardized resource management across various first responder entities, as well as asset tracking over the lifecycle of an incident.

LIMS III, FEMA's current logistics system, does not provide the type of up-to-date resource management that the National Incident Management System requires. Resource tracking and management was the source of numerous problems during the Florida hurricanes, as will be more fully discussed in later sections of this report. However, not only is LIMS III not integrated with other systems within FEMA, it does not provide the capability to view and share resource information across federal, state, and local first responders. Personnel at nearly all sites that we visited commented on the need for an improved resource tracking system to support NIMS. A FEMA official said that system capacity requirements do not reflect the catastrophic magnitude of today's threats, and that system upgrades and integration have not kept pace with recent organizational, business process changes, or operational concepts.

Departmentwide Initiatives Affect EP&R IT—

DHS is developing two new departmentwide systems that have implications for EP&R IT management. Specifically, *Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency*, known as *eMerge*^{2}, is an ongoing project to consolidate and integrate DHS' budget, accounting and reporting, cost management, asset management, and acquisitions and grants functions. In conjunction with *eMerge*^{2}, DHS is also developing a departmentwide integrated human resource management system, the *MAX*^{HR}

project. Taken together, the two projects will affect several of FEMA's major response and recovery IT systems. For example, *eMerge*^{2} will affect aspects of FEMA's financial system, as well as parts of its non-mission specific logistics system. Likewise, *eMerge*^{2} is likely to have an impact on NEMIS' grants functionality. Further, *MAX*^{HR} may have a bearing on employee management and deployment processes currently managed in ADD.

Once fully implemented, *eMerge*^{2} will likely affect FEMA's current financial system, grants management system, and aspects of its non-mission specific logistics system. Although FEMA officials have actively participated in the DHS Logistics Steering Committee to define *eMerge*^{2} development, some officials have expressed concern that the *eMerge*^{2} effort does not address some of their requirements. For example, these officials said that *eMerge*^{2} does not consider the complexity of FEMA's disaster grants programs as compared with standard grants processing. The limited time and resources to successfully plan and transition to *eMerge*^{2} also troubled them. Conversely, *eMerge*^{2} officials expressed concern that FEMA was not open to new ways of thinking. As FEMA moves forward with improving existing systems and pursuing new systems development, the EP&R CIO must continue to ensure that the effects of DHS-wide initiatives, such as *eMerge*^{2} and *MAX*^{HR}, are considered and effectively support disaster response and recovery goals.

Recommendation

1. We recommend that, in keeping with legislative requirements, the Under Secretary for EP&R update the FEMA strategic plan to support achievement of DHS goals and ensure that all FEMA systems provide the performance data necessary to measure progress toward achieving response and recovery goals. Subsequently, direct the EP&R CIO to update the IT strategic plan in line with the updated FEMA strategic plan.

IT User Support Could Be Improved

The EP&R CIO's office provided significant customer support to IT users assisting disaster response and recovery efforts related to the 2004 Florida hurricanes. However, overall systems guidance and training could be improved. Specifically, EP&R has reasonably up-to-date online systems manuals, but these manuals are not adequate to support business processes. Often unaware of the online manuals, field personnel used out-of-date hard copy guidance to meet their needs. Although a number of users said that

EP&R training is good, funding restrictions limited the number of personnel who received it, resulting in a lack of awareness of how the systems function and a low comfort level in using those systems. Additional systems guidance and training for IT users would provide users with the information they need to perform their jobs better.

IT Support During the Florida Storms

The concurrent hurricanes which struck Florida and the Gulf Coast in 2004 pushed FEMA's IT capabilities to the limit, demonstrating the agency's commitment to carrying out its mission regardless of the adversities encountered and the enormous effort required. Hurricanes Charley, Frances, Ivan, and Jeanne—all category three or stronger storms—along with Tropical Storm Bonnie, hit the region in close proximity and within a few weeks of each other.[14] Figure 7 illustrates the date and location of these storms, which collectively created near-catastrophic conditions and caused an estimated $42 billion worth of damage. FEMA defines a catastrophe as an incident which results in extraordinary levels of damage and almost immediately exceeds state and local resources and significantly interrupts governmental operations and emergency services.

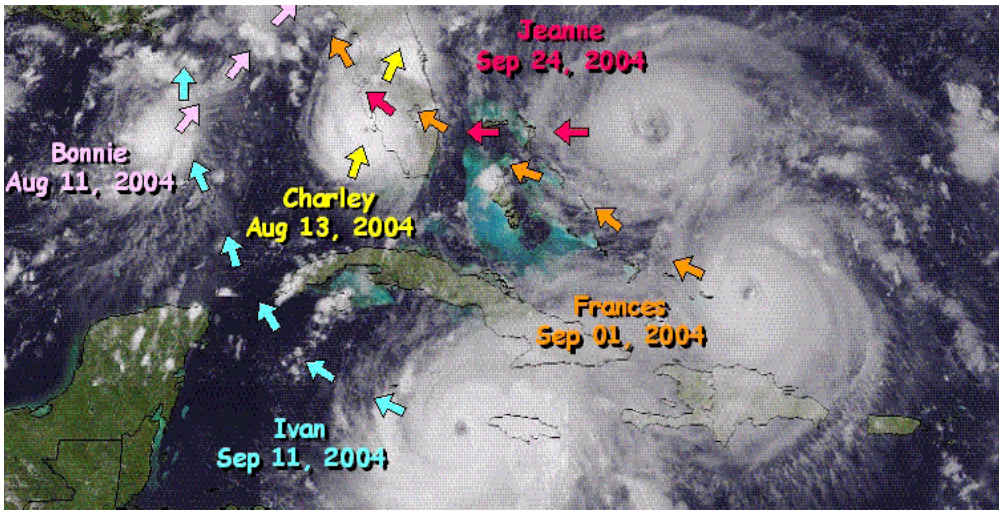


Figure 7: Four Category 3+ Hurricanes in 2004

[14] The Saffir-Simpson Hurricane Scale defines hurricane intensity using a rating scale of 1-5, where 1 is the least intense and 5 is the most intense. Hurricanes Charley and Frances were category 4 hurricanes, with wind speeds of 131-155 miles per hour. Ivan and Jeanne were category 3 hurricanes at landfall, with wind speeds of 110-130 miles per hour.

Under the circumstances, EP&R CIO IT support staff provided significant service during the Florida hurricanes of 2004. FEMA IT was tasked to establish quickly a 200,000 square foot disaster field office—the largest in its history—within just seven days. Approximately 2,000 employees staffed this disaster field office. Previously, a field office of just 400-500 employees was considered large; accordingly, NEMIS was designed to support a maximum of three disaster field offices of 150 employees each. (See Figure 8). Significant IT resources were required to set up phone and data lines and computer stations, and to manage system access rights for system users. Providing system and network support for such a large operation proved challenging.

For example, during the hurricanes, NEMIS handled more than one million requests for disaster assistance in just six weeks. Due in large part to NEMIS automation, individual assistance was generally provided within 7 to 10 days as compared to several weeks via the predecessor system. NEMIS and its support staff were stretched to the limit and demonstrated remarkable dedication to sustaining operations where systems access and capabilities far exceeded systems design. At one point, NEMIS supported 18 call centers, well beyond its design requirement of three call centers and 20,000 calls per day. Overall disaster victim satisfaction with call center service was about 85 percent, despite this large volume of calls.



Figure 8: Disaster Field Office in Orlando, Florida

The national IT helpdesk also provided effective support for FEMA's disaster management operations in Florida. During FY 2004, largely due to the concurrent hurricanes, the helpdesk handled a 50 percent increase in call

volume, with 33,000 calls received over the course of the year. FEMA personnel in both the regional and the disaster field offices reported that the IT help desk at Mount Weather provided excellent support. The helpdesk supports all areas of IT, including dial-up access, account access for new users, troubleshooting, and remote access. The views of personnel with whom we spoke were substantiated by a client satisfaction survey conducted during 2004 by the Customer Care Institute, an external firm specializing in customer satisfaction surveys. The response rate was 37 percent, or 302 of the 816 clients surveyed. The survey results helped identify current client satisfaction levels, as well as establish a benchmark for future surveys. According to the survey, approximately 97 percent of the respondents were satisfied with the service that they received from the helpdesk, and 46 percent were extremely satisfied.

Additional IT Guidance and Training Needed

According to *Office of Management and Budget Circular A-130*, users of federal information resources must have the skills, knowledge, and training to manage information resources, enabling the federal government to serve the public through automated means. According to the *Clinger-Cohen Act of 1996*,[15] agencies are responsible for ensuring that IT users receive the training that they need to do their jobs. Although EP&R's IT technical support personnel responded effectively to system user needs, especially prior to and during the Florida disasters, additional guidance and training for system users is necessary to ensure that users have the knowledge and information necessary to perform their jobs efficiently and effectively.

Specifically, although the EP&R CIO's office maintains up-to-date systems procedure manuals and guidance, such as online job aids, a number of FEMA field personnel whom we interviewed were not aware of their existence. Unaware of online resources, users relied on out-of-date manuals or created their own individual reference documents: two of the three regions that we visited were using out-of-date, hard copy systems manuals that were still in draft format.

In addition, the online IT manuals only described the procedures necessary to complete actions in the systems; they did not contain the business context for when and why the procedures would be used. This information, provided in separate manuals created by the program areas, forced system users to refer to

[15] Sections D and E of Public Law 104-106.

two different sources to obtain an understanding of how to perform their jobs. For example, if a manager wanted to create a mission assignment in NEMIS, that manager would need to refer to a program-created guide, *Mission Assignment for Managers Student Manual,* to understand "when" to create a mission assignment, and to the online system steps to understand "how" to create the mission assignment in NEMIS.

Further, system users were not provided with adequate training. EP&R systems often are custom designed and complex, requiring significant upfront training to understand how to use them to support emergency management activities. Regional system users, however, said that new employees often did not receive training before they were deployed and experienced users did not receive training when system changes occurred.

An independent contractor, charged with documenting and evaluating response and recovery processes during the hurricanes**,** reported that new employees were deployed to the disaster site without first receiving system training. The new employees had to be trained by other FEMA employees during ongoing response and recovery operations. While training new employees onsite at times may be the only option, the problem was that they sometimes relied upon experienced system users that had not received training on system changes and updates. The users, consequently, were not aware of all system functions and had a low comfort level in using the systems.

FEMA regional personnel said that a lack of funding was a reason for the limited NEMIS training. They said that they primarily learned to use the system through on-the-job training rather than through formal instruction. This lack of training had an even greater impact on temporary disaster assistance employees. Sufficient training would have made their work more reliable and much easier.

Recommendation

2. We recommend that, in keeping with legislative requirements, the Under Secretary for EP&R direct the EP&R CIO to ensure that personnel, through the EP&R training division, receive adequate systems training, guidance, and communication needed to support disaster response and recovery activities effectively.

Systems to Support Response and Recovery Operations Need Improvement

Federal regulations require agency CIOs to promote the effective and efficient design and operation of major information resources management processes. They must develop, maintain, and facilitate the implementation of integrated IT architectures to meet agency missions. The EP&R systems environment, however, is not integrated and does not support effective information exchange. Consequently, during disasters, the systems are not able to handle increased workloads effectively, are not adaptable to change, and lack needed capabilities. The reactive nature of EP&R's disaster response encourages short-term systems fixes rather than long-term IT solutions. Taking the time to define and document systems requirements fully and evaluate viable alternatives to its complex, custom designed systems, will enable EP&R to support its response and recovery operations and meet its mission needs better.

Unintegrated IT Environment

EP&R is working to complete an enterprise architecture to govern its IT environment. Currently, however, its systems are unintegrated and do not effectively share information. IT officials agree that it is essential to integrate systems to support mission requirements better, but that decision must be made in collaboration with the systems owners and program officials. Linking the systems to state emergency management systems that rely upon FEMA information to carry out state disaster management responsibilities would also be beneficial.

FEMA Enterprise Architecture Development is Ongoing

The *Clinger-Cohen Act of 1996*[16] requires the CIO to develop, maintain, and facilitate the implementation of a sound, enterprisewide IT architecture. An enterprise architecture provides a blueprint of the hardware, software, and related policies needed to achieve defined business objectives. Such an architecture serves as the agency's road map to future systems development, network updates or changes, and implementation of key federal requirements. In 2001, FEMA developed an enterprise architecture document to serve as a guide to creating and implementing e-government initiatives. This road map has served FEMA well, documenting both major successes and key initiatives. For example, a few such initiatives were identified in the 2001 enterprise architecture and are still operational today. These initiatives include:

[16] Public Law 104-106

- The FEMA website (www.fema.gov), which was developed to share information on the internet with the public.
- The automation of grants management, which has been added to the NEMIS system.
- The development of a capital planning and investment control process, which provides guidance for investment in IT.
- The use of wireless technologies to improve mobile computing and communications support for FEMA operations.

FEMA published its architecture in 2001, but has not fully updated it to reflect its integration into DHS. FEMA is working to transition this paper-based document to an electronic format so that it can be easily shared among DHS officials via the intranet. The EP&R CIO established an Enterprise Architecture Office in 2003 and hired a Chief Enterprise Architect in 2004 to help further the progress of FEMA's enterprise architecture program. The Enterprise Architecture Office has completed the "as is" portion of the enterprise architecture and has begun to use an electronic version to guide day-to-day operations.[17] FEMA is currently working to develop the "to be" portion of the enterprise architecture in line with the DHS enterprise architecture.[18] Without a defined "to be" environment, FEMA is unable to provide a comprehensive road map for its proposed IT initiatives. These initiatives include NEMIS web enablement, which involves consolidation of some of the geographically-dispersed servers, as well as a number of IFMIS improvements as defined in the system's 2006 business case.

Additionally, without a complete, communicated, "to be" road map, FEMA may not be able to address how its initiatives support or integrate with DHS-wide initiatives. As FEMA works to update its enterprise architecture, it must also consider departmentwide initiatives, which may impact on its key response and recovery processes and systems.

Centralization of NEMIS Servers

The *Office of Management and Budget Circular A-130* requires agencies to develop information systems to facilitate interoperability across networks of

[17] An "as is" enterprise architecture details an organization's mission, organizational structure, business processes, information exchanges, software applications, and underlying technical infrastructure.

[18] A "to be" enterprise architecture describes an organization's desired architecture for meeting strategic goals and future needs.

heterogeneous hardware, software, and telecommunications platforms. However, FEMA's current server architecture does not effectively support operations.

When NEMIS was developed, FEMA created a state-of-the-art, distributed client-server architecture, providing each region with its own set of servers to support regional operations. However, as system usage has increased FEMA has recognized the need to move toward a more centralized database structure, and is in the process of consolidating its data storage systems. Such centralization would help ensure data consistency, use less bandwidth, and facilitate backup recovery because the information would be readily available in one place. Presently, information on regional servers must be replicated across multiple servers at FEMA headquarters—a process that delays data exchange and consumes bandwidth. FEMA's limited bandwidth could better be used for advanced technologies such as video teleconferencing, which directly support the agency's emergency management mission. Although, EP&R CIO is in the process of centralizing and consolidating servers, as of April 2005, this process had not been completed. As a result, users continue to experience slow and sometimes unavailable systems. Additionally, if systems were to crash and EP&R were required to recover information or data from backups, it would take as long as a month to complete.

Systems Integration and Information Sharing Need Improvement

According to the DHS strategic plan, DHS will "lead, manage, and coordinate the national response to acts of terrorism, natural disasters, or other emergencies." To accomplish this, DHS has to bring the right people and resources to bear where and when they are needed most, as well as provide integrated logistical support to ensure rapid response and coordination among federal, state, and local operations centers. However, FEMA's systems do not support effective or efficient coordination of deployment operations because there is no sharing of information.

Specifically, NEMIS—the system for managing mission assignments—does not share information with the ADD or LIMS III deployment systems. When a disaster occurs, FEMA and state officials must quickly identify the people and other resources needed to respond to the incident. Information on the disaster is established in NEMIS, including requests for assistance, requisitions and commitments for services and supplies, and the initial allocation of funds. However, FEMA is unable to match automatically the mission assignments in NEMIS to either the personnel deployed through ADD or to the equipment and supplies dispatched through LIMS III. To

compensate, regional staff create and maintain ad hoc databases, spreadsheets, and paper records to manage deployments. During the Florida hurricanes, for example, the regional office in Atlanta, Georgia received from 300 to 400 requests for personnel and supplies within a three-to-four-day period. To respond to these requests, the region improvised by creating a mission assignment spreadsheet that showed the dates and status of the requests, as well as the dates and times that the resources would be received. The spreadsheet enabled the region to coordinate the response and identify those requests that had been filled and those which remained open.

Further, the lack of integration between ADD and LIMS III hinders FEMA from providing the appropriate number and combination of people and supplies to meet the level of need at disaster locations. Without adequate coordination, personnel might arrive at a disaster site and be unable to begin work because the supplies and equipment they need have not yet arrived, or the supplies may arrive without the necessary people to accept and distribute them. Generally, to achieve the right mix, FEMA's Emergency Operations Center staff laboriously searches through ADD to identify available personnel. Likewise, the Agency Logistics Center must search through LIMS III to identify available supplies. This approach was not effective during the Florida hurricanes when 600 to 800 tractor-trailer trucks of supplies arrived at one staging area within a 24-to-36-hour period. There were only five people at the staging area to accept the supplies because their arrival had not been effectively coordinated with personnel deployments. The truck drivers were forced to wait at the staging area for hours until the goods could be unloaded and processed, a costly delay which hampered disaster assistance.

IT officials agree that it is essential to integrate systems to better support mission requirements, and that this decision must be made in collaboration with the systems owners and program officials. For example, in response to our report, the CIO acknowledged the need to upgrade and integrate IFMIS and FEMA's deployment systems. Systems integration also should consider DHS-wide direction and programs, such as *eMerge*^{2} and *MAX*^{HR}.

State Stakeholders Request Better System Links

Office of Management and Budget Circular A-130 requires that federal agencies integrate state and local government requirements with their information resource management strategies. However, EP&R response and recovery systems do not share information with those used by major stakeholders in state governments. States receiving disaster assistance need to maintain accountability for the federal support they receive. Financial

information, such as the amount of funds allocated, obligated, and expended on behalf of the states is available in NEMIS. While NEMIS' predecessor system did not provide adequate access or internal management controls, it enabled state users to access the FEMA system directly from their desktops. Some states even created automated ways to transfer FEMA information to their state systems. However, this is no longer possible with NEMIS due to security requirements that limit state employees' ability to access NEMIS from their desktops.

Currently, state users can access NEMIS, but not directly from their desktops. Instead, states rely upon stand-alone computers and use manual or convoluted processes to transfer NEMIS information to their state systems. For example, one state uses five stand-alone computers to access NEMIS via a virtual private network, which provides a secure, encrypted connection through the public internet. Users in this state manually re-key NEMIS information into their state systems. Alternatively, they bypass the virtual private network by emailing NEMIS information from the stand-alones to their desktops and then copy the information into the state systems. One user even sent NEMIS information to a home email address. Both such practices create information security concerns.

IT Systems Could More Effectively Support Operations

Because of the unintegrated IT environment, during the 2004 hurricanes, EP&R systems did not effectively handle increased workloads, were not adaptable to change, and lacked needed capabilities. Accordingly, FEMA field personnel developed manual workarounds, adjusted processes, and created alternative IT methods to supplement existing response and recovery systems and operations. Consequently, this created operational inefficiencies and hindered the delivery of essential disaster response and recovery services.

Systems Experienced Difficulty Handling Increased Workloads

FEMA systems were unable to handle effectively the significantly increased workloads required to support disaster victim application processing during the 2004 hurricanes. According to FEMA personnel, they lacked email server space to accommodate messages and reports sent from state and local emergency centers. If someone did not routinely clear the emails from the server, its capacity would fill up—sometimes as much as five to ten times per day—and the system could crash. At one point, the system was down for two hours at the height of the Florida disasters. Workers could not save or download documents. Rather than expand server capacity to resolve the

problem, all workers had to log off of the email server while someone moved emails from the queue file by file.

Further, the surge of disaster victim registrations resulting from the Florida hurricanes overloaded NEMIS' main server, pushing the system beyond its limit. Originally designed to handle a maximum of 20,000 disaster victim registrations a day, during a four-month period from August to December 2004, NEMIS registrations far exceeded these limits during peak periods, reaching over 40,000 on some days. The total number of disaster victim registrations processed during the four-month period of the Florida hurricanes was 1,745,183. The volume of transactions and the number of personnel managing these registrations significantly slowed down the system or made it unavailable for use during peak operations.

Although EP&R CIO staff worked to keep the system operational by increasing system memory, NEMIS' main server became overloaded, the system froze, and unplanned system restarts were necessary. Users were unable to perform their jobs in the system and consequently reverted to paper-based methods. When NEMIS' main server went down, approximately 2,000 IT users were kicked out of the system for as long as 20 to 30 minutes at a time. FEMA personnel accepting victim registrations had to record the information manually and wait to register the victims in NEMIS when the system was functional again. Additionally, FEMA personnel lacked the up-to-date NEMIS information needed to answer disaster victim inquiries when they called the National Processing Service Center for assistance.

As part of our review, we requested system performance reports from the EP&R CIO's office to determine how the systems performed during the hurricane response. However, the CIO office did not have a standard process in place to produce system performance reports. Instead, it had to complete a manual analysis of raw data to provide performance data for only one of NEMIS' key servers. The CIO office stated that it would take several months to supply performance information for all of the other servers. Although the CIO office can monitor central processing unit and hard drive space availability on a real-time basis, it does not have a tool that can show system performance over time. Without such a tool, it is difficult for FEMA to identify system performance problems and take corrective actions to address them.

Given the problems experienced during the 2004 hurricane response and recovery season, a number of FEMA officials expressed concern about not only NEMIS' current capabilities, but also its capacity to support future

dramatic increases in workload. Even the engineers responsible for designing and developing NEMIS questioned whether the system could consistently manage workloads resulting from multiple, concurrent disasters. Although the Florida hurricanes entailed one of the largest response and recovery efforts in FEMA's history, workload volumes from multiple, large disasters in the future could far exceed the systems processing levels required to manage the 2004 incidents.

Systems Are Old and Not Adaptable to Change

FEMA's response and recovery applications are custom designed, complex, outdated, and difficult to adapt to changing user needs. As a result, during disaster response and recovery operations, FEMA has had to adjust its processes to overcome the systems limitations. For example, ADD was designed in such a manner that it cannot be easily updated. Currently, it is difficult to enter into ADD the financial information necessary to issue credit cards, commonly known as "supercards," for emergency response personnel. As a result, FEMA officials created separate, stand-alone databases to track the financial information rather than submit their ADD change requirements to the CIO's office for implementation.

Further, the mail-processing center at the National Processing Service Center in Hyattsville, Maryland, was unable to handle the surge in letter production required during the Florida hurricanes. FEMA employees select and print batches of letters to the victims, categorized by different disaster situations. However, this process became difficult during the 2004 hurricanes because of the increased volume of letters that had to be prepared. No provision had been made for surge printing capability.

CIO officials worked to address the letter generation problem. After 7 to 10 days of effort, they succeeded in improving the system code, helping to reduce the print backlog. However, a contractor later examined the system code and found it to be extremely complex, requiring 20 pages of code to print what newer, more efficient code can do in one line. The contractor recommended rewriting the code; the NEMIS development team currently is investigating ways to address this issue.

In addition to revising the system code to address the print backlog, FEMA changed the business process, instituting a workaround that involved creating one standard letter to send to all disaster victims. The standard letter helped speed up the victim notification process. However, the letter was too generic, did not provide victims the information they needed, and did not clearly

specify what assistance they could expect from FEMA and when it might be available. Confused, the victims called National Processing Service Center representatives for clarification. This created additional burdens as the Center was already overloaded with increased workloads, high call volumes, and slow and crashing systems.

Reporting Challenges

Response and recovery program personnel said that some FEMA systems did not provide useful reports regarding ongoing operations. They said that the standard reports that NEMIS and IFMIS generated were long and did not contain specific information, in the right format, to meet their needs. For example, when a grant report is requested from IFMIS, the product includes all grants instead of identifying specific grant information. Because the reports provided were not useful, FEMA regional offices copied data from the systems and loaded it into spreadsheets and databases so that they could create their own reports. The spreadsheets and databases were not standardized across all regional offices, were not connected with the response and recovery systems, and were not centrally backed up. As a result, regional offices did not maintain consistent information that could be rolled up to the national level.

In addition, requested reports were not timely. At one point in the Florida operations, Individual Assistance Program personnel received a report six days after it had been requested. As a result, 200-300 disaster assistance employees were hindered in their efforts to assist more than 200,000 disaster victims who had requested temporary housing assistance. Without the reports to provide the names and contact information of eligible victims, FEMA was delayed in locating victims to deliver assistance. Other system users said that IFMIS reports take so long to run that they regularly leave the system on over night to produce them. Alternatively, users copy system information, such as financial transaction data, mission assignments, vendor information, and action tracking request forms, onto spreadsheets or databases to access and manipulate the needed data more easily.

Real-Time Resource Tracking Issues

During the 2004 hurricanes, FEMA systems did not provide staff with real-time capabilities for tracking deployments of personnel, equipment, and supplies. For example, ADD did not allow FEMA regional staff to keep track of emergency response personnel sent out to provide assistance at disaster locations. Although ADD contained much of the personnel deployment

information, it did not provide a consolidated view so that regional staff could determine:

- Who had been deployed to the disaster sites;
- Who was en route, but had not yet arrived;
- Who had been sent by FEMA headquarters, but had not been entered into ADD; and,
- Who had arrived at the disaster sites and whether or not they had checked in with the region.

To gain a complete picture of where people were during the hurricanes, the regional deployment coordinator developed a custom database that contained all of the information available and used it to prepare daily reports. Although the reports tracked the "daily" status of people, they did not provide real-time information, potentially placing emergency personnel at risk. For example, when FEMA ordered an emergency evacuation of Orlando, Florida, its regional staff could not obtain from ADD an up-to-date list of deployed personnel and their exact locations. Regional staff had 11 hours in which to manually compile the information, and identify and contact the approximately 200 response and recovery personnel deployed to that area. Fortunately, in this instance, the evacuation was successful. However, the ability to track deployed personnel on a real-time basis is a critical factor to ensuring personnel safety, especially during catastrophic events. According to FEMA officials, the Response Division, which is responsible for ADD, is in the process of developing a replacement for the deployment system.

FEMA cannot use LIMS III for real-time tracking of emergency equipment and supplies deployed to disaster sites. LIMS III is essentially an inventory system used to manage equipment and accountable property, such as cell phones or pagers. LIMS III contains information on the number of items available and where they are located. However, once the items are identified for deployment, LIMS III does not indicate when they will be shipped and when they should arrive. To compensate, emergency personnel in Florida said that they tracked items on a spreadsheet and spent a significant amount of time calling trucking companies to determine the status and projected arrival times of in-transit goods.

Further, LIMS III does not effectively track the exact location of equipment and supplies after they have been issued. FEMA officials said that they do not use LIMS III to issue accountable property during emergency situations, because it takes too long. For example, although accountability property officers made electronic records in LIMS III of bulk goods received during the

Florida hurricanes, these officials used hand receipts to distribute quickly the property to those who needed it. Typically, these transactions were not entered into LIMS III until as many as ten days later, so the system did not maintain an accurate, real-time inventory of the property on hand. Similarly, when Florida requested 500 cell phones, the phones were issued using hand receipts—not through LIMS III. FEMA officials said that it later required about ten minutes to enter the information from the hand receipts into LIMS III for each of the phones issued.

In addition, LIMS III does not track critically needed commodities, such as water, ice, or tarps. Instead, emergency coordinators use spreadsheets to track these goods outside of LIMS III. An Atlanta regional official said that this significantly increased the workload of the regional operations center. This also required the assignment of additional personnel to obtain the status of deployed commodities and complicated emergency response planning and coordination.

For example, during the 2004 hurricanes, the State of Florida requested ice and water via action request forms. Hard copy mission assignments were completed, and the regional operations center used them to assign the request to the U.S. Army Corps of Engineers. The regional operations center tracked the mission assignments via spreadsheets because FEMA does not have a system to track deployed commodities. When asked about delivery status, U.S. Army Corps of Engineers officials could only tell center officials that they were en route with the items. After the items were received onsite, an accountability property officer faxed copies of the paper receipts to the center. This was a time consuming and resource intensive process. In one instance, approximately 1,500 tractor-trailers delivered commodities to a staging area. (See Figure 9). The accountability property officer had to survey the area, manually inventory the commodities received, and email that inventory information to the regional operations center. Because there was no automated way to coordinate quantities of commodities with the people available to accept and distribute them, millions of dollars worth of ice was left unused at staging areas in Florida; and, about $1.6 million worth of leftover water had to be returned to the warehouse for storage.



Figure 9: Tractor Trailers Pick Up Supplies For Disaster Victims

FEMA officials said that they are currently pilot-testing a Total Asset Visibility System to track shipment and distribution of essential commodities such as ice, water, and food. Such a tracking system should provide FEMA with the capability to track assets real-time, across federal, state, and local organizations.

Management Practices Contribute to Systems Operations Problems

FEMA's disaster response culture has supported the agency through many crisis situations, such as the 2004 hurricanes. However, its reactive approach encourages short-term systems fixes rather than long-term solutions, contributing to the difficulties that FEMA encounters in efficiently and effectively supporting response and recovery operations. Without taking the time to fully define and document systems requirements, it is difficult for FEMA to evaluate effectively viable alternatives to its custom designed systems. Further, the reactive manner in which IT systems are funded and implemented has left little time for proper systems testing before they are deployed.

NEMIS Requirements Not Consistently Updated

Office of Management and Budget Circular A-11 directs agencies to reduce project risk by involving stakeholders in the design of IT assets. Users can play an important role in helping to define systems requirements to meet

mission needs. FEMA's approach to defining requirements to support development of its principal disaster management system has not been effective, however. When the CIO office began to develop NEMIS in 1995, the office documented a set of system requirements. But, an EP&R CIO official noted that headquarters personnel were usually responsible for the requirements definition process and that not all of FEMA's stakeholders were involved. Consequently, once NEMIS became operational, the system automated a process that did not reflect how FEMA personnel actually behave during disasters. To address this disparity, the EP&R CIO office had users come in after the initial release of NEMIS to look at each individual module and suggest system changes.

Lacking an effective means to provide input to NEMIS development, users have been forced to rely on systems that do not effectively meet their requirements, modify their processes, or resort to manual workarounds. For example, after an incident occurs, regional officials are supposed to use NEMIS' preliminary damage assessment module to evaluate destruction and losses due to disasters, and subsequently submit that information to headquarters, along with state requests for federal assistance. However, a regional official said that emergency personnel do not use this module to the fullest extent possible. Instead of directly entering the damage assessments into the system, emergency personnel collect and fax the information for review and consideration. The official said that it is easier and faster to submit the damage assessments in hard copy than use the poorly designed NEMIS module.

The EP&R CIO now recognizes the need to improve efforts to reach out to IT users across the directorate and has established forums for discussing and defining system requirements. For example, the EP&R CIO office has assigned each system a customer advocate and a program manager from the various program areas. Program officials approve the requests for systems changes and provide them to IT personnel for further review. IT personnel then discuss how proposed systems changes will be implemented. A policy steering committee, consisting of managers from FEMA headquarters, defines the business processes that are echoed in the technical systems requirements.

Further, the EP&R CIO has proposed updating NEMIS requirements to support the proposed eNEMIS initiative. In commenting on this report, the EP&R CIO discussed plans to elicit broad stakeholder participation in the requirements definition process for the e-NEMIS initiative. Broad stakeholder participation in the requirements definition process will be essential to deliver a web-based NEMIS to meet varied user needs.

However, FEMA officials have not maintained a record of changes to systems requirements nor have they developed an up-to-date NEMIS requirements document. One EP&R CIO staffer said that they have limited funding; when the budget gets pressed, it is always the "overhead" or administrative activities, such as updating requirements documentation, which are bypassed.

Alternatives Analysis Needed

Office of Management and Budget Circular A-130 encourages agencies to consider various options for providing automated systems to meet their mission needs. However, by not taking the time to fully define and document systems requirements, it has been difficult for FEMA to evaluate viable alternatives to the highly complex, custom designed systems that it relies upon to support disaster response and recovery operations. Because these systems have carried FEMA through its responsibilities over the years, senior IT officials said that they have made little effort to evaluate off-the-shelf products to determine if there is a simpler, commercially available, and possibly more effective IT alternative. FEMA's Business Year 2006 business case submission to the Office of Management and Budget for NEMIS improvements also indicates a lack of alternatives analysis.

Members of the EP&R CIO office speculated that off-the-shelf products would likely not meet their needs during peak emergency operations. For example, according to a recent business case for the next generation of NEMIS, there is no plan to perform an analysis of alternative off-the-shelf products or other department systems. The NEMIS requirements document is not up-to-date, and user input to those requirements has been limited. NEMIS is a tool that stretches across multiple business functions; only by having a complete set of documented system requirements for each of these functions will the EP&R CIO be able to determine if alternative products can or cannot fulfill requirements.

In addition, officials in one state agency increasingly have become aware that the federal government cannot compete with the private industry on developing systems. According to this state agency, private industry is developing multiple systems to support emergency management operations. However, because federal systems do not always use the most up-to-date technology, it is becoming more difficult for state agencies to share information with the custom designed federal systems as states upgrade their own off-the-shelf systems.

Lastly, some users said that if FEMA had adopted an off-the-shelf product instead of NEMIS, it would have the additional functions that they need. For example, multiple off-the-shelf enterprise resource planning systems developed by the private sector could possibly support coordination of response and recovery activities. Once FEMA has completely defined all business requirements, it will be in a better position to evaluate available commercial products.

Reactive IT Implementation to Meet Expedited Requests

Federal regulations require that agencies plan in an integrated manner for managing IT throughout its life cycle. However, EP&R's tendency to rush systems acquisition to meet immediate needs has encouraged ad hoc development and implementation of IT programs, which has contributed to many systems integration and performance problems. The EP&R CIO budget in FY 2004 was approximately $80 million. About 90 percent of that amount was earmarked for operating and maintaining existing systems, leaving only 10 percent for new IT initiatives. Consequently, the CIO is dependent on the program offices for any new systems funding.

EP&R has documented plans which propose initiatives and priorities for strategic implementation of long-term IT solutions. However, the program offices in many cases are the owners of the systems, typically do not fund the long-term strategic IT initiatives, and take a cursory approach to short-term systems acquisition. They often do not authorize or fund IT initiatives until disasters occur and specific systems needs become critical. The CIO is working to implement a process for reviewing and approving capital investments—including IT investments—to prevent this from repeating. Until this process is fully implemented, however, the CIO has no means of ensuring that IT investments are well-integrated or aligned with mission needs.

For example, nine months prior to the 2004 hurricanes, FEMA's recovery program offices provided funding to develop and implement an online registration capability for NEMIS. The online system is to allow disaster victims to submit claims via the internet without having to call the National Processing Service Centers. When the 2004 hurricanes occurred, the number of disaster victims registering for assistance increased significantly, thus overloading systems and staff of the National Processing Service Centers. The EP&R CIO was able to deploy the online registration system a full three months earlier than initially planned. However, an EP&R CIO official involved in development of the online systems said that its implementation did not follow standard change management or configuration management

processes. Failing to follow such processes ultimately leads to systems availability problems. The Gartner Group, a leading provider of IT industry research and analysis, reported that 80 percent of unplanned systems downtime is caused by people and process issues, including poor change management practices. Enterprises which have established strong change management practices typically have the highest levels of systems availability.[19]

Additionally, according to regulations, agencies are responsible for ensuring effective and efficient operation of IT equipment before it is implemented. This entails proving that new systems function in a "production-like" test environment to ensure that the IT applications work properly and contain needed safeguards. However, in addition to its rushed systems acquisition approach, the EP&R CIO does not have a test environment to match the real systems environment, and does not always adequately test systems prior to release.

For example, the online NEMIS registration capability did not have a name check function to ensure the validity and existence of the individuals filing claims. Also, the online system did not have controls to prevent one individual from generating multiple claims at the same time, even though the technology to prevent this from occurring already exists. One FEMA official was aware of six false claims made online. Proper testing of the online system likely would have disclosed this lack of system controls, leaving FEMA less susceptible to such fraud. FEMA officials said that they are in the process of acquiring the identity proofing, authentication, and prevention capabilities needed to mitigate these risks.

Further, a FEMA testing team lacked adequate requirements to support testing of a new fire grants system. When it updated the production environment with the new system code, the system automatically sent multiple print jobs across the network, clogging up the system, and taking bandwidth away from emergency personnel who needed it.

[19] *NSM: Often the Weakest Link in Business Availability*, Gartner, Inc., July 3, 2001.

Recommendations

We recommend that, in keeping with legislative requirements, the Under Secretary for EP&R:

3. Direct the EP&R CIO to complete the FEMA enterprise architecture, linked to the departmentwide architecture and ongoing initiatives that may impact EP&R operations.

4. Ensure cross-cutting participation from headquarters, regions, and states in processes to develop and maintain a complete, documented set of FEMA business and system requirements. Direct the EP&R CIO to analyze alternatives and determine the most appropriate approach to providing the technology needed to support these business and system requirements.

5. Direct the EP&R CIO to develop and maintain a testing environment that duplicates the real systems environment and ensures that all systems components are properly and thoroughly tested prior to their release. Additionally, direct the EP&R CIO to ensure that proper configuration management activities are followed and documented.

Management Comments and OIG Evaluation

We obtained written comments on a draft of this report from the Chief Information Officer (CIO), Emergency Preparedness and Response (EP&R), through the EP&R Under Secretary. We have included a copy of the comments in their entirety at Appendix B.

In the comments, the EP&R CIO found the draft report to be unacceptable, stating that it incorrectly characterized FEMA's strategic planning and IT activities and needed to be revised. The EP&R CIO also said that the overall tone of the report was negative and did not acknowledge FEMA's "highly performing, well managed, and staffed IT systems," leading the reader to conclude that EP&R is lacking, particularly in the areas we cover in our report recommendations. The EP&R CIO invited us to meet with FEMA's strategic planning unit to best judge the extent to which the agency is in line with DHS strategic direction, as well as meet with EP&R CIO officials to clear up some of what the CIO called "obvious inaccuracies."

We do not agree with the EP&R CIO's response. First, it should be noted that during the audit we met with FEMA's strategic planning unit, as well as with other program officials to discuss the agency's planning activities. Based on these meetings and our review of supporting documentation, we devised findings and recommendations regarding the need to update the strategic plan and establish better linkages between it and the IT plan. At the May 17, 2005, audit exit meeting where we discussed a preliminary draft of the report, EP&R CIO officials did not address our conclusions or recommendations regarding strategic planning. Indeed, one FEMA official conceded that the lack of alignment in strategic planning likely was due to creation of the EP&R directorate and FEMA's transition into the department—events over which they had little control.

Second, with regard to the EP&R CIO's concern about the overall tone of the report, we made considerable efforts to revise the report based on comments that EP&R CIO officials provided during our audit exit meeting and their review of a preliminary draft of our report pursuant to that meeting. In response to the EP&R CIO's formal written comments, we have assessed the tone of the report and made additional changes where appropriate. Still, a number of the IT issues we raise, such as the lack of systems integration and challenges in handling processing workloads, are not new, dating back to well before the current EP&R administration and FEMA's integration into DHS, and were consistently evidenced or voiced to us by EP&R officials and systems stakeholders during our audit. We acknowledge in the report the various instances where EP&R is working to address such issues; our recommendations are intended to encourage continued progress and improvement in these areas.

Third, we believe that the EP&R CIO incorrectly equates the agency's ability to meet the disaster management challenges to date with effective and efficient IT management. While we state in our report that EP&R was able to get through the 2004 hurricanes, often experiencing significant achievements, high customer satisfaction, and high volume processing, we also recognize that FEMA's accomplishments were not necessarily because of its IT systems, but often in spite of them. Users across EP&R consistently told us that they did not use the headquarters-supplied systems, but instead relied upon alternative methods, such as creating ad hoc spreadsheets and databases or resorting to manual methods, to perform their jobs. Where IT systems were used, they often did not operate effectively. For example, systems were slow, froze, or lacked server space or memory due to the dramatic increases in systems users and processing workloads during the 2004 hurricanes. The EP&R CIO's own FY 2005 strategic plan also states that during the

hurricanes, "both NEMIS and its support staff were stressed to the limit and that Herculean efforts were required to meet demands that exceeded several design requirements by an order of magnitude." The tremendous effort required to meet the 2004 challenges logically evokes questions about the ability of FEMA's IT systems to prevail in supporting future disasters. Indeed, senior officials and a lead engineer for one of FEMA's primary systems repeatedly shared with us concerns about the system's ability to withstand potential multiple or catastrophic events.

Fourth, given the IT issues expressed above, we believe that the EP&R CIO is not justified in referring to EP&R's "highly performing, well managed and staffed IT systems" and that our overall message that IT could be better managed is warranted. Though the EP&R CIO suggested in his comments that a review with him, "may clear up some of the obvious inaccuracies," it should be pointed out that we maintained ongoing communications with the EP&R CIO's office during the course of our audit. For example, as requested, we met on a monthly basis with the EP&R CIO, or representative staff when the EP&R CIO was unavailable, to discuss audit progress, IT issues, and potential findings. In addition, as discussed previously, we held an audit exit meeting with the EP&R CIO and key IT officials, providing, as a courtesy, the opportunity to submit informal comments on a preliminary draft of our report, which served as input to the draft subsequently distributed for formal written comments.

The EP&R CIO neither concurred nor non-concurred with our recommendations, but instead provided additional detailed comments and information to update or supplement issues we outline in our report. The following discussion provides our evaluation of each of the EP&R CIO's additional comments.

FEMA's Support for DHS Strategic Goals: The EP&R CIO provided a number of comments on our treatment of FEMA strategic planning issues, and these are discussed below:

- We disagree with the EP&R CIO's statement that our conclusion that "FEMA does not support DHS' strategic goals" is based on what the CIO calls a "misunderstanding of the relationship between FEMA's plans and metrics, and those of DHS." Our audit did not seek to analyze comprehensively FEMA's strategic planning processes. Rather, our objective was to review EP&R's approach for responding to and recovering from incidents. In this context, we examined the strategic and IT plans in place to determine whether they are appropriately linked to

support an alignment between DHS, FEMA, and response and recovery IT initiatives. Our review showed clear disconnects among the planning documents. Specifically, FEMA's strategic plan was created prior to the agency becoming part of DHS, has not been updated since then, and consequently does not align with specific response and recovery metrics outlined in DHS' plan. We reviewed FEMA's IT strategic plan to determine whether technology approaches and initiatives support response and recovery mission goals and found that the IT plan is based on FEMA's outdated strategic plan. As such, we recommended that both FEMA's strategic and IT plans be updated.

- Contrary to the EP&R CIO's statement, we neither assume nor state in our report that FEMA's strategic plan is the only mechanism to ensure alignment of FEMA plans and programs with DHS goals and objectives. As stated above, we focused on FEMA's strategic plan, because the EP&R CIO office identified this plan as the basis for IT planning and direction. Further, according to the *Government Performance and Results Act of 1993*, performance-based management and budgeting must begin with an overarching strategic plan. As a result of our review, we identified misalignments between DHS' and FEMA's strategic planning documents that we would be remiss in not discussing in our report. We did not seek to analyze FEMA's overall strategic planning process, or any of the other planning, programming, budgeting, and execution processes that the EP&R CIO identified. Such processes were outside of the scope of our audit.

- We neither dispute nor discuss the EP&R CIO's assertion that the goals and metrics identified in DHS' strategic plan were written by FEMA. Again, our intent was to point out disconnects between DHS' and FEMA's strategic planning documents and the need for FEMA updates to better support IT planning. Nonetheless, we have revised our report to state that FEMA not only participated in working groups to help develop the DHS plan, but also defined and owns the response and recovery goals and metrics outlined in the DHS plan.

- We believe that the EP&R CIO's statement that some information in FEMA's strategic plan has been outpaced by events helps support our argument that the plan is outdated and needs to be revised. Even though the main body of FEMA's strategic plan may remain applicable since the agency has become part of DHS, updating the plan as we recommend will help ensure that the FEMA and DHS plans do not conflict, but also support each other. We have revised the language in our report to clarify

our concern that use of the two plans as they currently exist could lead to ambiguous guidance and direction.

- We agree with the EP&R CIO's statement that FEMA came into the department as a whole and that its mission was not dramatically altered, although the transition into DHS brought a new focus to the agency's activities. Our report does not contest the continuity of FEMA's all-hazard response and recovery mission in the context of the new department. Rather, our report recommends that FEMA update its strategic plan to reflect this organizational realignment, support achievement of DHS goals, and provide updated guidance on which to base IT planning.

- We believe that FEMA's acknowledgement that it postponed a review of its strategic plan due to the demands of the 2004 hurricane season supports our argument that the plan is outdated and needs to be revised. We stand by our assertion that the plan is outdated, however, not from a calendar standpoint, but rather in the sense that it does not align with DHS' plan and reflect FEMA's integration into the new department. We recognize in our report that the schedule for updating the plan has been postponed due to events such as the 2004 hurricanes. Recommendation 1 is intended to encourage FEMA to proceed in updating the plan so that the document may serve as a useful and current guide to support IT planning.

FEMA's Participation in DHS Strategic and Performance Planning: We accept FEMA's suggestion that we revise our report to reflect the relationship between FEMA and DHS in establishing performance goals and metrics. As previously stated, we have revised our report to indicate that FEMA not only participated in working groups to help develop the DHS plan, but also defined and owns the response and recovery goals and metrics outlined in the DHS plan.

OMB Guidance on Linking Department and Component Plans: We disagree with the EP&R CIO's statement that the report incorrectly cites OMB Circular A-11 as guidance for agencies to create their own strategic plans linked to overarching departmentwide plans. Section 210 of Circular A-11 states that an agency's strategic plan provides an overarching framework, keying on those programs and activities that carry out the agency's mission. The circular states that although a single plan should be submitted, the *Results Act* allows an agency with widely disparate functions to prepare several strategic plans for its major components or programs. In these instances, an overview that brings together the component plans is prepared. In line with these

requirements, DHS' strategic plan constitutes a single framework for consolidating the missions, goals, and objectives of its 22 agencies in a joint strategy for securing the homeland. As one of the legacy agencies, FEMA's strategic plan necessarily should link to the overarching DHS plan. We have revised our report to clarify these requirements.

Conflicting Guidance and Direction: We agree with the EP&R CIO regarding the potential for misconstruing our statement that a planning official's use of both DHS' and FEMA's strategic plans results in conflicting guidance and direction. We have revised this language to show that the potential for conflicting guidance and direction is our conclusion, and not attributable to the planning official. We also have revised the wording in the relevant section of the report to ensure consistency with our executive summary.

IT Strategic Plan Alignment with the DHS Plan: Contrary to the EP&R CIO's assertion, our report neither contests nor discusses alignment of FEMA's IT strategic plan with DHS CIO Council priorities. While we commend FEMA's cooperation with the CIO Council, we did not include this issue in our audit. The strategic planning portion of our report is merely intended to emphasize that, despite federal guidelines, FEMA has not aligned its strategic and IT plans with the overarching DHS strategic plan.

Handling Workloads during the 2004 Hurricane Season: We disagree with the EP&R CIO's assertion that FEMA would not have been able to successfully handle the increased workload during the 2004 hurricane season if the agency were experiencing the various IT problems that we outlined. As previously indicated, we believe that the EP&R CIO incorrectly equates the agency's ability to meet the disaster management challenges to date with effective and efficient IT management. While we state in our report that EP&R was able to get through the 2004 hurricanes, we also recognize that FEMA's accomplishments were not necessarily because of its IT systems, but often in spite of them. Users across EP&R consistently told us that they did not use the headquarters-supplied systems, but instead relied upon alternative methods, such as creating ad hoc spreadsheets and databases or resorting to manual methods, to perform their jobs. Where IT systems were used, they often did not operate effectively.

Enterprise Architecture: We disagree with the EP&R CIO's assertion that we incorrectly reported on EP&R efforts to update its enterprise architecture to govern the IT environment. The following is our evaluation of the EP&R CIO's various comments in this regard.

- First, we do not agree that our discussion of enterprise architecture issues in the executive summary of our report is misleading. The purpose of the executive summary is to bring together the various parts of our report to comprise an overall message. We believe that completing an enterprise architecture is important to provide a framework for ensuring effective systems integration, functionality, and information sharing, unlike what was experienced during the 2004 hurricanes.

- Second, we appreciate the EP&R CIO's concern that our discussion of the status of enterprise architecture development is based on out-of-date information. We based our statement that the electronic "as is" enterprise architecture was approximately 85 percent complete and that the "to be" architecture development had not yet begun on discussions with the lead enterprise architecture official, held as recently as June 2005. We acknowledge the range of ongoing activities to further progress in architecture development and have revised our report to reflect these efforts. However, although the EP&R CIO cites such activities, the EP&R CIO does not provide an up-to-date, quantifiable indication of the current status of architecture development, as compared with the October 2005 target completion date. Based on the information provided to date, our recommendation remains to proceed with architecture development and make it available as a framework for guiding FEMA's IT management in line with the DHS architecture and ongoing initiatives.

- Third, we disagree with the EP&R CIO's comment that our report assumes that the incomplete enterprise architecture alone is the reason for IT systems not efficiently handling increased workloads. The EP&R CIO has taken our reference to the enterprise architecture out of context and misconstrues the issue that we raise. Rather, we conclude in the executive summary of our report that the incomplete enterprise architecture, in conjunction with unintegrated systems and ineffective information exchange, creates an ineffective processing environment.

- Fourth, we have revised our report to reflect the EP&R CIO's comments regarding recent progress in developing the "as is" and "to be" portions of FEMA's enterprise architecture. We recognize that overall architecture development is an evolving process, but nonetheless encourage FEMA to complete the "to be" portion to serve as a roadmap for proposed IT initiatives.

EP&R CIO Budget: We agree with the EP&R CIO there is a potential to misconstrue our statement regarding the resources used to develop and operate

IT for response and recovery. We have revised our report to reflect more accurately the activities performed by EP&R CIO personnel.

LIMS III: As the EP&R CIO suggested, we have updated our report to refer to the Logistics Information Management System as LIMS III, not LIMS. Although we evaluated how effectively LIMS III supports the logistics management process, we did not follow up and report on recommendations from prior audits regarding logistics data accuracy.

Prior GAO and OIG Assessments: We disagree with the EP&R CIO's statement that our references to past OIG reports, without referring to the current status of these reports, may give an inaccurate and unfair picture of IT status. We referenced prior GAO and OIG assessments only to provide background information and a context for conducting our audit. While the scope of our review did not include following up on all findings and recommendations from these prior assessments, it should be recognized that many of the concerns they raised, such as NEMIS reliability, usability, and training, remain issues today.

ADD Functionality: We recognize that the Automated Deployment Database has a "check-in" process and a date/time stamp for when personnel call headquarters to advise of their arrivals at disaster sites. However, as we discuss in our report, personnel do not always follow the prescribed check-in procedures and information on their arrivals may not be entered into ADD to measure deployment time. Inconsistent check-in not only affects the accuracy of ADD reports, but also may leave response and recovery personnel at risk when their whereabouts are unknown.

LIMS III Tracking: We recognize, as the EP&R CIO has indicated, that LIMS III was not designed to track commodities such as ice and water. We are concerned that the lack of a system or a formal requirement to track such commodities not only does not meet requirements of the National Incident Management System, but also creates problems for response and recovery personnel. As we discuss in our report, property officers must resort to spreadsheets, manual processes, or other inconsistent and nonintegrated means to track commodities, resulting in wasted time, effort, and resources. We encourage FEMA's ongoing efforts to develop a total asset visibility system to track commodities and expect that such a system will provide FEMA with improved ability to track and measure distribution of assets across federal, state, and local agencies.

Response and Recovery Performance Metrics: We agree that EP&R systems are not entirely owned by the CIO's office and recognize that the program offices, which are the systems users, also need to help identify effective performance measures. The EP&R CIO's comments affirm the need for improved ability to collect performance data from IT systems. Recommendation 1 of our report addresses the need for improved performance measurement.

Departmentwide Initiatives: The additional information that the EP&R CIO provided on FEMA's efforts to coordinate its IT activities with departmentwide initiatives affirms issues and recommendations we raise in our report. Where appropriate, we have revised the report to reflect the ongoing coordination activities.

IT Guidance and Training: Again, the EP&R CIO's comments affirm and supplement the information we provided on IT guidance and training in our report. Like the EP&R CIO, we expect that having regional IT staff report directly to his office will enhance efforts to define training requirements, integrate and improve training materials, and better communicate guidance and training availability.

Database Integration: The EP&R CIO commented that our discussion under the report heading "Databases Are Not Fully Integrated" should be omitted because it is not relevant to either database integration or mission application integration. In response, we have revised the heading and clarified the subsequent discussion concerning the need to centralize NEMIS servers.

Logistics Integration: The EP&R CIO stated that our example regarding logistics coordination is partially incorrect in that not all of the tractor trailers came from the FEMA Logistics Centers. Our report does not say that all of the trucks came from the FEMA logistics center. Indeed, where the trucks came from is not germane to the issue that we raise. Rather, we are concerned that, although FEMA is responsible for coordinating federal incident response, the arrival of all of the trucks at a single staging area was uncoordinated and personnel were not on hand to receive the supplies in a timely manner.

NEMIS Access and Security: We recognize that cyber security requirements limit the ability of state employees to access NEMIS from their desktops and have revised our report accordingly.

System Capacity to Handle Increased Workload: We disagree with the EP&R CIO's comments regarding the ability of FEMA's IT systems to handle

increased workloads during the 2004 hurricanes. As previously stated, while we recognize that FEMA was able to get through the hurricanes, this accomplishment was not without significant IT and user problems. Like the EP&R CIO, we acknowledge that much of the credit can be attributed to the efforts of IT and recovery staff who worked heroically during the hurricanes to sustain operations and register and assist disaster victims. We also appreciate the EP&R CIO's challenges and lack of resources to carry out operations on a day-to-day basis. However, as we recommend in our report, EP&R needs to place priority on gathering requirements and analyzing alternatives to determine the most appropriate technology needed to meet business needs.

System Reporting: Although the EP&R CIO stated that LIMS III provides substantial reporting capabilities, the cited section of our report discusses NEMIS and IFMIS challenges and does not mention LIMS III. We have revised the topic sentence for the section to indicate reporting challenges with some, but not all, of FEMA's systems.

Need for Updated NEMIS Requirements and Alternative Analysis: The EP&R CIO affirms the responsibility of management at all levels to recognize and act on problems such as the need to update NEMIS requirements and conduct an alternatives analysis. We look forward to the results of the EP&R CIO's efforts to solicit broad stakeholder involvement in the e-NEMIS requirements definition process. Additionally, we have revised our report to incorporate the EP&R CIO's acknowledgement of the need to integrate and update systems such as IFMIS and FEMA's deployment systems.

Funding for NEMIS Upgrade: In response to the EP&R CIO's comment, we have revised our report, deleting the statement that program offices were reluctant to fund development of an online registration capability for NEMIS.

As background for this audit, we researched and reviewed IT laws, regulations, and other federal guidance applicable to the EP&R directorate. We researched and reviewed prior OIG, Government Accountability Office, and other reports relating to EP&R IT to identify relevant findings and recommendations. We also reviewed information available on the DHS and FEMA websites about disaster response and recovery initiatives.

We met with EP&R management officials and staff to review the directorate's approach to responding to and recovering from terrorist attacks, major disasters, and other domestic emergencies. These officials discussed EP&R's organization, roles, responsibilities, operations, and systems for response and recovery activities. Additionally, these officials discussed EP&R's strategic planning process and provided copies of DHS, FEMA, and EP&R CIO strategic, performance, and operational plans. We reviewed the plans to determine alignment of the various organizations' goals, objectives, and performance measures.

We visited EP&R field offices and state government organizations to assess IT user guidance and support. Emergency management officials, IT support staff, and system users at the following locations discussed the effectiveness of EP&R's guidance and processes for responding to and recovering from disaster incidents:

EP&R Headquarters

- CIO officials and IT support staff
- Mt. Weather personnel
- Response Directorate officials
- Recovery Directorate officials

FEMA Regions

- Region II—New York, New York
- Region IV—Atlanta, Georgia
- Region IX—Oakland, California

State Emergency Management Organizations

- New York Public Security Office and New York State Emergency Management Office—Albany, New York
- State Office of Emergency Services—Sacramento, California
- Georgia Emergency Management Agency—Atlanta, Georgia
- Maryland Emergency Management Agency—Reisterstown, Maryland
- State Homeland Security Offices—Albany, New York

These officials, as well as representatives of the following organizations, helped us accomplish our objective of determining how effectively IT systems supported EP&R's response and recovery mission.

National Processing Service Centers
- Hyattsville, Maryland
- Pasadena, California

Disaster Field Offices
- Burlington, New Jersey
- Albany, New York
- Orlando, Florida

Disaster Recovery Center
- Orlando, Florida

Mobile Emergency Response Service
- Thomasville, Georgia

These stakeholders told us about both existing and proposed EP&R systems as well as ad hoc systems they created to meet their needs. Lastly, we met with officials from the *eMerge*^{2} program to discuss EP&R's participation in this effort and to gain a better understanding of what the program will do for DHS.

We limited our audit to EP&R's unclassified systems and processes related to the response and recovery mission, and did not focus on sensitive systems or information. In addition, we did not test the data in the systems reviewed for accuracy and completeness. Throughout the course of this audit, we provided monthly updates to the EP&R CIO on progress and discussed key issues identified by the stakeholders.

We performed our work according to generally accepted government auditing standards. The principal OIG points of contact for this audit are Frank Deffer, Assistant Inspector General, Information Technology Audits and Sondra McCauley, Director, Information Management Division. Other major contributors are listed in Appendix C.

U.S. Department of Homeland Security
Washington, D.C. 20472

FEMA

August 3, 2005

MEMORANDUM FOR: Richard L. Skinner
Acting Inspector General

THROUGH: Michael D. Brown
Under Secretary
Emergency Preparedness and Response

FROM: Barry C. West
Chief Information Officer/Director
Information Technology Services Division

SUBJECT: Audit Report dated June 2005 -
"Emergency Preparedness and Response Could Better Integrate Information Technology with Incident Response and Recovery"

We have reviewed the rewrite of the Audit report and find it unacceptable. The report incorrectly characterizes our Strategic Planning and IT activities. EP&R therefore invites the Office of the Inspector General to meet with the Agency's strategic planning unit to discuss how plans and metrics are developed within FEMA and DHS, and how best to judge the extent to which FEMA is in line with DHS strategic direction. The report erroneously portrays information technology (IT) as poorly managed yet states in the Results in Brief section that "EP&R's IT approach has met the disaster management challenges to date...." The body of the report also contradicts this erroneous portrayal. In the section labeled "IT Support During the Florida Storms" you reported on the significant achievements, high customer satisfaction, and high volume of processing. None of this would have been possible if IT was poorly managed. We suggest a review with our CIO may clear up some of the obvious inaccuracies.

The overall tone of the report is negative, leading the reader to conclude that EP&R is lacking in the areas covered under your recommendations, particularly strategic planning, involvement in DHS-wide initiatives, and progress on the enterprise architecture. We believe this characterization is inaccurate and does not acknowledge the highly performing, well managed and staffed IT systems supporting FEMA incident response and recovery.

In view of these inaccuracies and misrepresentations, we recommend that the report be revised to address the issues presented by EP&R in the attachment. Should you have any questions, please contact Barry C. West at (202) 646-3006.

Attachment

Attachment

Comments on Draft Inspector General Report:
"Emergency Preparedness and Response Could Better Integrate with Incident Response and Recovery."

Now on Page 2

On page 5 the report finds that FEMA "does not support DHS' strategic goals." This conclusion appears to be based on a misunderstanding of the relationship between FEMA's plans and metrics, and those of DHS. FEMA therefore invites the Office of the Inspector General to meet with the Agency's strategic planning unit to discuss how plans and metrics are developed within FEMA and DHS, and how best to judge the extent to which FEMA is in line with DHS strategic direction.

Under Results in Brief, we believe the OIG incorrectly concludes that the IT planning "…does not reflect FEMA's integration into DHS and therefore does not support DHS' strategic goals." The report assumes that the FEMA strategic plan is the only mechanism that ensures alignment of FEMA plans and programs with DHS goals and objectives. In fact, the primary mechanism for ensuring alignment to the Departments goals is the DHS five-year plan and budget: the Future Years Homeland Security Program (FYHSP). Through the Planning, Programming, Budgeting and Execution (PPBE) process that creates and executes the FYHSP, FEMA ensures that DHS goals and objectives are directly supported by the Agency's programs, activities, and budgets.

Now on Pages 6-12

The report reflects a mistaken understanding of the relationship between FEMA's plans and programs, the DHS strategic plan, and the Department's five-year FYHSP. This is demonstrated throughout the discussion on pages 10 through 15. On pages 11 and 12 (*Figure* 3 and *Figure 4*), for example, the report incorrectly portrays the goals and metrics in the FYHSP database as "DHS goals" and "DHS metrics." On page 13, the report states that "in 2004 DHS allotted 72 hours for providing both emergency teams and essential services to disaster areas," explaining, incorrectly, that this "illustrates DHS' performance objectives for FEMA response times."

There is, in fact, no difference between DHS and FEMA metrics. The "DHS" strategic goals and supporting metrics cited in the report were not handed down by the Department, but instead were actually written, and are owned by, FEMA. FEMA reports its progress against these metrics to DHS quarterly, and has aligned its entire budget and activity structure to the DHS strategic plan, and has done so since 2003.

Now on Page 2, 8, 9

The report consistently refers to FEMA's "outdated strategic plan" (refer to Pages 5, 12 and 13). As acknowledged in the audit team's introductory meeting with FEMA's strategic planning unit, some of the information in the FEMA strategic plan has been outpaced by events; FEMA's terrorism preparedness goal, in particular, has continued to evolve since 9/11. For the most part, however, the main body of the plan is still applicable to FEMA's programs and activities. This point was emphasized at the outset

of the audit in FEMA's discussion of the Agency's strategic plan, but is not mentioned in the report. Moreover, as an active participant in the development of the DHS strategic plan, FEMA ensured that the response and recovery goals and objectives in the Agency's strategic plan do not conflict with the Department's plan.

FEMA, in contrast to any other organizational element of DHS, came into the Department as a whole and independent agency. More significantly, FEMA arrived in DHS with a mission that was not dramatically altered. FEMA has always been an all-hazards emergency management agency. Although 9/11 and the Agency's transition into DHS have brought a new focus to FEMA's activities, by virtue of Federal statute, and because natural hazards and other non-terrorist hazards continue to exist, FEMA's mission has remained substantially unchanged.

The report's designation of the FEMA plan as "outdated" might suggest to some that the plan is old. In actuality, the FEMA strategic plan has only been in effect for two fiscal years. It should also be noted that the DHS strategic plan was released just a year ago, in February of 2004. From this perspective the Agency's plan is certainly not "outdated." As stated in the report, FEMA had planned to make any necessary updates to its strategic plan last summer, but the review was postponed because of the demands on FEMA leadership and staff caused by the unusually destructive 2004 hurricane season. An update this year has also been delayed, pending results of the Secretary's Second Stage Review.

Now on Page 7

On page 10 the report states "DHS developed its strategic and performance plan which, taken together, establish its mission and outline goals and metrics for its disaster response and recovery efforts. FEMA participated in working groups to provide input into development of these plans." This passage should be changed to accurately reflect the true relationship between FEMA and DHS in establishing goals and metrics. FEMA was an active participant in the development of the DHS goals and objectives for EP&R and more than just providing input, FEMA in fact developed and owns all of the metrics that support the response and recovery sections of the DHS strategic plan.

Now on Page 7 and 8

On page 11 the report stated "Although Office of Management and Budget Circular A-11 directs that component agencies create their own strategic plans linked to overarching department wide plans…" This statement should be removed or reworded without the reference to A-11. There is no language in OMB Circular A-11 directing departmental components to do this. The latest version of OMB's guidance can be found here: http://www.whitehouse.gov/omb/circulars/a11/current_year/s200.pdf

Now on Page 8

On Page 12 the report states "A planning official said that FEMA uses both the DHS strategic plan and FEMA's outdated plan, which results in conflicting guidance and direction." This statement needs clarification. It could easily be misconstrued as saying a FEMA official stated that the two plans result in "conflicting guidance and direction." This is the IG's conclusion, not the FEMA strategic planning unit's conclusion. The FEMA strategic planning official said only that both plans are in use.

Now on Page 9

Under Results in Brief the report states "while the IT plan aligns with FEMA's outdated strategic plan, it does not reflect FEMA's integration into DHS and therefore *does not* support DHS strategic goals." This language does not match the language in the body of the report. In the *Results of Audit* section (Page 13), the report states: "As a result, the initiatives defined by the CIO organization may *not support* the achievement of the response and recovery goals and metrics established by DHS."

Now on Page 9

On page 12 the report indicates that the initiatives contained in the IT strategic plan do not align completely to goals and metrics identified in DHS level planning. FEMA's Chief Information Officer (CIO) developed the IT strategic plan for FY 05 to address the DHS CIO Council priorities set forth for FY 05, as well as FEMA goals. The DHS CIO Council priorities are:

- Transform the Enterprise – Focus on information sharing to provide the right information to the right people at the right time and provide a roadmap for innovation across DHS while supporting the Department's business and mission objectives.
- Secure the Homeland – Builds on the DHS role as the nation's security flagship by ensuring DHS networks, increasing information security awareness in our employees, and achieving compliance with the Federal Information Security Management Act (FISMA).
- Finish the Foundation – Seeks to establish one enterprise-wide IT infrastructure and maximize its IT investments through a formal portfolio management program.
- Stand Up the Start-ups – Provides mission capabilities and IT infrastructure to those components lacking legacy systems before the establishment of DHS, i.e., the Office of the Secretary, Transportation Security Administration (TSA), the Directorate of Information Analysis and Infrastructure Protection (IAIP), Directorate of Science and Technology (S&T), and the Management Directorate.
- Empower the IT Workforce – Seeks to identify skills gaps in the Department's IT workforce, develop training and recruiting programs, as well as e-Learning capabilities, and the next generation of IT leadership.

The FEMA IT strategic plan for FY 05 defines six strategic management initiatives (SMIs) for the Information Technology Services Division (ITSD) management to achieve the DHS and FEMA priorities. These SMIs are:

- Governance - To transform IT planning and administration from small, independent processes into major departmental processes in a manner that aids integration and performance by FEMA within DHS, and to implement a disciplined capital planning and investment control process Agency-wide. The CIO recognizes the importance of governance to promote understanding, improve

productivity, and reduce costs, and the IT Strategic Plan included goals and objectives to complete the governance documentation and training needed. The combination of good governance and achievement of EA target objectives, will assure FEMA of a completed, IT portfolio in the coming years. Significant improvement to project and program management will also result from this valued combination.

- Next Generation NEMIS - To enhance the existing NEMIS platform, which, as recognized in your report, is currently being stretched almost beyond capacity. The target infrastructure of NEMIS should allow it to support concurrent, multiple, catastrophic disasters and interface seamlessly with the Department since FEMA provides task assignments to other organizational elements, such as the Coast Guard and Border and Transportation Security Directorates. The CIO wants to assure that FEMA can provide the level of information technology support necessary in the event of multiple catastrophic events.

- Enterprise Architecture - To improve communication between FEMA's business and IT senior managers and serve as the official organizational "blueprint" for the capital investment planning process. The EA enables the consistent and disciplined use of technology, reduces stovepipe solutions and redundancies, and provides FEMA with the capability to plan more efficiently by identifying gaps between the existing and future architectures. The CIO directed that the Chief Enterprise Architect move the organization forward from the "As-Is" toward the "To-Be" EA, to improve interoperability and information sharing capabilities across FEMA and the Department.

- IT Security: To educate all Program Managers on the importance of IT security; develop training processes and plans to educate the Business Units on certification and accreditation; and have all FEMA IT systems fully certified and accredited by the end of the fiscal year to achieve the certification requirements established by the National Institute of Standards and Technology (NIST). The CIO set forth goals and objectives to guarantee that our IT resources are available when needed, that our data are appropriately secured, and efforts continue to improve our Information Security Program and ensure that our IT systems are certified and accredited for operations.

- Strategic Partnerships: To enhance IT services by requiring coordination and cooperation between all IT entities in an effort to improve services and gain the confidence and cooperation of customers through developing an operational "human network" for the Office of the CIO. This includes reaching out to peers within FEMA, DHS, and our user community so that the value of IT and the services of the ITSD are clearly understood by all stakeholders. The IT Strategic Plan specified goals to strengthen strategic partnerships to ensure that our partners in the Agency as well as at the DHS understand our capabilities and how to use them to improve operational efficiencies.

- Human Capital: To recruit, train, cross-train, and provide incentives to retain highly skilled staff to support the IT mission. It includes establishing and implementing a succession plan to ensure continuity of knowledge management, critical to ensuring "best practices" are documented, "lessons learned" are passed down, and transition planning is a routine action. The IT Strategic Plan specified goals and objectives to ensure that FEMA has the best-qualified and skilled staff to make the Agency a world-class enterprise.

The SMIs represent important directions and management goals required to satisfy functional, technical and business needs of FEMA's major operating Divisions and Offices and demonstrate that our IT planning is aligned with the DHS direction.

Now on Page 2

On page 5 the report indicates that "…EP&R systems are not integrated and do not effectively support information exchange during response and recovery operations." It goes on to state that "EP&R has not fully updated its enterprise architecture to govern the IT environment," and concludes "As a result, during significant disaster response and recovery operations, such as the 2004 hurricanes, IT systems cannot effectively handle increased workloads, are not adaptable to change, and lack needed real-time reporting capabilities. Such problems usually are due to FEMA's focus on short-term IT fixes rather than long-term solutions. Inadequate requirements definition, alternatives analysis, and testing prior to systems deployment are characteristic of this reactive IT management approach." If this were true, FEMA would not have been able to successfully handle the increased workload during the 2004 hurricane season.

We strongly disagree with the Enterprise Architecture (EA) information presented in the OIG Report. Apparently, the report was based on out-of-date EA data and does not reflect the current status of the FEMA EA or the activities that are being championed by the FEMA Enterprise Architecture Office (EAO). Therefore, the report is misleading, inaccurate and does not reflect the work that has occurred in the past fifteen months.

Now on Page 2

On page 5, it states: "…Also, EP&R has not fully updated its enterprise architecture to govern the IT environment. As a result, during significant disaster response and recovery operations, such as the 2004 hurricanes, IT systems cannot effectively handle increased workloads, are not adaptable to change, and lack needed real-time reporting capabilities…" This statement is NOT true. The FEMA EAO has established an EA web site (online.fema.net/ea). The entire enterprise has access to the EA. The site contains instructions, guidance and other information pertinent to achieving EA objectives. Special web-based Exhibit 300 instructions are also located on the website. These instructions were developed to facilitate Program Managers in completing Section II.A, EA, of the Exhibit 300. As part of the guidance process, the EAO has incorporated EA into the Capital Planning Investment Control Process (CPIC). This process is documented in the EA Governance Manual and is also posted on the EA web site. The Governance Manual provides detailed instructions on processes and procedures. To-date, there has been four releases of the EA web site. In each release, additional content and capabilities are being added.

The EAO has lead efforts to establish a Software Waiver Review Team (SWRT). The SWRT is responsible for reviewing proposed software purchases, validate adherence to the DHS Technical Reference Model or evaluate requests/justifications for waivers. The CIO is the approving authority for the proposed software waiver. The SWRT process is also documented in the EA Governance Manual.

During the hurricane season of 2004, the EAO assisted in the planning of an emergency update to NEMIS. Due to the amount of assistance requests, the System Development and Engineering Branch of ITSD developed an on-line capability to facilitate the individual assistance function of NEMIS. In doing so, the FEMA EA was used to assess the possible impacts to other applications and to ensure compliance with DHS standards.

Now on Pages 19 and 20

On pages 23 and 24 of the report, it states:

> "In 2001, FEMA developed an enterprise architecture document to serve as a guide to creating and implementing e-government initiatives. This road map has served FEMA well, documenting both major successes and key initiatives. For example, a few such initiatives were identified in the 2001 enterprise architecture and are still operational today… FEMA published its architecture in 2001, but has not fully updated it to reflect its integration into DHS. FEMA is working to transition this paper-based document to an electronic format so that it can be easily shared among DHS officials via the intranet. Currently, the "as-is" enterprise architecture is approximately 85 percent complete. FEMA has not yet begun work on the "to be" portion of the architecture, but expects to complete it by October 2005. Without a defined "to be" environment, FEMA is unable to provide a comprehensive road map for its proposed IT initiatives. These initiatives include NEMIS web enablement, which involves consolidation of some of the geographically-dispersed servers, as well as a number of IFMIS improvements as defined in the system's 2006 business case…Additionally, without a complete, communicated, "to be" road map, FEMA may not be able to address how its initiatives support or integrate with DHS-wide initiatives. As FEMA works to update its enterprise architecture, it must also consider department-wide initiatives which may impact on its key response and recovery processes and systems."

FEMA's response, while it is true it produced a paper version of the EA in May of 2001, it is NOT true that FEMA is currently using that version. In 2003, FEMA's CIO established an Enterprise Architecture Office (EAO) and hired a Chief Enterprise Architect in 2004. As a result, the FEMA EA Program has excelled tremendously. In fact, DHS has expressed an interest to use the FEMA EA as a spring broad for the Department. The FEMA EA was self assessed at a Level 3, in accordance with the OMB assessment criteria, in December 2004 and is on track to be assessed as a Level 4 this year.

The FEMA EAO has successfully developed the FEMA AS-IS Architecture and is currently making tremendous progress in developing the TO-Be Architecture in

accordance with the DHS Enterprise Architecture. In May and June of 2004, the FEMA EA was aligned to the DHS EA. Submittals of business, data, application and technical information were submitted and incorporated into the Homeland Security EA Version 2, dated June 24, 2004. In addition, to ensure alignment, FEMA Chief Enterprise Architect is a member of the DHS EA Center of Excellence (EACOE). The EACOE ensures that all DHS component EA programs are aligned with the DHS EA.

The EAO has successfully purchased and populated the Popkin, System Architect Modeling Application with FEMA AS-IS Architecture data. The application provides the EAO with the ability to conduct "what if" scenarios, to perform analysis on data and to assist managers in the decision making process. The FEMA EAO has also developed a five year EA Program Management Plan which defines the activities, timeline and resources needed over the next five years. The DHS Human Capital Center of Excellence cited this Program Management Plan as a potential model for DHS components.

Now on Page 34

On Page 38, under "Recommendation" it states: "Direct the EP&R CIO to complete the FEMA enterprise architecture, linked to the department wide architecture and ongoing initiatives that may impact EP&R operations." This recommendation is really not appropriate – the EA is never "complete," the EA process continues to evolve and mature as more applications, technologies, business processes, and requirements are generated for use and deployment. The FEMA EA is far ahead of most agencies. While it is true that the EA Program must continue to be developed and mature; as is the case for 100% of the EAs in the Federal government, we have aligned the FEMA EA with the DHS EA and have mapped our applications to DHS conceptual projects.

The FEMA CIO has made EA one of his top priorities and is dedicated and committed to its success.

We strongly believe there has been a great disconnect between the auditor and the EAO. The Enterprise Architect would welcome the opportunity to discuss the actions of the EAO and the EA accomplishments achieved.

FEMA's EA has been aligned to the Agency's program activity structure in FYHSP and the PPBE process. This program activity structure was created to directly support the execution of the DHS strategic objectives and metrics. This means that, through the EA, the Agency's IT activities are directly in line with the DHS strategic plan.

Now on Page 5

On page 8 the report states "In FY 2004, the EP&R directorate's CIO had a budget of approximately $80 million and a total of about 400 full-time and temporary employees to provide IT development and operational support for FEMA's response and recovery mission." We would like to point out that the resources cited are not exclusively dedicated to developing and operating IT for Response and Recovery.

8

Now on Page 5

On page 8 the third bullet should be changed to read "Logistics Information Management System-III (LIMS-III) provides personal property accountability as required by Public Law.

Now on Page 6

On page 9 of the report the OIG describes concerns that were found during prior assessments. The OIG does not include any information on the status of these items, giving the impression that the concerns have not been addressed. We believe this tends to provide an inaccurate and unfair picture of the status of IT in incident response and recovery.

Now on Page 6

On page 9 there is a statement regarding the "accuracy of data recorded in the LIMS system." We would like to address this issue by explaining that LIMS-III stores a continuous log of all transactions that are made in the system. With this log, specific transactions can be found and researched to determine the audit trail related to any transactions. While the audit can be done and has been utilized to search out a number of "data integrity" related issues. However, the process is arduous. The audit determined that when the data was converted from LIMS-II to LIMS-III some "dirty data" was brought along. Unfortunately, this data has caused some issues to arise from time to time which have been separately analyzed and corrected as appropriate. We believe LIMS data is becoming better and better in this regard. We have implemented a number of business rules related to this data that will help to correct the data as pertinent records are individually accessed. We know there are still a few "LIMS-II transfer" related issues to resolve and are gradually working to alleviate them.

Now on Page 10

On page 14 the report states "… the system does not have a "stopwatch" functionality to measure the elapsed time between contacting personnel of their need to deploy and their ultimate arrival at a disaster scene." We would like to point out that the ADD system has a "check-in" process that has a date/time stamp. Reports can easily be generated to measure the deployment time.

Now on Pages 10 and 13

On page 14 the report states "Similarly, LIMS provides no tracking of all of essential commodities such as ice and water needed by disaster victims." **On page 17** the report states "LIMS, FEMA's current logistics system, does not provide the type of up-to-date resource management that the National Incident Management System requires. Resource tracking and management was the source of numerous problems during the Florida hurricanes …." We would like to mention that LIMS was designed and built to track accountable property only. It has not been a requirement for logistics personnel to utilize LIMS-III to track bulk items or non-bar-coded items. It is a requirement for all accountable items to be entered into LIMS-III. Recently (when the National Disaster Medical System was transferred to FEMA), the capability to support bulk items was added into LIMS-III. A number of useful features were added and support for kitting was significantly enhanced. As a result, some warehouse managers utilize LIMS-III for their bulk items while others prefer to utilize their Excel spreadsheets to track the bulk items. LIMS-III would provide real-time visibility of inventory levels if all Logistical Center Managers and Accountable Property Officers utilized the system to track these items. It

would require that some means of providing power and connectivity at disaster sites forward of the Logistical Centers be provided to fully meet the desired definition of "real-time". LIMS-III was recently updated to 3-Tier Architecture and response times from the database to the web client are extremely fast.

During the support of 4 hurricanes in 2004, LIMS-III was 100% available. In response to issues which surfaced in the hurricanes of 2004, EP&R initiated the development of a Limited Deployment Option of a Total Asset Visibility System in Regions IV and VI. The Limited Deployment option is still in process. However, in Hurricanes Dennis and Emily, a part of that system, including satellite tracking devices, was used to track water shipments from the EP&R Palmetto Facility in Georgia to Mobilization Centers and Staging Areas in Florida, Alabama and Texas. Although not launched in its full operational mode, the system provided very valuable information on the timing of shipments, allowing realistic predictions of deliveries, an improved prediction of staffing needs at receiving locations, and interventions to reroute a couple of trucks following incorrect directions. The system was also used to track other EP&R assets, such as generators.

Now on Page 11

On page 15 the report describes recovery metrics and states "However, such goals are futile without effective means to accomplish them." NEMIS was developed by IT and includes the design for the development of a data warehouse and report generation capability that assimilates information from the National Finance Center, ADD, NEMIS, and IFMIS that should be used to measure performance. Considerable progress has been made recently to establish a comprehensive centralized reporting capability. The FEMA CIO agrees that performance metrics need to be adopted to measure achievement of disaster response goals. The CIO agrees that there is a need to define the requirements for capturing the appropriate response and recovery metrics, provide the resources to implement the information capture, and ensure that the mission goals and objectives are met. Program Offices need to identify the metrics so that our IT systems can capture the data for the Program Offices to measure effectiveness. (The CIO would like to point out that IFMIS, LIMS, and other systems were not developed or designed by IT, however, IT partners with the Business Units to provide support for these systems.)

Now on Page 14

On page 18 the report states "As FEMA moves forward with improving existing systems and pursuing new systems development, the EP&R CIO must ensure that the effects of DHS-wide initiatives, such as eMerge[2] and MAX HR, are considered and effectively support disaster response and recovery goals." EP&R is aware of these DHS-wide initiatives. Both the FEMA Human Resources Division (HRD) and the Information Technology Services Division (ITSD) are working collaboratively with the DHS Chief Human Capital Office (CHCO), the DHS IT Human Capital Center of Excellence, and other human resources (HR) representatives from other DHS components, in selecting the IT systems that will support MAX HR. The DHS/CHCO also works closely with each component's Senior Infrastructure Officer to coordinate Infrastructure, Desktop, and Help Desk requirements for all MAX HR systems. This leads to coordinated efforts between CHCO, HR representatives from the components, and Information and Application Delivery to identify obstacles and solutions to achieve successful

implementations of these and existing legacy systems. The HRD and the ITSD will continue to work in conjunction with DHS as MAX HR is rolled-out to ensure that FEMA continues to successfully carry out its response and recovery mission. FEMA's Property Management Unit (PMU) participated in the DHS Logistics Steering Committee and has chaired the committee to advance the logistics system definition, in support of the eMerge^2 initiative.

Now on Page 14

On page 18 the report states "the EP&R CIO's office provided significant customer support to IT users assisting disaster response and recovery efforts related to the 2004 Florida hurricanes. However, overall systems guidance and training could be improved. Specifically, EP&R has reasonably up-to-date online systems manuals, but these manuals are not adequate to support business processes … although EP&R training is good, funding restrictions limit the number of personnel who receive the training." EP&R recognizes the need to ensure that system users have the knowledge and information necessary to perform their jobs. Soon we expect that the IT staff in the regions will report to the CIO. That change will help the CIO in defining training requirements and working with the Business Units and the training staff at Emmitsburg, Maryland to integrate training materials and improve training methods. Actions will also be taken to ensure awareness of the training materials that are available.

Now on Page 19

On page 22 the report states "The EP&R systems environment, however, is not integrated and does not support effective information exchange. Consequently, during disasters, the systems are not able to handle increased workloads effectively, are not adaptable to change, and lack needed capabilities." ITSD believes that systems integration for EP&R mission execution is absolutely essential and should proceed while integrating DHS corporate programs such as eMerge^2, and MAX HR into the mission application solutions.

Now on Page 20

On page 24 the discussion under the second paragraph under the heading "Databases Are Not Fully Integrated, " should be omitted because it is not relevant to either database integration or mission application integration. The CIO would like to advise that when NEMIS was developed, FEMA created a state-of-the-art distributed client-server architecture, providing each region with its own set of servers to support regional operations with limited impact on the FEMA telecommunications network and its bandwidth limitations.

Now on Pages 21 and 22

On page 25 the report states "FEMA systems do not support effective or efficient coordination of deployment operations because there is no sharing of information." **On page 26** the report states "Further, the lack of integration between ADD and LIMS hinders FEMA from providing the appropriate number and combination of people and supplies to meet the level of need at disaster locations." The CIO is pleased to note that the report acknowledges that IT officials agree that it is essential to integrate systems to better support mission requirements, but that this decision must be made in collaboration with the system owners and program officials, and also consider DHS-wide direction and programs. In the DHS' eMerge^2 solution the "Logistics Management" solution was

specifically excluded. This was due to the complex differences between Logistic System requirements of the various components within DHS. At present DHS continues to review direction and alternatives for the future. The pre-staging and kitting capabilities of LIMS-III have been substantially improved, both operationally as well as through Standard Operating Procedures, in the last year. This speeds up substantially the speed of dispatching kits and pre-staged supplies.

Now on Page 22

The discussion **on page 26** with the example cited is partially incorrect. There were 600 to 800 tractor-trailers arriving at one staging area within a 24-to-36-hour period, not all of the tractor-trailers came from FEMA Logistics Centers which LIMS-III manages. Most of the tractor-trailers transported water, ice and/or tarps coming directly from suppliers to the staging area as directed by other Federal Agencies.

Now on Page 22

On page 26 the report states "…EP&R response and recovery systems do not share information with those used by major stakeholders in state governments….Currently, state users can access NEMIS, but not directly from their desktops." Cyber security requirements prevent the States from directly accessing NEMIS from their desktops.

Now on Page 23

We disagree with the statement **on page 27** that our systems were unable to handle increased workloads required to support disaster application processing during the 2004 hurricanes. FEMA's major systems can handle increased workloads but not 300 times the normal designed workload, as was the case during the 2004 hurricane season, the period addressed in this report. IT and Recovery staff worked heroically during that period to keep the system going and succeeded in successfully registering and assisting an unprecedented number of disaster victims. EP&R expects to be continually challenged in keeping its IT systems and processes current since change is a constant in emergency management operations. The CIO acknowledges the shortfalls in our current systems. While improvements are continually being made to our IT systems and solutions in response to pressing operational needs of our business units, the CIO recognizes the value of taking the time needed to define and document systems requirements fully and evaluate viable alternatives. Unfortunately, meeting day-to-day operational requirements and the lack of resources have not allowed FEMA the luxury of doing extensive requirements capture and development prior to making needed system upgrades in the past several years.

Now on Page 26

On page 30 the report states "Response and recovery program personnel said that FEMA systems did not provide useful reports regarding ongoing operations." LIMS-III has substantial reporting capabilities for both automatic and manual reports with minimal efforts. These custom reports, once created, can be dumped into specific network directories or emailed to requesting users. In the manual report category, LIMS-III has an ad-hoc reporting capability that is flexible, easy to use and useful. In addition, NEMIS has numerous reports available to operational personnel which are used daily during a response/recovery action.

12

Now on Pages 26-29 and 10

Regarding the issues presented in the report **on pages 30-32** regarding real-time resource tracking issues, EP&R is currently developing a tracking capability under the Total Asset Visibility project mentioned on page 9.

Now on Pages 29-32

In response to the information presented **on pages 33-36** regarding the updating of NEMIS requirements and the need for an alternatives analysis, the report correctly notes the responsibility of management at all levels to recognize and act on these problems. The CIO intends to elicit broad stakeholder participation in the requirements definition process for the e-NEMIS initiative. The CIO understands the need to integrate systems and is ensuring that new initiatives conform to the FEMA and DHS EA. Upgrading IFMIS is also a necessity due to the current status of the eMerge^2 initiative. FEMA's deployment system is another area that requires significant investment to upgrade.

Now on Page 32

On page 36 the report states that "… nine months prior to the 2004 hurricanes, the EP&R CIO office convinced reluctant program offices to fund development of an online registration capability for NEMIS." The Recovery Division fully supported the initiative from the outset and assisted in the development. The CIO's office made a tremendous effort to stand up the online registration in record time and this was an exemplary achievement since it provides another avenue for disaster victims to register for assistance. It was achieved in time to make a difference in the response to the 2004 hurricanes. IT did an outstanding job in supporting the hurricane recovery operations and deserves great credit for keeping the system functioning under the most trying conditions. The NEMIS system reduced the time to deliver assistance from weeks to days. Representatives from the Recovery Division have stated it is important to appreciate how much IT has allowed them to do and how great the potential is to do much more.

Information Management Division

Sondra McCauley, Director
Richard Harsche, Audit Manager
Meghan Sanborn, Auditor
Steven Staats, Auditor

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
EP&R Under Secretary
General Counsel
Executive Secretariat
DHS CIO
EP&R CIO
DHS Office of Security
DHS Audit Liaison
EP&R Audit Liaison
DHS Public Affairs
DHS Legislative Affairs
FEMA Public Affairs
FEMA Congressional Affairs

Office of Management and Budget

Homeland Bureau Chief
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

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Appendix H

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Audit of FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances

Office of Audits

OIG-05-20

May 2005

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared by the OIG as part of its DHS oversight responsibility to promote economy, effectiveness, and efficiency within the department.

This report assesses the strengths and weaknesses of the department's Individuals and Households Program. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

Richard L. Skinner
Acting Inspector General

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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
EP&R	Emergency Preparedness and Response
EA	Expedited Assistance
FEMA	Federal Emergency Management Agency
IHP	Individuals and Households Program
MPH	Miles Per Hour
NEMIS	National Emergency Management Information System
OIG	Office of Inspector General
ONA	Other Needs Assistance
PDA	Preliminary Damage Assessments
U.S.	United States
SBA	U.S. Small Business Administration

Introduction

In 2004, the State of Florida was affected by an unprecedented four hurricanes in two months causing widespread damage and destruction. The inclusion of Florida's Miami-Dade County in the declaration for Hurricane Frances and subsequent awards of approximately $31 million by the Federal Emergency Management Agency (FEMA) under its Individuals and Households Program (IHP) has been the subject of public scrutiny from Federal, State, and local elected officials, the U.S. Congress, and the news media. In particular, they questioned whether conditions in Miami-Dade warranted a Presidential disaster declaration and whether the level and type of IHP assistance provided to Miami-Dade County residents was justified.

The purpose of our audit was to determine whether FEMA had sufficient evidence to support the county's eligibility for IHP assistance and whether adequate program controls existed to ensure that funds were provided only to eligible applicants, for eligible expenses.

Results in Brief

The administration of the IHP has two key control points: (1) the disaster declaration and related amendment process, which is designed to assess damages and losses and determine and document the need for a major disaster declaration and FEMA assistance; and (2) the inspection of damages and verification of losses reported by individuals and households to determine whether the losses are disaster-related and eligible for FEMA assistance. Our review of the IHP in Miami-Dade disclosed shortcomings in both areas.

Specifically: (1) FEMA designated Miami-Dade county eligible for Individual Assistance programs without a proper preliminary damage assessment; (2) funds provided for repairs and replacement of household room items were not based on actual disaster-related damages or losses; (3) the verification of some personal property damages or losses were based on undocumented verbal representations; (4) guidance and criteria for replacing and repairing of automobiles and the reimbursement of expenses for funerals and other items were generally lacking; (5) some Expedited Rental Assistance applicants received, but may not have had a need for such assistance; and (6) rental assistance awards were made to some applicants without reasonable assurance of eligibility.

Further, FEMA's oversight of inspections needs improvement. Specifically: (1) contractors were not required to review inspections prior to submission; (2) edit checks for inspection errors were made after payment rather than before; and (3) no provisions existed for inspectors to recuse themselves from inspections that may present possible conflicts of interest.

The policies, procedures, and guidelines used in Miami-Dade County for the IHP were also used throughout the State of Florida, casting doubt about the appropriateness of IHP awards made to individuals and households in other counties of the state as a result of the four hurricanes, particularly those counties that had only marginal damage. Further, according to FEMA officials, most of the procedures were used for disasters in other states making the conditions and recommendations broadly applicable to FEMA's implementation of the IHP nationwide.

Background

In response to Hurricane Frances, FEMA was placed in a unique situation because weather forecasters had predicted hurricane force winds and substantial damage to the coastal communities of eastern Florida, including Miami-Dade County. However, these predictions were not realized in the county and the disaster-related impact upon residents was not documented by damage assessments. These factors, along with the previous and subsequent hurricanes, strained inspection resources, tested program controls, and made the IHP more susceptible to fraud, waste, and abuse.

In addition to the hurricanes that affected Florida in 2004, FEMA had to respond to and assist victims of other major disasters during the year. FEMA indicated that during the Florida disasters, its Recovery Division was simultaneously delivering aid to individuals and households in 15 states and

two territories. According to FEMA, the upsurge of disaster activity during the year proved well above its standing operational capabilities necessitating the hiring and training of additional staff and contract personnel. A more detailed description of FEMA's disaster efforts for 2004 can be found in Appendix H, FEMA's response to our draft audit report.

Hurricane Charley, declared on August 13, 2004, made landfall as a Category IV[1] storm hitting the southwestern part of Florida and crossing the state in a northeastern direction. Frances, a Category II hurricane, declared on September 4, 2004, struck central Florida from the Atlantic Ocean and proceeded in a northwesterly direction. Declared on September 13, 2004, Ivan, a Category III hurricane, impacted the state's western edge, and Hurricane Jeanne, declared on September 26, 2004, also a Category III storm, followed a path similar to Hurricane Frances.

The combined damage caused by those hurricanes affected, in varying degrees, most if not all counties in the state. As a result, the President declared all four hurricanes major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), Public Law 93-288, as amended. The designation of a major disaster by the President authorizes FEMA to provide federal assistance to designated counties in a declared state. As of March 4, 2005, FEMA had approved approximately $1.13 billion in disaster funding to individual applicants and households affected by the four hurricanes in Florida. Nearly $31 million of this amount was awarded to individuals and households in Miami-Dade County as a result of Hurricane Frances. FEMA received 19,236 applications for IHP assistance: 12,868 approved, 5,616 disapproved, 728 withdrawn, and 24 pending.

In addition to the nearly $31 million awarded under the IHP in Miami-Dade County, FEMA awarded $182,586 to cover emergency protective measures and debris removal. Also, the U.S. Small Business Administration (SBA) approved 126 loans valued at $1.3 million to individuals and businesses in Miami-Dade County, and insurance companies approved about $43.5 million in payments in Miami-Dade County for insurance claims made as a result of Hurricane Frances.

The IHP provides financial and direct assistance to eligible individuals and households who have uninsured expenses or needs and are unable to meet those expenses or needs through other means. For Hurricane Frances, the

[1] See Appendix A for a description of the Saffir-Simpson Hurricane Scale that rates a hurricane's intensity.

maximum amount of IHP assistance an individual or household could receive was $25,600.[2]

The IHP has two major components: Housing Assistance and Other Needs Assistance (ONA). As of February 28, 2005, residents of Miami-Dade County received approximately $13 million under the Housing Assistance component for temporary rental assistance, home repairs, and home replacement. Under the ONA component, a cost-shared partnership between FEMA and the State, applicants received approximately $18 million for personal property items and funeral and medical expenses.[3] States may choose to administer IHP's ONA provision or to have FEMA administer the program.[4] For Hurricane Frances, Florida elected to have FEMA administer the program. Though Florida chose not to administer ONA, it retained influence over the program by determining which household items would be eligible for reimbursement, recommended pricing for automobile repair and replacement, as well as award levels for funeral assistance.

FEMA's Headquarters Recovery Division is responsible for developing policies, regulations, and guidance governing the IHP. FEMA used contract inspectors to verify personal and real property losses and damages of individuals and households and its own staff to verify reported disaster-related deaths and medical and dental needs. FEMA's Inspections Services Branch in Berryville, Virginia, oversees the contract for inspectors. These contract inspectors visit applicants' homes to verify disaster-related damages to real and personal property. Inspectors upload their findings to FEMA's processing system, the National Emergency Management Information System (NEMIS) that can reportedly determine eligibility in over 90 percent of cases based upon a series of business rules coded in its software. FEMA caseworkers process cases that cannot be automatically processed, determining an applicant's eligibility for disaster assistance.

Purpose, Scope, and Methodology

Our audit addressed the Presidential disaster declaration for Hurricane Frances that was amended to include Miami-Dade County as eligible for the full complement of FEMA's Individual Assistance programs, including the IHP.

[2] The maximum grant amount is adjusted annually to reflect changes in the Consumer Price Index. See 68 Federal Register 59413 (October 15, 2003).
[3] Under the ONA component of the IHP, a State must provide a 25% match.
[4] 44 Code of Federal Regulations 206.120

The purpose of our audit was to determine whether FEMA had sufficient evidence to justify including Miami-Dade County among the counties eligible for IHP assistance, and whether adequate program controls existed to ensure that funds were provided only to eligible applicants, for eligible expenses.

Based on the provisions of Title 44 of the *Code of Federal Regulations* (CFR), along with related FEMA policy and guidance, we evaluated the basis for FEMA's controls over and funding decisions reached in each major expenditure category. We tested the appropriateness of awards totaling $936,979, or 3 percent of the nearly $31 million awarded under the IHP to Miami-Dade County residents (see Appendix B).

We conducted site visits and interviewed FEMA officials in Washington, DC, the National Processing Service Center in Berryville, Virginia, and at the Hurricane Frances Disaster Field Office in Orlando, Florida; and FEMA contractors located in Falls Church and Herndon, Virginia, and in Los Angeles, California. These contractors were responsible for inspecting and verifying losses sustained by disaster applicants and for developing prices for replacing or repairing items that may have been damaged, lost, or destroyed as a result of the disaster. In addition, we interviewed officials from the National Oceanic and Atmospheric Administration's National Weather Service.

The audit covered the period September 4, 2004, to February 28, 2005. In an effort to make the audit as current as possible, certain activities were reviewed through March 7, 2005.

We performed the audit between January and March 2005, under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. We did not, however, evaluate the controls in NEMIS or the validity and reliability of its data. Such an evaluation would have required extensive planning and testing of NEMIS' application controls, and would have significantly delayed completion of our fieldwork. Moreover, if performed, the results of the evaluation would not have had a significant impact on the findings presented in this report because we found a need for improved procedures and controls based on substantive tests of specific cases from NEMIS and we did not project our findings to any larger universe of files within NEMIS.

Consistent with government auditing standards, our audit procedures provided due diligence to situations involving potential fraud. Our efforts in this area, however, were not to pursue fraud matters to legal resolution or to project the extent of fraud. All matters involving fraud are referred to the OIG's Office of Investigations where such matters are pursued in coordination with the

appropriate U.S. Attorney's Office. As of March 2, 2005, the OIG's Office of Investigations, working with the U.S. Attorney's Office for the Southern District of Florida, arrested 14 individuals for making false claims. Other investigations are ongoing.

Results of Audit

Amendment to the Major Disaster Declaration

FEMA designated Miami-Dade County eligible for Individual Assistance programs, which included the IHP, without a documented assessment of damages or analyses of the impact Hurricane Frances had on the area. As a result, individuals and households, not severely affected by the hurricane, were eligible to apply for assistance. This situation, along with the previous and subsequent hurricanes, strained FEMA's inspection resources, tested program controls, and made the IHP more susceptible to potential fraud, waste, and abuse.

Prior to presenting a request for a major disaster declaration to the President, FEMA has established procedures to perform Preliminary Damage Assessments (PDAs) in coordination with State and local officials. PDAs are conducted to determine the impact and magnitude of damage and the resulting unmet needs of individuals, businesses, the public sector, and the community as a whole. These assessments are used as a basis for the State's Governor to prepare a request for Federal assistance and by FEMA to document the recommendation made to the President in response to a Governor's request.

While FEMA typically conducts PDAs prior to providing its recommendation to the President on whether a major disaster declaration under the Stafford Act is warranted, Federal regulation [5] allows Governors to make expedited requests without a PDA for catastrophes of unusual severity and magnitude. However, in the case of Miami-Dade, the President's declaration specified that additional assistance would be subject to a PDA. Further, even in cases where PDAs are not necessary, federal regulation[6] requires FEMA to later assemble and document an estimate of the amount and severity of damages and losses. Additionally, Federal regulation[7] requires that requests for

[5] 44 CFR 206.33(d)
[6] 44 CFR 206.36(d)
[7] 44 CFR 206.40(c)

additional designations after a declaration be accompanied by appropriate verified assessments and commitments by State and local governments.

Governor's Request

In anticipation of the impact of Hurricane Frances, Florida's Governor submitted a disaster declaration request on September 2, 2004, to FEMA's Region IV requesting that all 67 counties in the state be declared eligible for Public Assistance and that 18 counties[8] be declared eligible for the full complement of Individual Assistance programs, including the IHP. The request was made one day prior to Frances making landfall and was based on predictions by the National Hurricane Center that those counties were likely to experience substantial damage from storm surge and hurricane force winds.

Recommendation of FEMA's Region IV and the Under Secretary

On September 2, 2004, using information contained in the Governor's request, FEMA's Region IV made a recommendation to FEMA Headquarters on the degree to which assistance should be provided. On September 3, 2004, the Emergency Preparedness and Response (EP&R) Under Secretary made his recommendation to the President on the degree to which assistance should be provided.

Presidential Declaration

On September 4, 2004, the President declared a major disaster, specifying that Public Assistance (Categories A and B only) be made available to all counties and Individual Assistance to five counties (Brevard, Indian River, Martin, Palm Beach, and St. Lucie). The Presidential declaration also authorized FEMA to provide assistance beyond the designated area "…subject to completion of Preliminary Damage Assessments."[9]

FEMA's Amendment

Effective September 5, 2004, FEMA amended the declaration to make Individual Assistance available to residents of Miami-Dade County and the other 12 counties that were initially requested by the Governor, but excluded in the President's declaration. According to a typed document in FEMA's declaration file, FEMA's Recovery Division Director in Headquarters made

[8] Brevard, Broward, Citrus, Glades, Hernando, Highlands, Indian River, Lake, Martin, Miami-Dade, Okeechobee, Orange, Osceola, Palm Beach, Pasco, Polk, St. Lucie, and Sumter counties.
[9] See Appendix B for the President's declaration.

the decision to add those counties "Based on the path of Hurricane Frances as it made landfall on September 5, 2004." However, the file contained no evidence of a preliminary damage assessment as specified in the President's September 4, 2004, declaration.

According to available records, both the Governor's request and FEMA's decision to provide Individual Assistance in Miami-Dade County and the other counties were based on the anticipated path of the hurricane and projected damages. However, according to the National Oceanic and Atmospheric Administration's National Weather Service, Miami-Dade County did not incur any hurricane force winds, tornados, or other adverse weather conditions that would cause widespread damage. Weather data indicated that the strongest sustained winds were 47 miles per hour (mph), which is considered by the National Weather Services to be tropical storm force winds.[10] The strongest peak gusts of winds were 59 mph. Additionally, the highest recorded accumulation of rainfall between September 3 and 5, 2004, was 3.77 inches in North Miami Beach. No substantial rainfall accumulation occurred, and the National Weather Service did not report any flooding for Miami-Dade County during this timeframe.

Although Hurricane Frances did not affect Miami-Dade County as predicted, local residents obviously sustained some degree of damage. According to FEMA officials, the affected areas in Miami-Dade County were predominately low-income neighborhoods that contained some of the State's oldest housing stock. These dwellings were not built to more recent State and local building codes established after Hurricane Andrew, which may have made them more susceptible to greater damages from Frances.

In addition, as of March 3, 2005, the Florida Office of Insurance Regulation reported 11,807 property claims and payments of $43.5 million in Miami-Dade County as a result of Hurricane Frances. The type of property damage was not available, but the office reported that structural real property damage accounted for 92% of the payments statewide. Also, as of March 7, 2005, the U.S. Small Business Administration (SBA) had approved 126 loans totaling $1.3 million for home damages.[11]

Nevertheless, such damages did not necessarily warrant federal assistance. Assessing damage is a critical function and component in determining whether an area should be included within a major disaster declaration. It serves to document the extent, type, and location of damages and whether the

[10]A Category I Hurricane has winds of 74 to 95 mph— Tropical Storm have winds ranging from 39-73 mph.
[11] The SBA may make loans available without a Presidential disaster declaration.

costs of repairs are beyond the capability of State and local governments to warrant federal assistance. In the absence of such a damage assessment, the inclusion of Miami-Dade County in the amended declaration was questionable. By including the county in the declaration, millions of individuals and households became eligible to apply for the IHP, straining FEMA's limited inspection resources to verify damages and making the program more susceptible to potential fraud, waste, and abuse.

Recommendations

We recommend that the Director of FEMA's Recovery Division:

1. Ensure that, for future declarations, preliminary damage assessments are performed to determine and document the type, extent, and location of disaster related damages whenever possible.

2. Develop clearer guidance defining circumstances where complete PDAs may be unnecessary or infeasible.

FEMA's Comments and OIG Analysis

FEMA disagreed that damage assessments were required to be performed to document the extent, type, and location of damages prior to designating Miami-Dade County. FEMA stated

> "There was no statutory or regulatory mandate to perform detailed PDA's prior to designating Miami-Dade County, or any of the other 12 counties added at the same time. FEMA's regulations allow for the PDA to be skipped in situations where the event is of such unusual severity and magnitude that it does not require field assessments to determine the need for Federal assistance."

However, the President's Declaration, together with other supporting documentation[12], reflects a clear intention that a PDA would be conducted prior to adding additional areas.

FEMA also stated "The OIG's decision to unilaterally disregard the damage-confirming findings of thousands of inspections is inexplicable, and detracts from the credibility of the audit process." Our report acknowledges that

[12] The audit workpapers include documentation which has not been discussed in the report due to FEMA's assertion that the substance is protected by privilege.

considerable damage was incurred in Miami-Dade County. Our point is that such damages do not necessarily warrant federal assistance.

Finally, FEMA contends that OIG has advocated that assistance should have been delayed pending completion of comprehensive door-to-door damage assessments. While we believe that a PDA was necessary to support a declaration for Miami-Dade, we never suggested that a door-to-door assessment of damages was needed as part of that assessment.

Verification of IHP Disaster Losses for Other Needs Assistance

As of February 28, 2005, FEMA provided $18 million in ONA to Miami-Dade County individuals and households in response to Hurricane Frances. Program controls for the administration of the ONA need to be tightened and accompanied by additional guidelines and criteria to enhance FEMA's overall effectiveness in addressing the disaster-related needs of applicants.

Unlike IHP's 100 percent federally funded and administered Housing Assistance, ONA is a cost-shared partnership between FEMA and the State. As part of this partnership, FEMA and the State engage in annual coordination efforts to determine how ONA will be administered in any Presidentially declared disaster in the coming year. As part of this preplanning, the State establishes ONA award levels related to vehicle repairs, vehicle replacement, and funeral grants.

Specifically, improved controls are needed to ensure that assistance provided for the repair and replacement of household room items, and some personal property damages or losses are disaster-related; and that funding decisions based on verbal representations, the replacement and repair of automobiles, and funeral expenses are sustainable.

Repairing and Replacing Household Room Items Should be More Closely Aligned to Actual Losses

FEMA awarded $10.2 million to repair or replace household room items for Miami-Dade County residents under the ONA component of the IHP. However, the procedures used by FEMA to award funds for those items does not limit assistance to only disaster-related losses as required by Federal law and regulations.

Section 408 of the Stafford Act authorizes FEMA to provide assistance to individuals and households who, as a direct result of a major disaster, have uninsured or under insured necessary expenses and serious needs and are unable to meet such needs through other means, such as loans from the SBA. For the purpose of funding grants under this section, Federal regulation[13] defines "necessary expenses" as the costs associated with items or services to meet a serious need. The regulation defines a serious need as "An item, or service, that is essential to an applicant's ability to prevent, mitigate, or overcome a disaster-related hardship, injury, or adverse condition."

Consistent with the regulation, a disaster-related hardship, injury, or adverse condition must be supported by a disaster-related loss and to qualify for ONA, the need for assistance cannot be met through other means. However, the procedure used by FEMA to replace household room items allowed for funding of all items in what FEMA constituted as a full room,[14] regardless of the actual loss.

In assessing the replacement of room items, FEMA required its contract inspectors to verify and document the applicant's loss generically by room rather than by specific items damaged or lost. Inspectors were also instructed to summarize a room's damage by using one of the three categories, which formed the basis for the ONA award.

- X = damaged, but repairable or cleanable. When an "X" was assigned, the applicant received a designated percentage of the value of a full room.

- Y = damaged, some items repairable, some should be replaced. When a "Y" was assigned, the applicant received a larger percentage of the value of a full room.

- Z = damaged, replace all items. When a "Z" was assigned, the applicant received the largest percentage of the value of a full room.

FEMA applied the X, Y, and Z procedure to four areas of a residence: kitchen, living room, bedroom, and bathroom. FEMA also determined the items that constituted a full room and the items ranged from 9 for a living room to 25 for a kitchen.[15] The price for a category Z room ranged from $862 for a bathroom to $2,495 for a bedroom. The above procedure may permit

[13] 44 CFR 206.111
[14] See Appendix C for room items that may be funded under the ONA component of the IHP.
[15] Items such as televisions, refrigerators, stoves, and other appliances are not included as room items under the X, Y, and Z procedure.

funding to repair or replace items not damaged or destroyed by a major disaster and is, therefore, inconsistent with the Stafford Act and is potentially wasteful.[16]

Both FEMA and contract inspection officials acknowledged that the generic room concept resulted in applicants receiving funds for items they did not have at the time of the disaster. Moreover, although some inspectors voluntarily noted in their reports that individuals and households did not have items included in the FEMA constituted rooms, funding for such items was still provided to applicants. Even though some inspectors questioned this procedure, they had no alternative other than to follow FEMA's established policy.

Under current procedures, contract inspectors must inspect an applicant's residence to verify damages, losses, and disaster-related needs. Rather than treating a room in the aggregate, inspectors should be able to document, with minimal effort, the actual items, particularly large and more expensive items e.g., bed and chest, damaged as a result of the disaster and support more fully an applicant's eligible disaster-related needs. This additional effort would produce significant savings and more closely align the ONA component of the IHP with the Stafford Act.

Recommendation

We recommend that the Director of FEMA's Recovery Division:

3. Modify FEMA's inspection procedures to identify more accurately disaster-related losses of household items for which applicants should be compensated.

FEMA's Comments and OIG Analysis

FEMA agreed with our recommendation and said that it is reviewing the use of the generic room concept. FEMA believes that, with today's technology, it can increase the specificity of the inspection without substantially increasing the time required to complete an inspection.

[16] In an audit performed by the OIG for FEMA, *Review of Selected Disaster Relief Program Activities Related to Hurricane Hugo-Puerto Rico and the U.S. Virgin Islands*, Report Number H-09-01, March 1991, FEMA OIG made the same observation about the X, Y, and Z procedure.

Based on FEMA's comments, we consider the recommendation resolved. The recommendation can be closed once FEMA completes its analysis and implements changes to current procedures.

Verification of Personal Property Losses Using Verbal Representations

FEMA awarded $720,403 to 228 applicants for personal property items based upon the applicants' verbal representations of their losses. In situations where personal property items have been discarded because they may present a health or safety hazard, or are otherwise unavailable for physical inspection, FEMA guidelines[17] permit inspectors to record disaster-related losses if the item lost can be reasonably verified through other means.[18] In those cases, inspectors are required to document the applicant's file with the comment "PP Verbal." However, the guidelines do not require inspectors to document the specific items that were not available for inspection, the verbal representations made, or the evidence used to verify the loss. Moreover, our review of 27 "PP Verbal" files disclosed that this information was not documented. In those cases, the appropriateness of FEMA's funding decisions cannot be verified.[19]

Recommendation

We recommend that the Director of FEMA's Recovery Division:

4. Modify the IHP Inspection Guidelines to require inspectors to specify in the "PP Verbal" file the specific item(s) that was not available for inspection, the verbal representations made, and the evidence used to verify the loss.

FEMA's Comments and OIG Analysis

FEMA agreed that documentation of items discarded could be improved and said it will research alternative approaches to augment documentation of "PP verbal" items.

[17] IHP Inspection Guidelines, DR-1545-FL, Revised August 6, 2004.
[18] The decision to approve funding for IHP assistance is made by FEMA Individual Assistance programs staff based upon recommendations made by FEMA contract inspectors as a result of information they obtained during inspections.
[19] Two applicants who received assistance based on "PP Verbal" were among the 14 individuals indicted by the U.S. Attorney for filing false claims with FEMA.

Based on FEMA's comments, we consider the finding resolved. The finding can be closed once FEMA completes the planned research and implements changes to current procedures.

Guidance Needed for Authorizing Assistance to Replace or Repair Automobiles

Contract inspectors were not required to validate how damages to automobiles were disaster-related. Additionally, for the approvals we reviewed, the amount authorized for automobile replacement, particularly for older vehicles, in our opinion, was generally far in excess of the market replacement costs or an amount needed to acquire comparable transportation.

Funding for automobile repairs and replacement was based upon award amounts established by the State during annual ONA pre-planning and approved by FEMA staff. The guidelines[20] FEMA developed contain general conditions of eligibility for automobile repair and replacement assistance. According to the guide, the automobile must be properly registered and comply with State laws regarding liability insurance, and the applicants must not be able to meet their needs through other sources, such as comprehensive insurance. Also, verification of needs must be performed by a contract inspector on site or by a licensed mechanic.

The FEMA guidelines indicate that inspectors are to record only disaster damages. The guide, however, does not require the inspector or mechanic to document the type of damages sustained, or how the disaster caused the damages, a condition that must be met to be eligible for IHP assistance.

We reviewed 21 of the 771 approvals made for automobile replacements and repairs. Those approvals, 18 for automobile replacement at $6,500 each and 3 for repairs totaling $6,878, resulted in ONA payments of $123,878. Case files for 13 replacement approvals did not have any documentation or explanations to indicate the type of damage sustained or to establish a relationship between the damage and the disaster. The file simply noted that the automobiles were destroyed.

Contract inspectors, and in one case a mechanic, did provide an explanation for their recommended approval of automobile replacement in the remaining five cases. The files indicated that two automobiles were destroyed by floodwaters, two by water in the motor, and one by an electrical fire.

[20] Other Needs Assistance Reference Guide, dated September 24, 2004.

However, the contract inspectors and mechanic did not document the basis for their conclusions, e.g., diagnostic analysis or evidence of a high water level. In addition, the National Weather Service had no reports of flooding in the area where the four recipients lived—Opa-Locka, Homestead, and Miami. In regard to the automobile with the electric fire, the inspector provided no explanation of how the hurricane may have contributed to the fire.

In accordance with the State's established replacement value for eligible disaster-damaged vehicles, FEMA and the State provided $6,500 for each automobile destroyed. For 15 of the automobiles, the retail "blue book" value totaled $56,140; however, FEMA and the State awarded $97,500 for those automobiles[21]. In our opinion, FEMA should consider working with the States to establish a more reasonable replacement value for destroyed automobiles.

We also question the decisions to fund automobile repair costs of $6,878 for three applicants. The first applicant received $3,416 based on an estimate obtained from a mechanic to replace an engine, thermostat, coolant, oil, and filter. However, the mechanic's estimate stated that the repairs were based upon what the customer told the service advisor to repair and not upon the mechanic's assessment of needs. The other two applicants received $3,462 based entirely on estimates for replacing upholstery and brakes. Information contained in the FEMA inspection files did not indicate how the disaster necessitated a need for the repairs.

Recommendations

We recommend that the Director of FEMA's Recovery Division:

5. Develop eligibility criteria for funding automobile damage that can be tied to damages sustained as a result of a disaster;

6. Modify guidelines to require contract inspectors to document verified automobile damages to allow FEMA to justify awards based on disaster-related needs; and

7. Work with the States to establish a more reasonable replacement value for destroyed automobiles based on the cost to acquire a comparable vehicle.

[21] See Appendix D for FEMA awards and related blue book values for automobile replacements in Miami-Dade County.

FEMA's Comments and OIG Analysis

FEMA agreed with our finding regarding a need for improved criteria and documentation for automobile repairs and replacement. FEMA said that steps have already been initiated to address these issues in future software upgrades. Based on these comments, we consider recommendations 5 and 6 resolved. The recommendations can be closed once FEMA completes the planned actions.

Recommendation 7, however, is unresolved. FEMA said that the purpose for providing transportation assistance is not to reimburse applicants for the blue book value of their automobiles, but to provide them with the means to obtain necessary replacement transportation. FEMA also indicated that states differ widely on the appropriate amount to be awarded to their citizens for replacement of automobiles and since a consensus has never been reached on this matter, assistance levels are established with states during annual ONA preplanning sessions.

We acknowledge FEMA's concerns with using blue book value to provide automobile replacement assistance as such a value, particularly for older automobiles, may not always be sufficient for an applicant to acquire replacement transportation. Accordingly, we have deleted any reference to market value in the recommendation. On the other hand, older vehicles can generally be replaced with a comparable vehicle for less than the $6,500 replacement threshold established in Florida or the $6,183 nationwide average. Therefore, we believe FEMA should work with the states to establish more realistic replacement values.

Eligibility Criteria to Determine When to Pay for Funeral Expenses Need Refinement

Unlike other classes of ONA that are well-suited for rapid processing through FEMA's automated system, funeral cases are manually processed and coordinated among Regional office officials, NPSC caseworkers, State officials, and victims' families. In Miami-Dade, FEMA caseworkers authorized payments of $15,743 for three funerals, which we concluded were insufficiently documented to establish the deaths as disaster-related. This occurred because FEMA did not have criteria for determining whether deaths are disaster-related and eligible for funding.

Federal regulation[22] authorizes FEMA to provide financial assistance for funeral items or services to meet the disaster-related necessary expenses and serious needs of individuals and households. Those expenses are generally limited to the cost of funeral services, burial or cremation, and other related funeral expenses. However, to be eligible for funeral assistance, the death must be a "direct result" of the disaster.[23]

The ONA guide specifies sources to use when determining whether the loss of life was disaster-related, e.g., hospitals, police and fire departments, coroner offices, and the local media reports. However, the guide does not provide any criteria or examples of circumstances that would constitute a "disaster-related" death eligible for FEMA funding. Additionally, in the case of the three funerals funded in Miami-Dade, documentation did not demonstrate that the deaths were a direct result of the disaster.

Death from Heart Attack. FEMA awarded $7,500 to cover the funeral of a man who had died of a "critical coronary atherosclerosis," or heart attack. Documents in FEMA files indicate that the man was found dead at his residence after Hurricane Frances impacted Florida. The Medical Examiner reported that the victim died of natural causes. However, FEMA staff administering the ONA concluded that his death was disaster-related.

FEMA files contained a note from a physician who treated the deceased for hypertension, gout, and arthritis. According to the physician's note, the deceased's hypertension might have been exacerbated from the stress of the recent hurricane. However, in our opinion, this statement in itself does not support the conclusion that the death was disaster-related and, therefore, eligible for FEMA funding.

Death from Automobile Accident. FEMA awarded $3,743 to cover funeral expenses of a resident killed while driving. According to the Florida Traffic Crash Report, the victim lost control of his vehicle, crossed over several lanes, and the vehicle landed on its roof inside a canal.

The report identified one contributing cause of the accident—the victim exceeded the State speed limit. The report also identified wet and rainy conditions, but made no mention of Hurricane Frances, which passed through the area before the accident. Months after the incident, FEMA staff received a memorandum from the police official that investigated the accident. According to the memorandum, "…the weather condition during Hurricane

[22] 44 CFR 206.119
[23] Other Needs Assistance Reference Guide, dated September 24, 2004, page 36.

Frances and wet roadways could have contributed to…[the victim]…losing control of his vehicle…." Again, while the death cannot be established as a "direct result" of the disaster, caseworkers authorized the funeral award based upon the police official's statement. In our opinion, FEMA officials did not have sufficient evidence to conclude that the victim's death was disaster-related.

Death from Drowning. FEMA paid $4,500 for funeral expenses of a victim who drowned in a pool. According to documentation in the FEMA file, the morning after the victim was reported missing and after searches by neighbors and police, the victim was found deceased in a pool. The Medical Examiner concluded that the death was accidental, without noting any circumstances that would indicate that the death was disaster-related. FEMA officials concluded that the death might have been caused by the disaster. Again, in our opinion, FEMA officials did not have sufficient evidence to conclude that the victim's death was disaster-related.

The Miami-Dade and Broward County Medical Examiners advised us that their investigation of deaths during Hurricane Frances disclosed that none were disaster-related. However, in contrast, the Miami-Dade Medical Examiner determined that, during Hurricane Andrew in 1992, 15 deaths were a direct result of the hurricane and another 15 natural deaths were indirectly related to the storm. The results of the Medical Examiner's investigation were published in May 1997.[24] This publication reflected deaths directly related to the storm resulting from collapsed homes and roofs, caved in walls, and falling debris. The report also reflected the nature of indirect deaths—cardiovascular related—many occurring after the storm.

The publication contained a table reflecting the circumstances of direct and indirect deaths that FEMA could use to develop eligibility criteria for funeral expenses. Under current FEMA guidelines, only funerals from deaths that are a direct result of a disaster can be funded.

FEMA staff at the Disaster Field Office reviewed information on each death and approved the assistance. However, the files contained insufficient documentation to support the basis for approval.

[24] "Mortality from Hurricane Andrew" published in the Journal of Forensic Science, May 1997.

Recommendations

We recommend that the Director of FEMA's Recovery Division:

8. Develop criteria and guidelines for determining "disaster-related deaths."

9. Require staff to document their analysis of each request for funeral expense assistance in order to support approval or disapproval of such assistance.

FEMA's Comments and OIG Analysis

FEMA said that variations in State medical examiner and coroner procedures have prevented them and the states from establishing national policy on disaster related deaths, but its guidelines were specific about sources to be checked to validate disaster-related deaths. FEMA also said that funeral grants represent a very small percentage of ONA applications and that the effectiveness of controls in place was evidenced by the fact that it denied 70 percent of funeral related requests during the 2004 Florida hurricane season.

However, FEMA said that it would continue to research ways to improve its eligibility determination process, as well as improve the quality of applicants' case file documentation. Although FEMA indicated an intent to address the issues, it did not describe specific actions. Therefore, we consider the recommendations unresolved until FEMA develops and implements an action plan.

Need for Disaster-Related Miscellaneous Items Could be Better Verified

FEMA awarded $192,592 for miscellaneous items to applicants in Miami-Dade County based only upon the verification that such items were purchased—not whether a disaster-related need existed.

Federal regulation[25] allows for funding of items that are not specified in other ONA categories that are unique disaster-related necessary expenses and serious needs of individuals and households. For Hurricane Frances, the State, with FEMA's approval, identified six unique items for funding: a generator, heating fuel, a wet/dry vacuum, an air purifier, a chainsaw, and a dehumidifier.

[25] 44 CFR 206.119

FEMA's guidelines[26] provide that assistance for miscellaneous items will be awarded based upon site inspection verification or submitted documentation. The guidelines require the miscellaneous items to be: (1) purchased or rented after the incident starting date; (2) purchased or rented within 30 days after the incident starting date; and (3) used in overcoming the affects of the disaster. FEMA caseworkers used these guidelines.

For Hurricane Frances, FEMA used the on site inspection process to verify that applicants purchased items during the time of the disaster. FEMA Inspections Services Branch officials said contract inspectors followed procedures in the IHP Inspection Guidelines. However, those guidelines do not contain the requirement that items must be used to overcome the affects of the disaster. Thus, the inspection process was limited to verifying that applicants only acquired the items within specified timeframes.

We reviewed the files of three applicants who received $836 each as reimbursement for acquiring a generator. Although not documented in FEMA's grant file, one could reasonably conclude that the generators were needed to provide power to their primary residences. However, the applicants received rental assistance from FEMA to reside somewhere other than their primary residence as well as being reimbursed for the generators. Without properly validating and documenting an applicant's need for miscellaneous items, FEMA is reimbursing applicants for items that may not have been acquired in support of a disaster-related need.

Recommendation

We recommend that the Director of FEMA's Recovery Division:

10. Modify inspection guidelines to require contract inspectors to justify that funding recommendations for miscellaneous items are based upon disaster-related needs.

FEMA's Comments and OIG Analysis

FEMA agreed with the recommendation and said that it had implemented in September 2004 a new policy for funding miscellaneous items. The new policy requires that items be purchased within a specific timeframe following a disaster declaration, meet a verified need, and be based on FEMA's standardized pricing system. FEMA also said that it and its state partners would continue to review and improve the related inspection procedures.

[26] Other Needs Assistance Reference Guide, dated September 24, 2004, page 39.

The guidelines FEMA referred to in its comments were used by FEMA caseworkers, not the contract inspectors. For Hurricane Frances, contract inspectors made on-site visits to inspect miscellaneous items and used IHP Inspection Guidelines. On these visits, the inspectors verified that applicants bought the miscellaneous items, not whether the items were acquired to meet a disaster related need. This was not required by the IHP guidelines.

We consider this recommendation resolved. It can be closed once FEMA modifies its guidelines for contract inspectors to require a determination of a disaster-related need in line with its September 2004 guidance for caseworkers.

Verification of IHP Disaster Losses for Housing Assistance

As of February 28, 2005, FEMA awarded $13.1 million to Miami-Dade applicants for rental assistance and home repair and replacement. However, the implementation of the Housing Assistance component of the IHP was hampered by several procedural omissions and generally weak guidelines for performing inspections and documenting results.

Expedited Rental Assistance Not Provided Based on Need

FEMA implemented a rarely used procedure within the Housing Assistance component of the IHP called Expedited Assistance (EA), and awarded approximately $1 million to 1,431 Miami-Dade residents. Under EA, applicants were provided a one-time monthly rental assistance payment of $726. Unlike for other rental assistance applicants, on site inspections to verify needs were not performed in advance of EA. To qualify, according to FEMA instructions,[27] applicants had to meet certain criteria during registration.

FEMA provided $82,764 in EA to 114 applicants who were not, or may not have been eligible. Those applicants reportedly had insurance, did not report a need for housing, or reported that their homes were not damaged.

Sixty-four applicants, who received $46,464 of Expedited Assistance, had homeowners insurance that generally covers temporary housing assistance in the event their homes are damaged and declared unsafe. Federal regulation[28]

[27] A memorandum, dated September 6, 2004, from the National Processing Service Center Coordination Team to Benefit Processing Staff.
[28] 44 CFR 206.110(a) and (h)

prohibits FEMA from funding applicants who are able to meet their needs through other means and prohibits duplication of benefits. For those applicants with insurance coverage, according to Federal regulation[29] temporary housing assistance shall be provided only when payment of insurance benefits have been significantly delayed, benefits are not sufficient to cover housing needs, or when housing is not available in the private market. However, documentation was not available to show that any of these conditions existed to justify EA payments to the insured applicants in Miami-Dade County.

FEMA instructed the recipients of EA to file claims with their insurance companies and report back to FEMA on any unmet needs within twelve months. However, five months after the disaster was declared, none of the recipients had reported back to FEMA. In addition, FEMA had no procedures to identify those recipients who were fully compensated by their insurance company for rental costs and were not eligible for FEMA assistance.

Twenty-six applicants, who received $18,876 of EA, reported that they did not meet the criteria for such assistance. However, during registration, FEMA erroneously recorded in the applicant files that they were eligible. While caused by a system error that was subsequently corrected, those applicants were not eligible for EA and should not have received funding.

Finally, 24 applicants reported that their homes were not damaged. Those applicants received assistance, totaling $17,424, because the EA criteria did not require damage to their primary residence as a condition for eligibility. FEMA amended the EA criteria to require damage to an applicant's primary residence as a condition for receiving EA under the Hurricane Ivan declaration.

Recommendation

We recommend that the Director of FEMA's Recovery Division:

11. Recoup the $36,300 paid to individuals who did not report a need for rental assistance or damage to their home.

FEMA's Comments and OIG Analysis

FEMA agreed to review all 114 cases of applicants who were not, or may not have been, eligible for assistance and initiate recoupment action, as

[29] 44 CFR 206.101 (d)

appropriate. Based on FEMA's comments, we consider the recommendation resolved. The recommendation can be closed once FEMA completes its review and recoupment actions.

Controls Over Rental Assistance Eligibility Need Improvement

In our opinion, sufficient criteria were not in place to reasonably assure that the $9 million of rental assistance provided to 4,985 Miami-Dade County residents was made to eligible applicants. To prevent this from occurring under future disaster declarations, FEMA needs to improve its guidelines for performing inspections, documenting the basis for unsafe home determinations, and recognizing deferred maintenance conditions.

According to Federal regulation[30] rental assistance may be provided only when an applicant's primary residence has been made unlivable or the applicant has been displaced as a result of the disaster.

During home inspections, contract inspectors are required to verify the primary residence of an applicant, determine whether damages to the applicant's primary residence were caused by the disaster, and determine whether the disaster made the applicant's home unsafe. FEMA, however, did not require the inspectors to document, in sufficient detail, the basis for their unsafe determinations.

For example, we found that 4,308 applicants who received rental assistance did not indicate a need for shelter at the time of registration or the $8.2 million they eventually received. However, the inspectors determined, reportedly during on-site visits, that their homes were unsafe. For the 60 applicant files that we reviewed, the inspectors reported that the homes were unsafe based on general conditions, i.e., sanitation, windows, doors, roof, etc. The inspectors did not explain those conditions nor did they indicate how or why such conditions made the home unsafe. Moreover, no evidence indicated that those applicants sought other accommodations or resided elsewhere during the two months they received rental assistance. Thus, sufficient evidence was not available to support the determinations that those applicants were in need of and were eligible for rental assistance.

In addition, three rental assistance applicants, with only minimal damages, each received two months of rental assistance. One of the applicants received $1,452 for two months of rental assistance because the inspector determined

[30] 44 CFR 206.101(f)(1)

that damages of $93 to windows and doors caused the home to be unsafe. According to FEMA inspection guidelines, a home should not be determined unsafe when only "minimal disaster-related damages" exist. The guidelines, however, do not define "minimal damages."

Deferred maintenance is another key factor in determining habitability (whether a home is unsafe). Habitability, in turn, is the main determinant for rental assistance eligibility. FEMA uses the term "deferred maintenance" to refer to pre-existing damages to a home caused by a lack of maintenance. FEMA reportedly informed contract inspectors that if deferred maintenance (and not disaster-related damages) is the primary cause of a home being unsafe, inspectors should not record the home as being unsafe for purposes of program eligibility. However, FEMA guidance does not require inspectors to document their observations of deferred maintenance for consideration with respect to funding decisions for rental assistance.

Recommendation

We recommend that the Director of FEMA's Recovery Division:

12. Modify its home inspection procedures to require contract inspectors to document (1) the basis for determinations that homes are unsafe, and (2) instances of deferred maintenance, including an evaluation of the severity of such conditions for housing eligibility decisions.

FEMA's Comments and OIG Analysis

FEMA agreed that inspection procedures for documenting home unsafe determinations need improvement. FEMA also indicated that it has started a review in this area and will continue to review and improve its inspection procedures. Based on FEMA's comments, we consider the recommendation related to home unsafe resolved. The recommendation can be closed once FEMA develops and implements a plan to document the basis for home unsafe determinations.

With regard to deferred maintenance, FEMA indicated that documenting conditions of deferred maintenance tends to add little useful data and such efforts can be redundant and time-consuming thus delaying the delivery of assistance. Further, FEMA does not require inspectors to record incidents of deferred maintenance for cases approved or disapproved. We maintain that this information should be documented to afford quality control reviews of

inspectors' work and support decisions made to fund or deny funding for rental assistance. Therefore, we consider the recommendation unresolved.

Controls Over Home Repair and Replacement Assistance Need Improvement

FEMA awarded $2.7 million to repair 2,180 homes and $132,556 to replace 20 homes in Miami-Dade County. The need for improved guidance for unsafe home determinations and deferred maintenance are also necessary to ensure proper funding for home repair. In addition, FEMA needs to improve guidance on documenting the reasons for home repair and replacement.

Under Federal regulation[31] FEMA can provide financial assistance to homeowners to repair or replace their homes. However, to be eligible for assistance, an applicant's home must be their primary residence, be determined unsafe based on inspection, and the unsafe condition must be disaster-related.

We reviewed 12 home repair awards for $30,475. Like rental assistance, the inspector's determination of an unsafe home is necessary for an applicant to receive home repair assistance. However, inspectors are currently instructed to base their unsafe determinations on general conditions, i.e., sanitation, windows, etc., and not required to explain how or why such conditions made the home unsafe. We made a recommendation in the previous finding to address this issue.

When it is not economically feasible to repair a home or a home is completely destroyed, FEMA guidelines require inspectors to record the properties as "Destroyed." Inspectors also were required to indicate the general cause of damage, e.g., hail and wind driven rain. However, the guidelines do not require inspectors to document or identify the types of damages to homes to warrant a "Destroyed" determination, e.g., collapsed wall and floodwater.

We reviewed 14 home replacement awards for $96,856—ten for boats and four for mobile homes. The general cause of damages recorded for ten home replacements was "hail and wind driven rain." The general cause of damages for the four remaining home replacements was tornado or wind. Seven of the boats reportedly sank and were not available for inspection. For two of the three remaining boats, the inspector did not record the basis for their "Destroyed" determination. Four mobile homes were reportedly available for

[31] 44 CFR 206.117 (b)

inspection, but inspectors did not identify or document specific damages to justify their "Destroyed" determination.

Recommendation

We recommend that the Director of FEMA's Recovery Division:

13. Modify its inspection guidelines to require inspectors to identify and document the types of disaster damages sustained to justify a decision that homes are destroyed.

FEMA's Comments and OIG Analysis

FEMA agreed that inspectors should provide more information concerning destroyed homes and said that this could be implemented through a procedural change in the inspection guidelines with no additional cost to FEMA.

Based on FEMA's comments, we consider the recommendation resolved. The recommendation can be closed once FEMA modifies its guidelines.

Oversight of Inspections Needs Improvement

FEMA's contract agreements with inspection services providers did not require the contractors to review inspections results prior to submission to FEMA. Additionally, FEMA's edit checks for inspection errors were made after payments to applicants rather than before. More timely reviews in both these areas may have prevented approximately $24.4 million[32] of ineligible or excessive payments that FEMA has made throughout the United States and its territories from August 2004 to February 2005. Of those funds, $215,214 was provided to applicants in Miami-Dade County.

Also, no provisions in the contract agreements required inspectors to certify their independence and recuse themselves from inspections that may present possible conflicts of interest.

Contractor's Review of Inspector Work

FEMA awarded two private firms contracts in February 2001 to inspect and verify losses and damages reported by applicants for FEMA assistance. These

[32] The $24.4 million in errors was identified by FEMA for disasters declared between August 2004 and February 2005. FEMA informed us that it is validating errors and will initiate recoupment where appropriate.

contractors retained individuals, as independent contractors, to perform the required inspection services. However, FEMA did not require the contractors to review their inspectors' work prior to submission to FEMA. As a result, errors made by inspectors were not identified timely to prevent improper payments.

The need for contractors to have a timely and effective quality assurance program is essential. The need for such a program becomes even more paramount in a situation such as Florida with four major hurricanes within a 40-day period. To address these disasters, FEMA required the contractors to double the number of inspections completed each day from 7,500 to 15,000. To accomplish this, each contractor hired about 1,600 new inspectors, increasing their inspection staff from around 400 to approximately 2,000. However, the new inspectors were not familiar with FEMA programs, received only 8 to 12 hours of basic training on the FEMA inspection process, and their work was not closely monitored.

While not required, one contractor had a procedure of reviewing the quality of the inspectors' work before submission to FEMA. However, the contractor allowed its inspectors to override the reviewer's observations without providing an explanation. The second contractor informed us that reviews of some of the completed inspections were made before submission to FEMA, but that all inspections on file, regardless of whether they were reviewed or not, were submitted to FEMA by 2:00 am each morning.

FEMA's Review of Inspection Data

FEMA Inspections Services representatives in Berryville, Virginia, reported that NEMIS checks inspection data to ensure completeness required by NEMIS business rules, but does not check for errors. Accordingly, payments were processed to applicants without an edit check for errors. Following payment, Inspections Branch officials downloaded the inspections data from NEMIS into a separate database program (Information Management Resource) to perform a series of data queries to check for errors made during the inspection process (see Appendix E).

FEMA identified $24.4 million of errors that resulted in ineligible or excessive payments that FEMA has made throughout the United States and its territories for disasters declared from August 2004 to February 2005. Of those funds, $215,214 was provided to applicants in Miami-Dade County. In addition, the majority of those errors ($23.9 million) involved duplicate

payments for room items. Many of these errors could have been mitigated had the data queries or edits been made prior to payments.

FEMA can improve the effectiveness of its review of contractor work by including data queries in NEMIS to check for inspection errors prior to payment and avoid time consuming, costly, and ineffective recoupment action. FEMA officials informed us that they have begun working with inspection contractors to design and develop edit checks to prevent errors prior to delivery of assistance.

Inspectors' Independence

The contractors did not monitor their inspectors' work to ensure their independence and avoid the appearance of conflicts of interest. The two contractors hired 22 Miami-Dade County residents to perform inspections. To minimize cost and conserve time, both contractors had the practice of providing those inspectors with inspection assignments close to their own home. Those inspectors performed 4,343 inspections. Five inspectors performed 54 inspections within a radius of 20 blocks from their homes. One inspector performed a home inspection just one block from his home. While no incidents of alleged impropriety on the part of inspectors were identified, the practice of allowing inspectors to verify losses and damages, and participate in funding decisions of their neighbors, creates the appearance of a conflict of interest.

Recommendations

We recommend that the Director of FEMA's Recovery Division:

14. Modify, when feasible, inspection contracts to require contractors to review the quality of work of their inspector prior to submitting inspections data to FEMA;

15. Modify NEMIS to include an edit review of inspector work for errors prior to processing payments to applicants; and

16. Modify inspection contracts to require inspectors to certify their independence for each inspection and to recuse themselves from inspections that present a possible conflict of interest.

FEMA's Comments and OIG Analysis

FEMA agreed that oversight of the inspection process needs improvement and said that steps have already been initiated to implement our recommendations. Specifically, FEMA said that it would work with inspection contractors to establish better preventive measures to improve inspection accuracy by making modifications to the contractor's edit check systems. FEMA also said that it would design and develop edit checks in FEMA to catch errors prior to delivery of assistance. Finally, FEMA said contractors would be required to include language concerning recusals in their "Standards of Conduct".

Based on FEMA's comments, we consider the recommendations resolved. The recommendation can be closed once the planned actions have been implemented.

The Saffir-Simpson Hurricane Scale

The Saffir-Simpson Hurricane Scale is a 1-5 rating based on the hurricane's present intensity. This is used to give an estimate of the potential property damage and flooding expected along the coast from a hurricane landfall. Wind speed is the determining factor in the scale, as storm surge values are highly dependent on the slope of the continental shelf in the landfall region. Note that all winds are using the U.S. 1-minute average.

Category I Hurricane: Winds 74-95 mph (64-82 kt or 119-153 km/hr). Storm surge generally 4-5 ft above normal. No real damage to building structures. Damage primarily to unanchored mobile homes, shrubbery, and trees. Some damage to poorly constructed signs. Also, some coastal road flooding and minor pier damage.

Category II Hurricane: Winds 96-110 mph (83-95 kt or 154-177 km/hr). Storm surge generally 6-8 feet above normal. Some roofing material, door, and window damage of buildings. Considerable damage to shrubbery and trees with some trees blown down. Considerable damage to mobile homes, poorly constructed signs, and piers. Coastal and low-lying escape routes flood 2-4 hours before arrival of the hurricane center. Small craft in unprotected anchorages break moorings.

Category III Hurricane: Winds 111-130 mph (96-113 kt or 178-209 km/hr). Storm surge generally 9-12 ft above normal. Some structural damage to small residences and utility buildings with a minor amount of curtain wall failures. Damage to shrubbery and trees with foliage blown off trees and large trees blown down. Mobile homes and poorly constructed signs are destroyed. Low-lying escape routes are cut by rising water 3-5 hours before arrival of the center of the hurricane. Flooding near the coast destroys smaller structures with larger structures damaged by battering from floating debris. Terrain continuously lower than 5 ft above mean sea level may be flooded inland 8 miles (13 km) or more. Evacuation of low-lying residences with several blocks of the shoreline may be required.

Category IV Hurricane: Winds 131-155 mph (114-135 kt or 210-249 km/hr). Storm surge generally 13-18 ft above normal. More extensive curtain wall failures with some complete roof structure failures on small residences. Shrubs, trees, and all signs are blown down. Complete destruction of mobile homes. Extensive damage to doors and windows. Low-lying escape routes may be cut by rising water 3-5 hours before arrival of the center of the hurricane. Major damage to lower floors of structures near the shore. Terrain lower than 10 ft above sea level may be flooded requiring massive evacuation of residential areas as far inland as 6 miles (10 km).

Category V Hurricane: Winds greater than 155 mph (135 kt or 249 km/hr). Storm surge generally greater than 18 ft above normal. Complete roof failure on many residences and industrial buildings. Some complete building failures with small utility buildings blown over or away. All shrubs, trees, and signs blown down. Complete destruction of mobile homes. Severe and extensive window and door damage. Low-lying escape routes are cut by rising water 3-5 hours before arrival of the center of the hurricane. Major damage to lower floors of all structures located less than 15 ft above sea

level and within 500 yards of the shoreline. Massive evacuation of residential areas on low ground within 5-10 miles (8-16 km) of the shoreline may be required.

Source: http://www.nhc.noaa.gov/aboutsshs.shtml

THE WHITE HOUSE
WASHINGTON

September 4, 2004

The Honorable Michael D. Brown
Under Secretary
Emergency Preparedness and Response
Washington, D.C. 20472

Dear Mr. Brown:

I have determined that the damage in certain areas of the State of Florida resulting from Hurricane Frances beginning on September 3, 2004, and continuing is of sufficient severity and magnitude to warrant a major disaster declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5206 (the Stafford Act). I, therefore, declare that such a major disaster exists in the State of Florida.

In order to provide Federal assistance, you are hereby authorized to allocate from funds available for these purposes, such amounts as you find necessary for Federal disaster assistance and administrative expenses.

You are authorized to provide Individual Assistance in the designated areas, assistance for debris removal and emergency protective measures (Categories A and B) under the Public Assistance program in all counties in the State, and Hazard Mitigation statewide, and any other forms of assistance under the Stafford Act you may deem appropriate subject to completion of Preliminary Damage Assessments. Direct Federal assistance is authorized.

Consistent with the requirement that Federal assistance be supplemental, any Federal funds provided under the Stafford Act for Public Assistance, Hazard Mitigation, and the Other Needs Assistance under Section 408 of the Stafford Act will be limited to 75 percent of the total eligible costs. For the first 72 hours, you are authorized to fund direct Federal assistance and assistance for debris removal and emergency protective measures at 100 percent of the total eligible costs.

Further, you are authorized to make changes to this declaration to the extent allowable under the Stafford Act.

Sincerely,

George W. Bush

Categories of Assistance		
Housing Assistance	**Approved**	**Audited**
Expedited Assistance	$1,040,336	$91,476
Rental Assistance	9,290,345	119,656
Home Repair	2,679,561	51,156
Replacement Housing	140,217	30,600
Total	$13,150,459	$292,888
Other Needs Assistance		
Dental	$10,278	$0
Funeral	23,608	15,743
Medical	7,033	0
Moving/Storage	351	0
Other[33]	204,632	3,034
Personal Property	16,950,377	490,956
Transportation	585,606	134,358
Total	$17,781,885	$644,091
Total IHP	**$30,932,344**	**$936,979**

[33] This amount includes $12,040, for which FEMA could not identify the approved category of assistance.

Room	Description
Kitchen	7 piece knife set
	Cooking spoon
	Meat fork
	Spatula
	Whisk
	Misc cooking utensils
	4 piece mixing bowl set
	8 piece set pots & pans (w/lids)
	Dinnerware service for 8
	Glassware service for 8
	Flatware service for 8
	Dish rack/drainer
	Linen sets-napkins/placements
	Coffee maker
	Handheld mixer
	2 slot toaster
	Blender
	Electric can opener
	4 sets dish towels/pot holders
	Fire extinguisher 9lb
	Mop/bucket
	Broom
	Trash can
	2’ x 4’ area rug
	3’ x 4’ mini-blind set
Total Items	25

Appendix D
Room Items That May Be Funded Under the ONA Component of the IHP

Room	Description
Living Room	Upholstered 8’ sofa
	Upholstered loveseat
	Upholstered chair
	Coffee table
	2 end tables
	2 lamps
	Clock
	5’ x 8’ area rug
	4’ x 5’ mini-blind set
Total Items	9
Bedroom	2 twin beds-frame/foundation/mattress
	2 standard pillows
	2 twin blankets
	2 twin bedspreads
	2 twin sheet sets
	2 4-drawer chests
	2 nightstands
	2 lamps
	18’ x 48’ mirror
	5’ x 8’ area rug
	4’ x 5’ mini-blind set
Total Items	11
Bathroom	2 24” towel racks
	4 sets of personal brushes/combs/etc.
	4 sets of personal hygiene items ($50 ea)
	Shower rod
	Panel shower curtain
	Tub mat
	Laundry hamper
	Toilet paper holder
	Storage cabinet
	3 piece rug set
	3’ x 4’ mini-blind set
Total Items	11

FEMA's Automobile Replacement Awards Versus Blue Book Values				
Amount Awarded		**Year/Make/Model**	**Retail Blue Book Value[34]**	**Excess**
	$6,500	87 Ford Mercury	$1,300	$5,200
	6,500	87 Honda Accord	1,960	4,540
	6,500	88 Chevrolet Caprice	1,000	5,500
	6,500	90 Lincoln Continental	2,300	4,200
	6,500	91 Honda Accord	3,375	3,125
	6,500	91 Nissan Maxima	3,360	3,140
	6,500	92 Ford Taurus	1,900	4,600
	6,500	92 Saturn SL	1,825	4,675
	6,500	93 Mercury Grand Marquis	3,090	3,410
	6,500	95 Honda Accord	5,025	1,475
	6,500	97 Dodge Stratus	4,165	2,335
	6,500	97 Nissan Maxima	7,125	(625)
	6,500	98 Nissan Sentra	5,515	985
	6,500	98 Toyota Corolla	5,650	850
	$6,500	99 Honda Accord	8,550	(2,050)
Total	**$97,500**	**15**	**$56,140**	**$41,360**

[34] The Retailed Blue Book Value represents the amount an individual would pay a dealership for an automobile. Kelly Blue Book lists three options for pricing used automobiles: Trade In, Private Party, and Retail. The condition of the automobiles was identified as good and average mileage of 12,000 miles per year was used to calculate the mileage on the automobiles.

Audit of Miami-Dade County
Listing of Data Queries Performed by FEMA Inspections Services Branch
Information Resource Management Database
As of March 4, 2005

Following payment to applicants, FEMA's Inspections Management Branch officials located at Berryville, Virginia, periodically executed 10 data queries of inspections received from the contractors to check for errors made during the inspection and compliance with FEMA's inspection guidelines.

1. Home Destroyed Plus Extra Real Property Items Awarded. Where assistance is provided for a destroyed home, this query checks to see if any extra assistance was improperly provided for individual real property items.

2. Home Inaccessible and Home Unsafe. FEMA Inspection Guidelines prohibit both conditions on the same inspection because an inaccessible home cannot be determined unsafe. This query identifies inspections where a home has been listed improperly as both inaccessible and unsafe.

3. Home Inaccessible With Personal Property Damages Recorded. FEMA Inspection Guidelines prohibit both conditions on the same inspection. This query identifies inspections where a home has been listed as inaccessible and personal property damages have been recorded improperly.

4. Home Inaccessible With Real Property Damages Recorded. FEMA Inspection Guidelines prohibit both conditions on the same inspection. This query identifies inspections where a home has been listed as inaccessible and real property damages have been recorded improperly.

5. Home Safe And Real Property Damages Recorded. A home must be unsafe for an applicant to be eligible for real property assistance. This query identifies inspections where a home was found to be safe and assistance for real property was erroneously recorded.

6. Personal Property All Furnishings With "X or Y" Degree Of Damages. FEMA implemented a streamlined inspection process by issuing Addendum No. 6, dated September 16, 2004, to FEMA's IHP Inspection Guidelines. Under this process, an all furnishings designation should be used with only "Z" or replacement degree of damages. This query identifies inspections where the all furnishings designation was used improperly with the "X" or "Y" level of funding (repair).

7. Rooms with "X, Y, or Z" Degree of Damages and Itemized Damages. The FEMA inspection guidelines require inspectors to use "X, Y, or Z" to indicate the level of damages to rooms in an applicant's home. Separate itemization of room damages would be improper and cause excessive funding. This query identifies inspections where rooms with an "X, Y or Z" level damages and itemized room damages were recorded improperly.

8. Personal Property "All Furnishings" Recorded More Than Once. An all furnishings designation results in an award of the standard room values for an applicant's entire residence. An inspector's use of all Furnishings more than once would be improper and cause excessive funding. This query identifies inspections where all Furnishings were improperly used more than once.

9. Real Property Speed Estimating with Improperly Itemized Items. Addendum No. 6 to the Inspection Guidelines also implemented procedures for speed estimating damages to real property (minor, moderate, and major damages). The speed estimating procedures covered certain real property line items while others were excluded from the process. This query identifies the use of speed estimating to inspect real property damages and lists covered items that were itemized improperly.

10. Real Property Speed Estimating Recorded More Than Once with the Same Cause of Damages. The assistance for home repairs is limited to $5,100. However, the speed estimating designation of real property damages as minor (25 percent of maximum amount) or moderate (50 percent of maximum amount) can be made more than once on the same inspection where the cause of damages is different. This query identifies speed estimating to record damages to real property more than once and the same cause of damages was reported improperly.

We recommend that the Director of FEMA's Recovery Division:

Ensure that, for future declarations, proper damage assessments are performed to determine and document the type, extent, and location of disaster-related damages whenever possible.

Develop clearer guidance defining circumstances where complete PDAs may be unnecessary or infeasible.

Modify FEMA inspection procedures to identify more accurately disaster-related losses of household items for which applicants should be compensated.

Modify the IHP Inspection Guidelines to require inspectors to document in the "PP Verbal" file the specific item(s) that was not available for inspection, the verbal representations made, and the evidence used to verify the loss.

Develop eligibility criteria for funding automobile damage that can be tied to damages sustained as a result of a disaster.

Modify guidelines to require contract inspectors to justify automobile funding recommendations based on disaster-related needs.

Work with the States to establish a more reasonable replacement value for destroyed automobiles based on the cost to acquire a comparable vehicle.

Develop criteria and guidelines for determining "disaster-related deaths."

Require staff to document their analysis of each request for funeral expense assistance in order to support approval or disapproval of such assistance.

Modify inspection guidelines to require contract inspectors to justify that funding recommendations for miscellaneous items is based upon disaster-related needs.

Recoup the $36,300 paid to individuals who did not report a need for rental assistance or damage to their home.

Modify its inspection guidelines to require inspectors to identify and document the types of disaster damages sustained to justify a decision that homes are destroyed.

Modify, when feasible, the inspection contracts to require contractors to review the quality of work of their inspector prior to submitting inspects data to FEMA.

Modify NEMIS to include an edit review of inspector work for errors prior to processing payments to applicants.

Modify inspection contracts to require inspectors to certify their independence for each inspection and to recuse themselves from inspections that present a possible conflict of interest.

U.S. Department of Homeland Security
500 C Street, SW
Washington, DC 20472

FEMA

April 29, 2005

Mr. Richard L Skinner
Acting Inspector General
245 Murray Drive, SW
Building 410
Washington, D.C. 20528

Dear Mr. Skinner:

This letter conveys FEMA's comments to the draft report from the Department of Homeland Security's Office of Inspector General (OIG), *Audit of FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances*.

FEMA is gratified that the report affirms the absence of widespread or systemic Recovery program fraud, waste or abuse in the state, and conclusively establishes that no special treatment was afforded to Miami-Dade County. However, we take exception to many of the individual conclusions contained therein, and have responded to those conclusions appropriately.

FEMA notes that this report supports several refinements FEMA is making to our two-year-old Individuals and Households Program. These refinements will materially improve our inspection processes, and help further minimize opportunities for program abuse. While we can never reasonably expect to fully eliminate problems, we can - and will - continually strive to identify and reduce opportunities for error.

Finally, the point needs to be re-emphasized that, while FEMA acknowledges a dual responsibility to both disaster victims and taxpayers, our first and overriding priority in any disaster response is - and must always be - to save and sustain lives and property.

We appreciate the opportunity to respond to this report, and look forward to continued collaboration with the OIG.

Sincerely,

Michael D. Brown
Under Secretary
Emergency Preparedness & Response

Enclosure

www.fema.gov

U.S. Department of Homeland Security
Washington, D.C. 20472

FEMA

Comments on the Department of Homeland Security Office of Inspector General's
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005

Executive Summary

This is a summary of FEMA's comments on the draft report from the Department of Homeland Security's Office of Inspector General (OIG), *Audit of FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances*.

The stated purpose of OIG's audit was to address two fundamental questions: One, whether FEMA had sufficient evidence to designate Miami-Dade County. Two, whether adequate program controls existed to ensure that funds were provided only to eligible applicants, for eligible expenses.

Disaster Declaration

FEMA was justified in its decision to add Miami-Dade County to the disaster declaration. Precedent, urgency, official weather reports, and the State's request for assistance all supported this decision, which was entirely consistent with our authorizing legislation, federal regulations, and past practices for disasters of "unusual severity and magnitude." Thousands of FEMA inspections, independent private insurance settlements, the U.S. Small Business Administration's disaster loans, and now this OIG report, have subsequently confirmed that thousands of disaster victims suffered damage in Miami-Dade County. And while this report's scope is limited only to Miami Dade County, it is important to note that Miami-Dade County was but one of 13 counties battered by tropical storm force winds and included in the initial disaster declaration amendment. Finally, achieving the standard this OIG report suggests – the assurance of timely and responsive program eligibility while eliminating all susceptibility to abuse -- is unattainable.

Other Needs & Housing Assistance

Regarding the adequacy of program controls, we were pleased that the OIG confirmed no widespread or systemic waste or abuse in Miami-Dade County in the wake of Hurricane Frances. To date, there have been only fourteen cases of alleged fraud out of 227,000 aid recipients in the state during Hurricane Frances, a statistically negligible 0.006 percent. We appreciate the rationale underlying OIG recommendations to clarify disaster-related field determinations, and in most cases feel that the necessary controls were in place. In some specific instances, we agree with the recommendations made by OIG and were in fact already implementing many of the refinements they recommend.

The comments below are organized into five sections. The first section provides an overview of the environment in which FEMA operated during the 2004 hurricane season, a context we believe essential to an understanding of our situational program decisions. The second section discusses the disaster declaration process, and reflects our comments to the OIG's recommendations on that topic. The third section provides our comments to the OIG's recommendations on the Other Needs Assistance (ONA) component of the Individuals and Households Program (IHP). The final section provides our comments on the OIG's recommendations to the Housing Assistance (HA) component of IHP.

Section 1: The 2004 Hurricane Season in Review

The scope of the OIG audit is extremely narrow (Miami-Dade County), yet the audit's conclusions are overly broad. By failing to characterize and frame their program-wide conclusions within the context of the overall multi-state response environment (i.e., eight named storms resulting in multiple major disaster declarations in virtually every State along the Eastern Seaboard and Gulf of Mexico), many of those conclusions are, at best, misleading.

Not since 1886, when coastal Texas was the target, has a single State been battered by four hurricanes in a single hurricane season. FEMA's response to this extraordinary series of eight storms making landfall in four months represented the largest mobilization of emergency response and disaster recovery resources in the history of FEMA, or its predecessor agencies, and exceeded the Agency's operational responses to both the 9/11 terrorist attacks and the 1994 Northridge earthquake.

In striving to effectively execute our disaster recovery mission in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5206, FEMA faced several significant challenges, including strains on staff and resources, providing logistical support to an enormous multi-State response and recovery operation, and severe disruptions to these ongoing operations each time a subsequent hurricane made landfall. Accordingly, the OIG expectation of error-free execution and a seamless trail of decision-supporting documentation is both unrealistic and inappropriate.

In interviews with the OIG, FEMA repeatedly emphasized the extraordinary nature of the challenging 2004 hurricane season. During the response, FEMA's Recovery Division was simultaneously delivering aid to eligible individuals and households in 27 disaster field operations across 15 States and two territories, from the northeast United States to the Caribbean, to the South Pacific. To meet the public's disaster recovery needs, FEMA opened multiple Disaster Field Offices and brought 12 additional call centers on-line to augment the four permanent National Processing Service Centers (NPSCs). These centers operated 24 hours a day for several weeks, and received well over 65,000 registration and help line calls per day from applicants – several times above our standard operating capacity. On September 28, a record 44,800 registrations were taken over a single 24-hour period. Since August 13, 2004 well over 1.2 million registrations were taken in Florida alone – many times the number of households registered following Hurricane Andrew in 1992.

The rapid and dramatic increase of disaster activity from these extraordinary storms eventually exceeded FEMA's standing operational capabilities. To augment the capacity of the NPSCs to support the continued timely registration of applicants for disaster assistance, FEMA hired and trained approximately 2,000 additional caller services and case processing staff, and rapidly surged another 1,500 personnel from other Federal agencies and private contractors.

For its field operations, FEMA hired over 3,000 personnel to fill Individual Assistance and Community Relations positions. Even with this increase in staffing resources, current and pending disaster activity created a significant short-term staffing deficit for FEMA's Disaster Field Offices nationwide. In addition, FEMA deployed nearly 4,000 contract housing inspectors to the field, who performed an average of 24,000 applicant visits per day to verify reported disaster-related damages. FEMA quickly organized a National Individual Assistance Task Force to consolidate management staff in an effort to maximize efficiencies in administering its Individuals and Households Program (IHP), and to centralize specific field functions such as Direct Housing Operations (deliveries of manufactured housing units), Crisis Counseling, and Disaster Unemployment Assistance.

Interruptions to response operations contributed to the challenging environment. Multiple powerful storms struck Florida within a short period of time, necessitating the repeated suspension of disaster field operations, and forcing FEMA to evacuate personnel out of harm's way.

FEMA managers interviewed by the OIG indicated that their program decisions in Frances, and throughout the 2004 hurricane operations, were based on over 20 years of experience in previous disasters. Experience suggested that these multiple, back-to-back storms would cause additional delays in aid delivery to the public, not just from FEMA and other Federal agencies, but also from State and local authorities, private insurers, and voluntary agencies. Indeed, it was in recognition of these delays that the Florida State legislature subsequently took action to ensure that private insurers settle all claims in a timely manner. Despite these constraints, in four months FEMA was able to register over 1.5 million people for disaster assistance, distribute over $1.2 billion in disaster recovery assistance to individuals and families, and provide over $2 billion in emergency assistance and funds for debris clearance and repairs to storm-damaged infrastructure.

When FEMA assesses the "severity and magnitude" of an incident and provides a recommendation to the President on whether supplementary disaster assistance is warranted under the Stafford Act, those recommendations are based on the best information available at the time. This information may include reports from Federal partners, State and local officials, national and local media sources, and sophisticated modeling systems, such as HURREVAC (utilized by the National Hurricane Center, FEMA, and the U.S. Army Corps of Engineers), the National Hurricane Center's SLOSH (Sea, Lake and Overland Surges from Hurricanes), and FEMA's HAZUS. In fact, the Inspector General's report following FEMA's response to Hurricane Andrew in 1992 recommended reliance on such tools.

Enclosure – Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 4

The 2004 Atlantic Hurricane Season at a Glance

Name	Type	Landfall	Damage	Evacuation	Shelters		Power Outages	Major Disasters
					Number	Occupants		
Alex	Hurricane Category II	August 3	Flooding in North Carolina	--	--	--	--	--
Bonnie	Tropical Storm	August 12	Heavy rains, Tornadoes	--	--	--	--	Florida (consolidated with Charley)
Charley	Hurricane Category IV	August 13	Storm Surge, Flooding, 145mph winds	--	276	52,000	1.2 million	Florida South Carolina
Gaston	Hurricane Category I	August 29	Flooding	--	--	--	--	Virginia South Carolina
Frances	Hurricane Category II	September 4	Storm Surge, Flooding, Wind damage,	2.5 million FEMA personnel evacuated to Atlanta	350	186,000	6 million	Florida, North Carolina, Pennsylvania, Ohio, South Carolina, Virginia
Ivan	Hurricane Category III	September 16	Storm Surge, Flooding, Wind damage, Tornadoes	2 million FEMA field operations temporarily suspended	600 in 4 States	52,000	2 million	Florida, Alabama, Mississippi, Louisiana, Georgia, North Carolina, Tennessee, Pennsylvania, West Virginia, New York, New Jersey
Jeanne	Hurricane Category III	September 25	120mph winds, 10-15 inches rain, flooding	4.4 million FEMA field operations temporarily suspended	160 in 4 States	400,000	3 million	Florida, Puerto Rico, US Virgin Islands
Matthew	Tropical Storm	October 10	12 inches rain, flooding in Louisiana	--	--	--	--	--

Although only two years old, FEMA's Individuals and Households Program (IHP), with its Housing Assistance (HA) and Other Needs Assistance (ONA) components, is built on the lessons learned from decades of disaster response and recovery operations. The IHP is expressly designed to deliver short-term assistance as quickly as possible, supported by built-in administrative controls, such as inspections and re-inspections; quality control tools; performance based contracts; and, where appropriate, recoupments.

It is worth repeating and emphasizing that the designation of a county does not automatically result in the distribution of disaster aid; rather, it merely allows the residents of that county to *apply* for assistance. Following application, these residents must be found eligible in order to receive such assistance.

FEMA continually evaluates the levels of documentation required from applicants to ensure that sufficient information is available for application processing in accordance with program regulations, guidance and business rules, while simultaneously seeking to minimize overly bureaucratic and time consuming "red tape." Nevertheless, we recognize the need for more thorough documentation and will make efforts to improve record-keeping activities to better support informed and meaningful oversight in the future.

FEMA recognizes the need to be a good steward of taxpayer resources, and strives for balance in its disaster relief programs – a balance between the need for extensive documentation and the need to expedite assistance to disaster victims. However, we are concerned that some of the documentation upgrades suggested in the draft OIG report, if implemented, would significantly delay the delivery of urgently needed disaster assistance.

The draft report acknowledges that only 14 Miami-Dade individuals have, to date, been indicted by the U.S. Attorney's Office for making allegedly fraudulent disaster claims to FEMA. While FEMA is always disappointed to uncover any fraudulent applications, it is important to understand that these 14 cases account for a statistically negligible 0.006 percent of the 227,000 eligible applicants statewide. Therefore, contrary to the OIG's assertions, we contend that such a low incidence of potential fraud actually confirms the fundamental soundness of FEMA's time-tested policies, procedures, and guidelines.

Section 2: Disaster Declaration Recommendations

In regard to the declarations process and Preliminary Damage Assessments (PDAs), the draft OIG report recommends that FEMA:

- Ensure that, for future declarations, preliminary damage assessments are performed to determine and document the type, extent, and location of disaster-related damages whenever practicable.

- Develop clearer guidance defining circumstances where complete PDAs may be unnecessary or infeasible.

FEMA already conducts PDAs "whenever practicable." We note that not performing PDAs is appropriate and clearly permitted by regulation. This exception to the general rule is invoked only in cases of unusual severity and magnitude. In Florida, as in any disaster, the designation of additional counties was based on multiple factors, regardless of whether a PDA is conducted.

FEMA strongly disagrees with the report's objection to the inclusion of Miami-Dade County in the Hurricane Frances declaration, and notes that the objection appears to be based solely on the OIG's inability to locate adequate documentation to either support or refute FEMA's decision. The OIG's decision to unilaterally disregard the damage-confirming findings of thousands of inspections is inexplicable, and detracts from the credibility of the audit process.

The intent of the Stafford Act, as described at 42 U.S.C. §5121, is "…to provide an orderly and continuing means of assistance by the Federal government to State and local governments in

carrying out their responsibilities to alleviate the suffering and damage that result from … disasters." As the Stafford Act provides in 42 U.S.C. §5170, FEMA's recommendations for major disaster declarations "…shall be based upon a finding that the disaster is of such severity and magnitude that effective response is beyond the capabilities of the State and the affected local governments and that Federal Assistance is necessary."

It is FEMA's position that, in the case of the Hurricane Frances declaration and the county designations immediately following, the State and affected local governments' capabilities for effective response had been exceeded two weeks earlier by Tropical Storm Bonnie and Hurricane Charley. There was no statutory or regulatory mandate to perform detailed PDAs prior to designating Miami-Dade County, or any of the other 12 counties added at the same time. FEMA's regulations allow for the PDA to be skipped in situations where the event is of such unusual severity and magnitude that it does not require field assessments to determine the need for Federal assistance. Given the extraordinary circumstances and recorded tropical storm force conditions in each of these counties, our actions were more than appropriate.

We would also note that, contrary to the draft OIG report, FEMA did subsequently conduct detailed PDAs in many Florida counties, including Miami-Dade. These post-disaster damage assessments were used to determine whether additional assistance for permanent repair and replacement of eligible disaster-damaged key infrastructure and public facilities was warranted under Categories C through G of FEMA's Public Assistance Program. Assistance to applicants under the Public Assistance Program in these categories is based on detailed cost estimates and/or reimbursement of actual eligible expenditures. In contrast, because the mission of FEMA's Individual Assistance program is to meet the emergency unmet and uninsured needs and facilitate the recovery of individuals and families after a disaster, time is of the essence. The OIG fails to acknowledge the fact that, following a county designation, FEMA inspectors verify, with very few exceptions, an applicant's housing and personal property damages.

FEMA notes that the draft report concedes the severity and magnitude of the damages, noting that:

> As of March 3, 2005, the Florida Office of Insurance Regulation reported 11,807 property claims and payments of $43.5 million to Miami-Dade County residents as a result of Hurricane Frances. The type of property damage was not available, but the office reported that structural real property damage accounted for 92% of the payments statewide. Also, as of March 7, 2005, the U.S. Small Business Administration (SBA) had approved 126 loans totaling $1.3 million for home damages.

While Miami-Dade may not have been affected by sustained hurricane force winds, Frances measured several hundred miles across and did bring tropical storm force winds into the Miami-Dade area. Furthermore, we note that the Saffir-Simpson scale is predicated on *sustained* winds, and does not fully account for the impact of wind gusts that may reach hurricane force, wind-driven rain, and high-velocity tornadic winds that commonly occur in the outer bands of hurricanes. Since the affected areas of Miami-Dade County were predominately low-income neighborhoods that contained much of the State's oldest housing stock, and were not built to more recent State and local building codes, homes in Miami-Dade County were far more susceptible to damage that was clearly sustained damages from Hurricane Frances.

FEMA objects to the OIG assumption that, despite homes in Miami-Dade County sustaining damage from tropical storm force winds (damages that the OIG verified by data received from the U.S. Small Business Administration, private insurers, and other sources), the county should have been singled out for additional scrutiny, and assistance should have been delayed pending comprehensive, door-to-door damage assessments. FEMA contends such an approach would have unfairly delayed the provision of critical assistance to the citizens of Miami-Dade County, and would have been entirely inconsistent with the agency's proactive disaster response strategy.

In summary, FEMA's decision to designate Miami-Dade County for Individual Assistance was not only operationally and situationally defensible, but fully borne out by subsequent independent inspections, assessments, and insurance findings. FEMA therefore rejects the OIG conclusions as inaccurate and misplaced.

Section 3: Other Needs Assistance Recommendations

The draft OIG report contains several recommendations relating to the administration of the Other Needs Assistance (ONA) component of the IHP program. Several of the report's recommendations align closely with work that has been underway at FEMA over the last two years.

Transportation Assistance Processing Issues

The draft report recommends that FEMA:

- Develop eligibility criteria for funding automobile damage that can be tied to damages sustained as a result of a disaster;
- Modify guidelines to require contract inspectors to document verified automobile damages to allow FEMA to justify awards based on disaster-related needs; and
- Work with the States to establish a more reasonable replacement value based on the fair market rate for destroyed automobiles.

The purpose of providing transportation assistance under ONA is to facilitate an eligible household's disaster recovery by ensuring the continued use of a vehicle to maintain employment and other necessary purposes. In order to qualify, the damages to the applicant's vehicle must generally a) prevent them from safely operating their vehicle, b) be the only vehicle available for use in the household, and c) not be repairable by any other source of assistance, such as insurance or disaster loans from the U.S. Small Business Administration. Very few applicants qualify for this type of assistance. After Hurricane Frances, only three percent of the applicants in Miami-Dade County with reported vehicle damages qualified for automobile replacement assistance.

The OIG's recommendations relating to transportation assistance under IHP's ONA provision are based on two assumptions that require clarification. The first is that inspectors were not required to validate that damages to automobiles were disaster-related. This assumption is misleading. FEMA's current Inspection Guidelines state that by rating the automobile as "destroyed," "repairable," or "cosmetic," the inspector is *only* recording disaster damage, thus rendering a de facto verification that the damages *were* disaster related. Nevertheless, we acknowledge the validity of the OIG suggestion to improve the quality of documentation, and have already initiated steps to clarify our processing guidelines by adding a "cause of damage" field to our processing system in a future software upgrade.

The second assumption is that inspectors should be required to validate the fair market value of automobiles that had to be replaced. As the draft report notes, ONA is a cost-shared recovery partnership between FEMA and State governments. As part of this partnership, FEMA and the State engage in annual coordination efforts to determine how ONA will be administered in any declared disasters in their State for the coming year. Historically, States differ widely on the appropriate amounts to be awarded to their citizens for repair or replacement of disaster-damaged vehicles. Since a consensus has never been reached on this matter, States establish ONA assistance levels related to vehicle repairs or replacement during annual ONA preplanning. A survey of FEMA-State ONA preplanning reveals that the average vehicle replacement amount set by the States for 2005 is $6,182.59. FEMA provided $6,500 for each automobile that was verified as destroyed as a result of the hurricanes – but did so because this was the "Vehicle Replacement" amount established with the State of Florida during annual ONA preplanning.

Vehicles are often the only means of transportation available for victims to get to and from their jobs and maintain gainful employment. FEMA believes that the current practice of awarding a standard replacement amount for all vehicles, regardless of age or value, is fair, delivers assistance equitably, is consistent with all other types of IHP assistance, and expedites delivery of this type of vital recovery assistance to eligible households. Again, it is important to note that the purpose of providing this type of assistance is *not* to reimburse an applicant for the blue book value of their vehicle, but to provide them with the means to obtain necessary replacement transportation and then only if insurance does not cover the loss.

Inspection Procedures

In regard to home inspections, the OIG states:

> We recommend that the Director of FEMA's Recovery Division modify FEMA's inspection procedures to identify more accurately disaster-related losses of household items for which applicants should be compensated.

Grants to replace disaster-damaged household room items and personal property constitute the largest category of ONA awards, and thus merit special attention. Indeed, FEMA is currently conducting a program review of its home inspection processes and will work with its State partners to ensure that future verifications of disaster-related damages are conducted in a manner that is more efficient and fully accountable.

FEMA agrees with this OIG recommendation and will work to achieve more accurate inspection reports. We would note, however, that the only way to effectively accomplish our mission within reasonable parameters is to continue to afford inspectors the ability to make sound, experience-qualified decisions based on their observations during initial field inspections. More detailed reports of their findings and explanations of their decisions can be sought, but additional reviews and second-guessing of their decisions must be carefully balanced.

In the past, FEMA required inspectors to record detailed, item-by-item lists of damaged household room items. This process was very time consuming and caused substantial delays in providing disaster assistance. The IG reported in their audit following Hurricane Andrew in 1992 that "verification of housing and personal property losses should be accomplished using the fastest, easiest, cheapest, and most reliable methods available." As a result, FEMA modified its policy to its current practice of recording levels of damage using the Generic Room Concept ("X-Y-Z" model). This concept expedites assistance by recording personal property by room rather than by item, dramatically reducing the amount of time to record disaster damage. FEMA is reviewing its use of the Generic Room Concept and believes that with today's technology, FEMA can increase the specificity of the inspection without substantially increasing the time required to complete an inspection. In summary, FEMA can make adjustments that balance the need for timely responses to unmet needs with necessary levels of accountability recommended by the draft OIG report.

The draft OIG report also states:

> We recommend that the Director of FEMA's Recovery Division modify the IHP Inspection Guidelines to require inspectors to specify in the "PP Verbal" file the specific item(s) that was not available for inspection, the verbal representations made, and the evidence used to verify the loss.

Currently, applicants are allowed to proceed with their recovery and dispose of damaged or destroyed items that may cause a health or safety hazard or cause continued damage to their home or property before the inspector visits. FEMA inspection verification of discarded items is difficult, but inspectors do make informed decisions based on context and environment to the best of their ability. Nonetheless, documentation of items discarded can be improved. FEMA will research alternative approaches to augment documentation of "PP verbal" items.

Funeral Expenses

The draft OIG report recommends that FEMA:

- Develop eligibility criteria and guidelines for determining "disaster-related deaths."
- Require staff to document their analysis of each request for funeral expense assistance in order to support approval or disapproval of such assistance.

Unlike other classes of ONA which are well-suited for rapid processing through FEMA's automated processing systems, funeral cases are manually processed and painstakingly coordinated between Regional offices, disaster field offices, and NPSC caseworkers, as well as

our State, local, and voluntary partners, and family members of the victim. In addition, variations in State medical examiner and coroner procedures have prevented FEMA and the States from establishing national policy on disaster related deaths under ONA. As a result, States establish award levels for disaster-related funeral expenses in their annual ONA preplanning sessions with FEMA, similar to the way awards are established by the States for vehicle repair or replacement.

Funeral grants constitute a very small percentage of the overall ONA caseload. The 1,009 requests for Funeral Assistance in Florida in the wake of the 2004 hurricane season represented less that 0.8 percent of total applications. The effectiveness of controls currently in place is evidenced by the fact that about 30 percent of requests for assistance with funeral expenses were subsequently processed as eligible. This means that 70 percent of the requests to FEMA for funeral assistance were denied, usually due to the existence of an alternative source of aid available to the deceased's survivors or because our reviews indicated that the death was not disaster related. FEMA's guidelines are specific about sources to be checked to validate disaster-related deaths. However, FEMA will continue to research ways to improve its eligibility determination processes, as well as improve the quality of applicants' case file documentation.

ONA Miscellaneous Items

The draft OIG report states:

> We recommend that the Director of FEMA's Recovery Division modify inspection guidelines to require contract inspectors to justify that funding recommendations for miscellaneous items is based upon disaster-related needs.

FEMA developed and implemented a new policy in September 2004 providing "Interim Guidance for Processing Miscellaneous Other Items in the Other Needs Assistance Provision of the Individuals and Households Program." In addition to standard eligibility guidelines, the new policy required that Miscellaneous Other Items be purchased within a specific timeframe following a disaster declaration, meet a verified need, and be based on FEMA's standardized pricing system. In addition, documentation - such as utility statements - is required to justify disaster-related needs beyond the established timeframe. In short, FEMA has already taken steps to address this issue and is continuing efforts to refine its ONA processes. FEMA and its State partners will continue to review and improve inspection procedures to ensure that this category of assistance is as closely linked to disaster related need as possible, and as adequately documented as practicable.

Section 4: Housing Assistance Recommendations

The draft OIG report contains several recommendations relating to the Housing Assistance (HA) authorities of the Stafford Act. Many of the OIG's recommendations reflect documents produced through a comprehensive IHP program review initiated by FEMA prior to the drafting of this report.

Home Unsafe Determinations

The draft OIG report states:

> We recommend that the Director of FEMA's Recovery Division modify its home inspection procedures to require contract inspectors to document:
>
> - The basis for determinations that homes are unsafe; and
> - Instances of deferred maintenance and evaluate the severity of such conditions for housing eligibility decisions.

FEMA agrees that home unsafe determinations require improvement, but disagrees with the basis cited in the draft OIG report. The report states that the OIG "…found that 4,308 applicants who received rental assistance did not indicate a need for shelter at the time of registration." During an application for disaster assistance, FEMA establishes an applicant's potential immediate needs by asking "Do you have any disaster-related emergency needs for food, clothing, and shelter?" FEMA advises applicants that "Emergency refers to immediate...today…right now." For the Florida operations, the only time an applicant's immediate need for shelter was considered for FEMA assistance was during the period when Expedited Assistance was activated, which is discussed on the following page. The rental assistance referenced in the OIG report in this section was awarded under FEMA's regular Housing Assistance Program. Under this program, the decision to provide rental assistance is based on the inspector's verification of disaster damage, not on the applicant's statement during registration.

The report further states that "Moreover, no evidence indicated that those applicants sought other accommodations or resided elsewhere during the two months they received rental assistance." Again, seeking other accommodations and residing elsewhere are not eligibility criteria for receiving rental assistance. The determining factor for potential eligibility of rental assistance is whether or not an inspector determines a home to be unsafe to occupy. We would also note that the OIG is admittedly basing its conclusions on "no evidence."

The report cites that inspectors are only required to record general conditions that made the home unsafe and not to explain how or why those conditions made the home unsafe. The report concludes that "Thus, sufficient evidence was not available to support the determinations that those applicants were in need of and were eligible for rental assistance."

FEMA strongly disagrees with the report's inferences of what it considers to be "evidence," but does generally agree that improvements to home unsafe determinations are warranted. While the basis for determining if a FEMA inspector considers a home to be "unsafe" is documented in program guidance, FEMA acknowledges situational difficulty in documenting unsafe home determinations, especially for renters. FEMA has started a review of program eligibility as it relates to the determination of a home being considered "unsafe," and will continue to review and improve its inspection procedures.

FEMA guidelines have historically instructed inspectors to focus on disaster-related damages, and not damages that are the result of deferred maintenance. Experience has demonstrated that

in most cases the notation of deferred maintenance tends to add little useful data to the inspection process. The process of recording deferred maintenance can be redundant and time-consuming, thus delaying the delivery of needed recovery assistance.

Inspection Guidelines

The draft OIG report states:

> We recommend that the Director of FEMA's Recovery Division modify its inspection guidelines to require inspectors to identify and document the types of disaster damages sustained to justify a decision that homes are destroyed.

While FEMA emphasizes the need to balance documentation requirements with the need to deliver aid expeditiously, we agree that inspectors should provide more information concerning destroyed homes. However, there is rarely disagreement over this finding. Improved documentation for home repair and replacement cases could be accomplished through guidance to inspectors to utilize the comments section of our field inspection software. This would provide FEMA a broader overview of the extent of damages to dwellings, and could be implemented through a procedural change in the inspection guidelines with no additional cost to FEMA. In contrast, it is interesting to note that, following the devastation of Hurricane Andrew in 1992, the IG recommended that FEMA pursue an opposite strategy and relax its inspection requirements, stating "Establish procedures to expedite the loss verification process by eliminating or reducing the need for individual inspections of residences by FEMA."

Expedited Assistance

In regard to Expedited rental Assistance (EA), the draft OIG report states:

> We recommend that the Director of FEMA's Recovery Division:
>
> - Develop procedures to identify and recoup rental assistance payments to individuals who also received funding from their insurance carriers for the same purpose.
>
> - Recoup the $36,300 paid to individuals who did not report a need for rental assistance or damage to their home.

FEMA intends to individually review the cases cited in the draft report and take appropriate action.

Other than small-scale pilot efforts, the 2004 hurricane season was the first time that FEMA used EA under the IHP. Similar programs, including a program referred to as "Fast Track" assistance, have been used by FEMA in the past, including following Hurricane Andrew in 1992, and the Northridge Earthquake in 1994.

FEMA activated EA at several different times in Florida for varying lengths of time. The decision was made to activate the program based on credible indications that area residents were likely to face assistance delays due to multiple, back-to-back storms, delayed insurance

settlements, and the limited number of insurance adjusters and available building contractors. Indeed, many Floridians are still experiencing such delays, six months after the end of the 2004 hurricane season.

Given the scope of these multiple events, FEMA decided that its priority mission would be best accomplished by expediting available assistance to area residents, recognizing that, in some cases, one months rent may be lost. FEMA was fully aware that the use of EA involves a trade-off between speed and accuracy, but decided that its priority mission was best served by rapidly delivering as much assistance as possible to as many victims as possible.

In Miami-Dade, EA accounted for a mere 3.2 percent of aid delivered. As is our practice following any major event, FEMA will review the lessons learned from this experience and take appropriate action. We note that, after their review of the "Fast Track" program used in Hurricane Andrew, the OIG recommended that FEMA continue using such a system. The OIG recommendation, however, urged a reduction of rental assistance payments from four months to two months, in order to prevent undue recoupments. The OIG concluded then that the program represented a trade off between immediate necessary assistance and the potential for inaccuracy, but recommended its continued use. During the 2004 hurricane season, FEMA only provided one month expedited rental assistance.

Section 5: Inspection Contract Provisions

The existing contract requirements do not mandate that the inspection contractors perform a manual review of each inspection prior to delivery to FEMA, yet as the report states, both contractors do perform some type of review at this time. In regard to FEMA's inspections contracts, the OIG states:

> We recommend that the Director of FEMA's Recovery Division:
>
> - Modify, when feasible, inspection contracts to require contractors to review the quality of work of their inspector prior to submitting inspections data to FEMA;
> - Modify NEMIS to include an edit review of inspector work for errors prior to processing payments to applicants; and
> - Modify inspection contracts to require inspectors to certify their independence for each inspection and to recuse themselves from inspections that present a possible conflict of interest.

FEMA will work with its inspection contractors to establish better preventative measures to improve inspection accuracy by making modifications to the contractors' Edit Check Systems. FEMA will also work on the design and development of edit checks in FEMA's processing system to catch inspection errors prior to delivery of assistance. Some of these refinements have either already been made or are in the development stage.

FEMA takes its responsibility as the face of the Federal government in delivering disaster assistance very seriously, and is very sensitive to the OIG concern over the potential for perceived conflicts of interest by our contract inspectors. We are pleased that the OIG acknowledges that no incidents of alleged inspector impropriety occurred in Miami-Dade County. However, FEMA agrees with the OIG about the mission-critical need to remove any appearance of conflicts of interest. In the future, FEMA will require that contractors include language concerning recusals in their "Standards of Conduct". FEMA will emphasize during training that inspectors are prohibited from completing inspections for any relatives or acquaintances. Should an inspector be issued an inspection for a relative or acquaintance, they will be required to return the inspection for completion by another inspector.

Conclusion

The OIG report reflected the concern that Miami-Dade County suffered less severe damage from last season's hurricanes than counties to the north, where the eyes of Hurricanes Frances and Jeanne made landfall, yet received a seemingly disproportionate amount of Federal assistance. While it is true that the damage within Miami-Dade was less severe than in other Florida counties closer to the eyes, the extent of damage in Miami-Dade County was clearly and sufficient to warrant FEMA assistance. Additionally, the amount of financial assistance distributed by FEMA was proportionally much less than other counties (relative to the amount of damage received). Less than three percent of the population of Miami-Dade County received FEMA assistance. FEMA acknowledges the OIG report identifies several program areas requiring legitimate improvement. However, we take exception to the OIG conclusions regarding the propriety of FEMA's operational decisions and actions regarding Miami-Dade County.

Gary J. Barard, Field Audit Director, Department of Homeland Security OIG, Atlanta, Georgia

George Peoples, Audit Manager, Department of Homeland Security, OIG Atlanta, Georgia

Marcia Moxey Hodges, Chief Inspector, Department of Homeland Security, OIG, Washington, DC

Homer Johnson, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Christopher Gamble, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Felipe Pubillones, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Raul Adrian, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Tom Goings, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Billy Howard, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Adrianne Bryant, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

Harold Simpson, Auditor, Department of Homeland Security OIG, Atlanta, Georgia

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Office of Management and Budget

Mr. Jim Holm
Program Examiner
Office of Management and Budget

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Appendix I

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Investigations, Committee on Homeland Security, House of Representatives

For Release on Delivery
Expected at 11:00 a.m. EST
Wednesday, June 14, 2006

HURRICANES KATRINA AND RITA DISASTER RELIEF

Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between $600 Million and $1.4 Billion

Statement of Gregory D. Kutz, Managing Director
Forensic Audits and Special Investigations

John J. Ryan, Assistant Director
Forensic Audits and Special Investigations



June 14, 2006

HURRICANES KATRINA AND RITA DISASTER RELIEF

Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between $600 Million and $1.4 Billion

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-844T, a testimony before the Subcommittee on Investigations, Committee on Homeland Security, House of Representatives

Why GAO Did This Study

Hurricanes Katrina and Rita destroyed homes and displaced millions of individuals. In the wake of these natural disasters, Federal Emergency Management Agency (FEMA) responded to the need to provide aid quickly through the Individuals and Households Program (IHP) program, which provides housing assistance, real and personal property assistance, and for other immediate, emergency needs. As of February 2006, FEMA made 2.6 million payments totaling over $6 billion.

Our testimony today will (1) provide an estimate of improper and potentially fraudulent payments through February 2006 related to certain aspects of the disaster registrations, (2) identify whether improper and potentially fraudulent payments were made to registrants who were incarcerated at the time of the disaster, (3) identify whether FEMA improperly provided registrants with rental assistance payments at the same time it was paying for their lodging at hotels, and (4) review FEMA's accountability over debit cards and controls over proper debit card usage.

To estimate the magnitude of IHP payments made on the basis of invalid registrations, we selected a random statistical sample of 250 payments made to hurricanes Katrina and Rita registrants as of February 2006. We also conducted data mining and investigations to further illustrate the effects of control breakdowns.

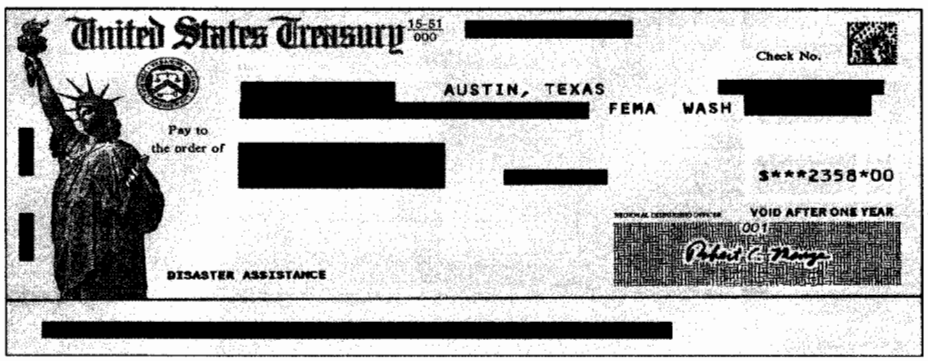
www.gao.gov/cgi-bin/getrpt?GAO-06-844T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

What GAO Found

We estimate that through February 2006, FEMA made about 16 percent or $1 billion in improper and potentially fraudulent payments to registrants who used invalid information to apply for disaster assistance. Based on our statistical sample, we are 95 percent confident that the range of improper and potentially fraudulent payments is from $600 million to $1.4 billion. In our assessment of whether a payment was improper and potentially fraudulent, we did not test for other evidence of impropriety or potential fraud, such as insurance fraud and bogus damage claims. This means our review potentially understates the magnitude of improper payments made. Examples of fraud and abuse include payments to registrants who used post office boxes, United Parcel Service stores, and cemeteries as their damaged property addresses.

Absent proper verification, it is not surprising that FEMA continued to pay fictitious disaster registrations set up by GAO as part of our ongoing forensic audit. In one case, FEMA paid nearly $6,000 to our registrant who submitted a vacant lot as a damaged address. Below is a copy of a rental assistance check sent to GAO after FEMA received feedback from its inspector that the GAO undercover registrant did not live at the damaged address, and after a Small Business Administration inspector reported that the damaged property could not be found.



Source: GAO.

We also found that FEMA provided expedited and housing assistance to individuals who were not displaced. For example, millions of dollars in expedited and housing assistance payments went to registrations containing the names and social security numbers of individuals incarcerated in federal and state prisons during the hurricanes. In addition, FEMA improperly paid individuals twice for their lodging—paying their hotels and rental assistance at the same time. For example, at the same time that FEMA paid $8,000 for an individual to stay in California hotels, this individual also received three rental assistance payments for both hurricane disasters. Finally, we found that FEMA could not establish that 750 debit cards worth $1.5 million went to hurricane Katrina victims. We also found debit cards that were used for a Caribbean vacation, professional football tickets, and adult entertainment.

Mr. Chairman and Members of the Subcommittee,

Thank you for the opportunity to discuss our ongoing forensic audit and related investigations of disaster relief assistance provided to individuals and households for hurricanes Katrina and Rita. In a hearing held in February 2006[1] before the Senate Committee on Homeland Security and Governmental Affairs to discuss results of ongoing work, we testified that significant flaws in the process for registering disaster victims left the federal government vulnerable to substantial fraud and abuse related to expedited assistance payments. Due to the magnitude of potential fraud and abuse we observed in our February 2006 testimony, we plan to issue a report containing recommendations to Department of Homeland Security (DHS) and Federal Emergency Management Agency (FEMA) to improve internal controls over the Individuals and Households Program (IHP). This testimony reflects additional findings from the work we have performed since February. We plan to continue reviewing other aspects of IHP.

As we previously reported, expedited assistance—a component of the IHP program for hurricanes Katrina and Rita—took the form of $2,000 payments provided to disaster victims to help with the immediate, emergency needs for food, shelter, clothing, and personal necessities. Individuals and/or households who received expedited assistance may also be eligible to receive other IHP payments for temporary housing assistance, real and personal property repair and replacement, and other necessary expenses related to a disaster—up to a cap of $26,200.[2] As of mid-February 2006, FEMA data showed that the agency had delivered about $6.3 billion in IHP aid for hurricanes Katrina and Rita.[3] Thirty seven percent (approximately $2.3 billion) of this amount was delivered through expedited assistance (EA) to hurricanes Katrina and Rita registrants. Of the remaining payments, about $2 billion was delivered through temporary housing assistance, and another approximately $2 billion was for repair

[1]GAO, *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, GAO-06-403T, (Washington, D.C.: Feb. 13, 2006).

[2] Pursuant to 42 U.S.C. § 5714, assistance for real property repair and replacement is capped at $5,200 and $10,500, respectively. There are no financial caps for housing assistance and other necessary expenses.

[3]As of mid-May 2006, FEMA reported that IHP payments for Katrina and Rita totaled slightly over $6.7 billion. Data we analyzed as of February 2006 represented more than 90 percent of this amount.

and replacement of real and personal property, and for other miscellaneous categories.

As we previously testified, the need to provide assistance quickly led FEMA to issue payments to hurricanes Katrina and Rita registrants without first validating the identity and damaged property addresses of all registrants and without first verifying that the registrants incurred losses and had needs related to the hurricanes. However, with limited exceptions,[4] FEMA policy required that subsequent payments for temporary housing assistance, real and personal property repair and replacement, and other miscellaneous expenses be made only after FEMA had conducted an inspection and determined that the extent of loss merited further assistance. Addresses that were exempt from inspections had to go through an electronic verification of ownership and occupancy with a third-party contractor prior to FEMA providing registrants in those areas with rental assistance and/or other nonexpedited assistance payments.

Today's testimony summarizes the results from our ongoing forensic audit and investigative work reviewing the type and extent of fraud and abuse for the IHP program. This testimony will (1) provide an estimate of improper and potentially fraudulent payments related to certain aspects[5] of the disaster registrations, (2) identify whether FEMA made improper or potentially fraudulent IHP payments to registrants who were incarcerated at the time of the disaster, (3) identify whether FEMA provided registrants with rental assistance payments at the same time it was paying for their

[4] Exceptions were made for areas in Louisiana and Mississippi where damages were widespread and extensive. For these areas, FEMA exempted properties from an actual inspection prior to providing occupants in these areas with rental assistance. FEMA also used geospatial imaging to determine the level of real and personal property repair and replacement on properties where FEMA could not conduct visual inspections.

[5] For the purpose of this testimony, our estimate of improper and potentially fraudulent payments is based on a statistical sample of payments in which we examined whether the associated registrations contained invalid Social Security Numbers (SSNs), bogus addresses, invalid primary residence, and/or duplicate information. Invalid SSNs refer to instances where the SSNs did not match with the name provided; the SSNs belong to the deceased; or the SSNs had never been issued. Bogus addresses refer to instances where the damaged address did not exist. Invalid primary residences are related to registrations where the registrant had never lived at the damaged address, or did not live at the damaged address at the time of the hurricanes. Duplicate information refers to instances where the registrations contained information that is duplicative of another registration that received a payment and was earlier recorded in FEMA's system.

lodging at hotelrooms, and (4) review FEMA's accountability over debit cards and controls over proper debit card usage.

To estimate the magnitude of IHP payments made on the basis of invalid registrations, we selected a random sample of 250 payments of the 2.6 million IHP payments made to hurricanes Katrina and Rita registrants as of February 2006. We excluded 3 of the 250 payments from our analysis because these payments had been returned to the U.S. Government at the time of our review, and the U.S. Government was therefore not susceptible to potential fraud for them. We derived our estimate of improper and potentially fraudulent payments by summing the dollars associated with improper and potentially fraudulent payments in our sample and multiplying that sum by a weighting factor to project the total from the sample to the population. The weighting factor we used was the number of payments "represented" by each of our randomly sampled payments, namely, the number of payments in the population divided by the number of payments we sampled. To validate sample registration data, we used a combination of site visits, comparisons with publicly available data and Social Security Administration (SSA) data, interviews with residents and their neighbors, interviews with local postal officials, and duplicate registration analysis. We also data mined IHP registration data to identify case studies of registrants who provided invalid and potentially fraudulent information.

To further illustrate the effects of control breakdowns, we continued our undercover operations with bogus registrations to obtain additional IHP payments beyond the original expedited assistance. To identify IHP registrants who were prisoners, we obtained a database of federal inmates as well as databases of inmates at state prisons in and around the areas affected by hurricanes Katrina and Rita. We then compared prisoner data to IHP registration data to identify registrations containing prisoner names and SSNs. To identify case studies of individuals who received rental assistance at the same time that they were housed in government-paid for hotels, we compared the IHP registration data to information provided by the hotels, e.g. driver's licenses. However, because data provided on hotel residents did not contain FEMA registration numbers, we were unable to determine the magnitude of duplicate payments.

To assess accountability over FEMA debit cards, we interviewed officials from FEMA, Department of Treasury's Financial Management Service (FMS), and JPMorgan Chase. To assess the usage patterns of FEMA debit cards, we data mined debit card purchases and identified transactions that

appeared to be unrelated to emergency disaster needs. Further details on our scope and methodology can be found in appendix I.

We conducted our audit and investigations from February 2006 through June 8, 2006. We conducted our audit work in accordance with generally accepted government auditing standards and conducted investigative work in accordance with the standards prescribed by the President's Council on Integrity and Efficiency.

Summary

We estimate that 16 percent of payments, totaling approximately $1 billion, were improper and potentially fraudulent because of invalid registrations.[6] This amount includes payments for expedited assistance, rental assistance, housing and personal property repair and replacement, and other necessary and emergency expenses. These payments were made to (1) registrations containing Social Security Numbers (SSNs) that were never issued or belonged to other individuals, (2) registrants who used bogus damaged addresses, (3) registrants who had never lived at the declared damaged addresses or did not live at the declared damaged address at the time of disaster, and/or (4) registrations containing information that was duplicative of other registrations already recorded in FEMA's system. Our projection likely understates the total amount of improper and potentially fraudulent payments because our work was limited to issues related to misuse and abuse of identity, damaged property address information, and duplicate payments. Our estimate does not account for improper and potentially fraudulent payments related to issues such as whether the applicants received rental assistance they were not entitled to, received housing and other assistance while incurring no damage to their property, and/or received FEMA assistance for the same damages already settled through insurance claims.

Our forensic audit and investigative work showed that improper and potentially fraudulent payments occurred mainly because FEMA did not

[6] Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 5 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. The 95 percent confidence interval surrounding the estimate of 16 percent ranges from 12 percent to 21 percent. The 95 percent confidence interval surrounding the estimate of $1 billion ranges from $600 million to $1.4 billion.

validate the identity of the registrant, the physical location of the damaged address, and ownership and occupancy of all registrants at the time of registration. For example, in one case a registrant received $7,328 for expedited and rental assistance even though the registrant had moved out of the rented house a month prior to hurricane Katrina. FEMA also paid $2,000 to an individual who provided a damaged address that did not exist, and paid $2,358 in rental assistance to another individual who claimed his damaged property was inside a cemetery.

Our work also confirmed that the processes that FEMA used to detect and prevent duplicate registrations were not effective. Through sample testing and data mining, we also found that FEMA made about $5.3 million in payments to registrants who provided a post office box as their damaged residence. For example, FEMA paid a registrant $2,748 who listed a post office box in Alabama as the damaged property. Follow-up work with local postal officials revealed that the post office box listed on the registration had been used by individuals linked to other potential fraud schemes. While not all payments made to post office boxes are improper or potentially fraudulent, the number of potentially fraudulent payments could be substantially reduced if FEMA put in place procedures to instruct disaster recipients to provide actual street addresses of damaged property when claiming disaster assistance. In addition, our undercover work provided further evidence of the weaknesses in FEMA's management of the disaster assistance process. For example, FEMA provided nearly $6,000 in rental assistance to one of GAO's undercover registrations using a bogus property as the damaged address. These payments came even though verification with third-party records by FEMA indicated that the GAO undercover registrant did not live at the damaged address, and after the Small Business Administration reported that the damaged property could not be found. GAO has not cashed these checks and plans to return the checks to the Department of Treasury upon the conclusion of our work.

Without verifying the identity and primary residence of registrants prior to IHP payments, it is not surprising that FEMA also made expedited and rental assistance payments totaling millions of dollars to over 1,000 registrations made using information belonging to prison inmates. In other words, payments were made to registrations using the names and SSNs of individuals who were not displaced as a result of the storm but rather were incarcerated at state prisons of the Gulf Coast area (that is, Louisiana, Texas, Florida, Georgia, Mississippi, and Alabama), or federal prisons across the United States at the time of the hurricanes. FEMA criteria specified that expedited assistance be provided only to individuals

who were displaced due to the disaster and therefore were in need of shelter, and further specified that FEMA may provide additional assistance to individuals for the purpose of renting accommodations.[7] For example, FEMA paid over $20,000 to an inmate who used a post office box as his damaged property.

We also found potentially wasteful and improper rental assistance payments to individuals who were staying at hotels paid for by FEMA. In essence, the government paid twice for these individuals' lodging—first by providing a hotel at no cost and, second, by making payments to reimburse these individuals for out-of-pocket rent. For example, FEMA paid an individual $2,358 in rental assistance, while at the same time paying about $8,000 for the same individual to stay 70 nights—at more than $100 per night—in a hotel in Hawaii. This registrant did not live at the damaged property at the time of the hurricane. Another registrant stayed more than 5 months—at a cost of $8,000—in hotels paid for by FEMA in California, while also receiving three rental assistance payments for the two separate disasters totaling more than $6,700. These instances occurred because FEMA did not require hotels to collect FEMA registration numbers and SSNs from residents staying in FEMA-paid for rooms. Without this information, FEMA did not verify if the registrants were staying in government provided hotels before sending them rental assistance. As a result, FEMA made rental assistance payments which covered the same period of time that the registrant was staying at a FEMA-paid hotel. Because the hotels and FEMA did not collect registration identification numbers, we were unable to quantify the magnitude of individuals who received these duplicate benefits.

We found that FEMA did not institute adequate controls to ensure accountability over the debit cards. Specifically, FEMA initially paid $1.5 million for over 750 debit cards that the government could not determine actually went to help disaster victims. Based on our numerous inquiries, upon identification of several hundred undistributed cards JPMorgan Chase refunded FEMA $770,000 attributable to the undistributed cards. Further, we continued to find that debit cards were used for items or services such as a Caribbean vacation, professional football tickets, and

[7] 44 CFR 206.117.

adult entertainment, which do not appear to be necessary to satisfy disaster-related needs as defined by FEMA regulations.[8]

FEMA Paid About $1 Billion to Individuals Who Provided Invalid Registration Data

Because of FEMA's failure to establish basic upfront validation controls over registrants' identity and address information, we estimate that FEMA made approximately $1 billion of improper and potentially fraudulent payments based on invalid registrations. [9] This represents 16 percent of all individual assistance payments for hurricanes Katrina and Rita.[10] The improper and potentially fraudulent payments included cases where individuals and households used invalid SSNs, used addresses that were fictitious or not their primary residence, and for submitted earlier registrations. These improper payments based on phony or duplicate registration data were not only restricted to the initial expedited assistance payments that we previously reported on, but also included payments for rental assistance, housing repair, and housing replacement. For example, rental assistance payments were made to registrants that used a post office box and a cemetery as damaged properties. In fact, as part of our ongoing forensic audit, FEMA continues to provide rental assistance to GAO based on registrations that contained fictitious identities and bogus damaged addresses. In one case, FEMA even sent GAO a check for expedited assistance after an inspector could not confirm that the property existed, and FEMA had decided not to provide housing assistance to this registration. Our projection likely understates the total amount of improper and potentially fraudulent payments since our examination of sample payments focused only on invalid registrations and did not include other criteria, such as insurance policies, which may make registrants ineligible for IHP payments.

[8] 44 CFR 206.112.

[9] All dollar estimates from this sample of FEMA disaster payments have 95 percent confidence intervals of within plus or minus $400 million of the estimate itself, unless otherwise noted.

[10] All percentage estimates from this sample of FEMA disaster payments have 95 percent confidence intervals of within plus or minus 5 percentage points of the estimate itself, unless otherwise noted.

Statistical Sample Results Indicate About $1 Billion in Potentially Fraudulent and Improper IHP Payments

Based on our statistical sample we estimate that 16 percent of all payments were based on invalid registrations. We considered a registration invalid if it contained an invalid identity, invalid address information, or was paid from duplicate registration information. Some registrations failed more than one attribute. We drew our statistical sample from a population of 2.6 million payments made in the wake of hurricanes Katrina and Rita, totaling over $6 billion through mid-February 2006. Based on these results, we project that FEMA made about $1 billion in assistance payments based on improper or potentially fraudulent registrations. The 95 percent confidence interval associated with our estimate of improper and potentially fraudulent registrations ranges from a low of $600 million to a high of $1.4 billion in improper and potentially fraudulent payments. Table 1 shows the attributes we tested, the estimated failure rate in each attribute, and the overall projected failure amount.

Table 1: Results of Statistical Sampling and Estimate of Potentially Improper and Fraudulent Payments

Reason Why Payment Was Not Valid	Number of Failures	Percent Failure/ Estimated Amount
Invalid primary residence (properties which could not be a primary residence and properties that the registrant did not live in at the time of the disaster)	26	
Payments based on duplicate registration data (registration containing same SSN, damaged property address, and/or current address as an earlier registration in FEMA's system)	12	
Bogus properties used[a] (addresses did not exist)	3	
Invalid SSN used (SSN never issued or belonging to other individuals)	2	
Total failures	**39[b]**	**16 percent**

Estimate of Improper and Potentially Fraudulent Payments	
Point estimate	$1.0 billion[c]
95 percent confidence interval	$600 million to $1.4 billion[c]

Source: GAO.

[a]Registrations containing bogus damaged property addresses also fail the invalid primary residence attribute.
[b]Some registrations failed more than one attribute; therefore, the total number of failures is less than the sum of the attribute totals.
[c]Rounded to the nearest $10 million.

As shown in table 1, some registrations failed more than one attribute; therefore the total number of registrations which failed our attribute tests is less than the sum of the failures of each attribute. For example, all payments made to registrations containing bogus damaged property addresses also failed the primary residence test because the registrants could not have lived there at the time of the disaster. Additional details on the 39 registrants in our sample where we found a problem are as follows:

Payments to Registrants Whose Damaged Property Address Was Not Their Primary Residence – Twenty six payments failed the primary residence test. These include individuals who had never lived at the damaged property, did not live at the damaged property at the time of the disasters, or used bogus property addresses on their registrations. We made these determinations after reviewing publicly available records, conducting site visits, and interviewing current residents and/or neighboring residents. We provide additional details related to failures in this attribute in table 2.

Table 2. Selected Payments in Statistical Sample That Failed the Primary Residence Attribute

Case	Amount	Case Details
1	$19,636	• Registrant received $2,000 in expedited assistance, $2,358 in rental assistance, and more than $15,000 in personal property replacement. • Registrant originally claimed damage at a street address several houses away from the damaged property address currently in FEMA's database. At some point in the disaster assistance process, the registrant made changes to the damaged property address. • No physical inspection occurred at the damaged property. Personal property payment was based on geospatial data due to the level of devastation in the area. • GAO reviews of publicly available information and credit report data showed that the registrant had never lived at the damaged property address for which she was paid.
2	14,750	• Registrant used valid physical property as damaged address to receive three payments for expedited assistance, rental assistance, and personal property replacement. • GAO audit and investigative work found no evidence that the individual ever lived at the property. After receiving the payments, the registrant withdrew the application without ever having a physical inspection performed or returning the disaster payments to FEMA.
3	7,328	• Registrant used damaged property in Kenner, Louisiana, as primary residence to qualify for one expedited assistance payment and two rental assistance payments. • Registrant did not live at property at the time of disaster. • Owner of the property told us that the registrant had moved out of the damaged property a month prior to hurricane Katrina.
4	6,161	• Registrant used damaged property as primary residence to receive one expedited assistance and two rental assistance payments. • Residents at the property had never heard of the registrant.
5	2,784	• Registrant used post office box in McIntosh, Alabama, as the damaged property address to receive expedited assistance and rental assistance. • The local postal inspector stated that the post office box was linked to other individuals associated with known fraudulent activity.

Source: GAO analysis and investigation of FEMA data.

Payments to Duplicate Registrations—12 other payments in our sample failed because they were made to registrants whose damaged property addresses and current addresses had previously been submitted under other registrations and had received payments on those previous registrations. For example, one sample registrant submitted a registration containing the same damaged and current property addresses as those used previously by another registrant. Both registrations received payments for rental assistance for $2,358 in September 2005.

Payments to Registrations with Bogus Property Addresses – Three payments in our sample were made to registrations containing bogus property addresses. For example, we found that one individual used several pieces of bogus information to receive expedited assistance. Specifically, the registrant used a SSN that was valid but the name did not

match the name in records maintained by the Social Security Administration. The registrant also used a damaged property address in the 3000 block that was determined to be invalid through our on-site inspection, as street numbers on that street only went up to the 1000s. After the initial payment, the registration was withdrawn voluntarily by the registrant. In effect, this registrant was able to use completely bogus information to receive $2,000 from FEMA and then withdraw the registration to avoid further scrutiny.

Payments to Registrations Containing Invalid Social Security Numbers — Two of the payments in the sample were made to individuals that used invalid SSNs (e.g., SSNs that have never been issued or SSNs that did not match the name provided on the registration). For example, one individual used a SSN that had never been issued to receive FEMA payments for expedited and rental assistance.

Overall, we observed that 17 of our sample failures (44 percent) were related specifically to expedited assistance payments. The high level of expedited assistance-related failure was expected because these payments needed to be made quickly and, typically, prior to a physical inspection of the damaged property. However, we found that the other 22 failures (56 percent) were related to rental assistance and personal and real property repair and replacement payments. In its response to a draft GAO report, FEMA represented to us that all nonexpedited assistance payments, including the $2,358 in housing assistance payments, were subject to much more stringent requirements. Specifically, FEMA represented that the registrants had to demonstrate that they occupied the damaged property at the time of the disaster. However, the 22 failures we found indicate that these requirements were not effective in preventing improper and potentially fraudulent registrations from receiving nonexpedited assistance payments.

Sample Testing Understates Improper and Potentially Fraudulent Payments

Our estimate likely understates the total amount of improper and potentially fraudulent payments because we did not test our samples for all potential reasons why a disaster assistance payment could be fraudulent or improper. For example, our testing criteria did not include reviewing whether registrants had insurance policies that covered hurricane damages, which may have made them ineligible for IHP payments. We also did not test whether FEMA inspectors accurately assessed the damage to each sampled damaged property, or whether the registrants were displaced from their homes, an eligibility factor for rental assistance.

During the course of our work, we found that these problems affected some of our sampled payments and, therefore, these payments may be improper or potentially fraudulent. However, because the problems did not relate to identity and address information, they passed our testing criteria. For example, an individual in our statistical sample provided a valid SSN and lived in a declared disaster area. However, the individual informed GAO that he did not incur any hurricane-related damage. Despite this fact, the individual received $2,000 in expedited assistance. We did not test whether registrants received duplicate benefits from other FEMA programs, such as free hotel lodging and trailers, which would have resulted in FEMA paying duplicate housing benefits to the same registrant. Later in this testimony, we provide examples where registrants received from FEMA free hotel rooms in addition to rental assistance. Finally, our estimate would include payments FEMA has identified for potential recoupment.

Undercover Investigations and Case Study Examples of Fraudulent and Improper IHP Payments

Given the considerable amount of potentially fraudulent and improper payments identified in our statistical sample, it is not surprising that FEMA continued to provide rental assistance payments to GAO investigators based on bogus registrations. In one instance, rental assistance was made even after a FEMA inspector was unable to find the damaged property. Similarly, our sample testing and data mining work also identified additional examples of payments made on the basis of bogus information.

In our previous testimony,[11] we reported that we were able to obtain $2,000 expedited assistance checks from FEMA using falsified identities, bogus property addresses, and fabricated disaster stories. FEMA has continued to provide us with additional disaster-related assistance payments even after FEMA received indications from various sources that our registrations may be bogus. GAO has not cashed these checks and plans to return the checks to the Department of Treasury upon the conclusion of our work. The following provides details of two of our undercover operations:

- Case #1 relates to a registration submitted by GAO for hurricane Rita that cited a bogus address in Louisiana as the damaged property. In October 2005, GAO received notice that the inspector assigned to inspect the property was not able to find the house despite numerous attempts to

[11] GAO-06-403T.

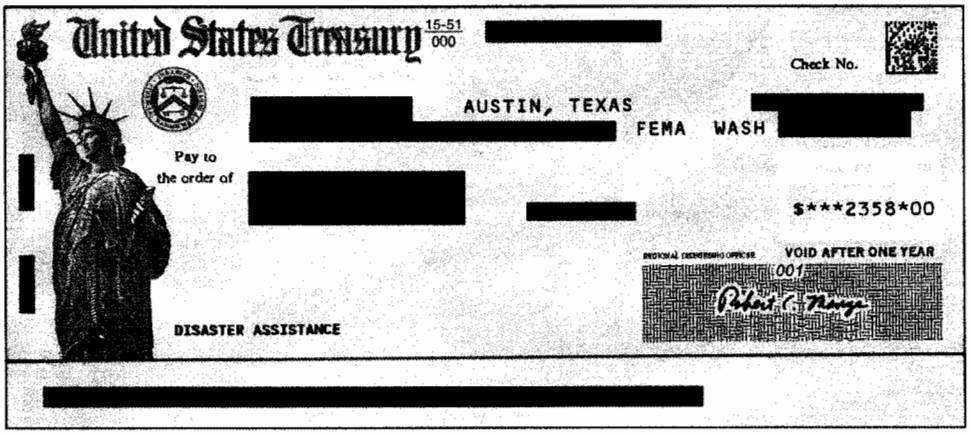
verify the address with the phone book, post office, and with a physical inspection. The registration was subsequently returned to FEMA by the inspector and coded as withdrawn because no contact was made with the registrant. Even though GAO never met with the inspector to prove that the damaged property existed, FEMA sent GAO a check for $2,000 in early 2006.

- Case # 2 relates to a GAO disaster registration for an empty lot in Louisiana for hurricane Katrina. Although the damaged property address was bogus, FEMA notified GAO that an inspection was performed and confirmed that the property was damaged.[12] However, FEMA stated that the registration could not be processed because FEMA was unable to corroborate that the GAO lived at the damaged property. GAO subsequently submitted a fictitious driver's license that included the bogus address, which FEMA readily accepted. Based on the fictitious driver's license, FEMA issued GAO a $2,358 rental assistance check, as shown in figure 1. Subsequent to FEMA issuing the $2,358 check, a Small Business Administration (SBA) inspector who was responsible for inspecting the damaged property in evaluation of a potential SBA loan[13] reported that the property did not exist. Although SBA discovered that the property was bogus, FEMA issued another rental assistance check to GAO, bringing the total rental assistance on this bogus registration to about $6,000. We found that the discrepancy between FEMA's result (which confirmed that the property existed), and SBA's result (which showed that the property did not exist) occurred because FEMA did not conduct a physical inspection on the property but instead used geospatial mapping to determine losses.

[12] Follow-up work indicates that because the address fell in an area with tremendous devastation, FEMA used geospatial mapping in lieu of a physical inspection to identify the level of damage and calculate the amount of assistance.

[13] Individuals and households who met a certain income threshold were referred to SBA for a loan consideration.

Figure 1: Rental Assistance Check Issued to GAO



Source: GAO.

Data Mining Continued to Find Other Illustrative Examples of Improper and Potentially Fraudulent Payments

We have previously testified regarding potentially fraudulent case studies we uncovered through data mining and investigative techniques. The potential fraud in those cases was hundreds of thousands of dollars. We have continued our data mining work find additional examples where FEMA made payments, sometimes totaling over $100,000, to improper or potentially fraudulent registrations, including payments made to registrants where cemeteries and post office boxes were claimed as damaged property addresses. Table 3 provides several additional examples of improper and potentially fraudulent payments.

Table 3: Examples of Payments Made to Improper and Potentially Fraudulent Registrations

Case	Amount	Case Details
1	$109,708	• 8 individuals submitted 8 registrations using their own SSNs. • All 24 payments were sent to a single apartment. • 4 individuals were members of the same household who were displaced to the same location. However, these individuals each received an expedited assistance and a rental assistance payment. According to public records, the other 4 individuals were not living at the damaged property at the time of the hurricane.
2	139,000	• Individual received 26 payments using 13 different SSNs—only 1 of which belonged to the person. • Public records indicate that the individual did not reside at any of the 13 addresses claimed as damaged property addresses. • Public records also indicate that 8 of the 13 addresses did not exist or have public ownership records.
3	4,358	• Registrant claimed a UPS store address as damaged property address to qualify for 2 payments for expedited assistance and rental assistance.
4	2,358	• Registrant used an address in Greenwood Cemetery, New Orleans, as the damaged property address to qualify for one rental assistance payment.
5	2,000	• Registrant used a New Orleans cemetery as the damaged property address to obtain one expedited assistance payment.

Source: GAO analysis and investigation of FEMA data.

The following provides illustrative information for three of the cases.

- Case number 1 involves 8 individuals who claimed several different damaged property addresses, but the same current address which is a single apartment. Public record searches also determined that only 2 of the 8 individuals actually lived at the current address. Four individuals were members of the same household who shared the same damaged property address. However, the 4 individuals each received one expedited and one rental assistance payment. FEMA criteria specified that members from the same household who were displaced to the same location should be entitled to only one IHP payment. According to public records, the other 4 individuals were not living at the address claimed as damaged at the time of the hurricane.

- Case number 2 involves an individual who used 13 different SSNs—including one of the individual's own—to receive payments on 13 registrations. The individual claimed 13 different damaged property addresses and used one single current address to receive FEMA payments. According to publicly available records, this individual had no established history at any of the 13 properties in Louisiana, Mississippi, and Alabama, which the individual claimed as damaged. The individual received approximately $139,000 consisting of 8 expedited assistance payments, 4 rental assistance payments, and 14 other payments, including 3 payments of $10,500 each, and 3 payments ranging from over $12,000 to over $17,000

for personal property replacement. Further audit and investigative work indicates that 8 of the 13 addresses did not exist or do not have public ownership records.

- Case number 4 involves a registrant who used the address of a cemetery to make an IHP claim. Specifically, the registrant used a damaged property address located within the grounds of Greenwood Cemetery, in New Orleans, Louisiana, to request disaster assistance from FEMA. Public records show no record of the registrant ever living in New Orleans. Instead, public records indicate that for the past five years, the registrant has resided in West Virginia at the address provided to FEMA as the registrant's current address.

  As discussed previously, one statistical sample item we tested related to an improper and potentially fraudulent payment FEMA made to an individual who received expedited and rental assistance as a result of using a post office box as a damaged property address. According to the Postal Inspector, this post office box was also linked to individuals that are associated with fraudulent activity. In total, we found that FEMA made over 2,000 payments totaling about $5.3 million to registrants who provided a post office box as their damaged residence. While not all payments made to post office boxes are improper or potentially fraudulent, the number of potentially fraudulent payments could be substantially reduced if FEMA put in place procedures to instruct disaster recipients to provide actual street addresses of damaged property when claiming disaster assistance.

Registrants Using Prisoner Identities Received Millions in Disaster Assistance Payments

FEMA paid millions of dollars to over 1,000 registrants who used names and SSNs belonging to state and federal prisoners for expedited and housing assistance.[14] FEMA guidelines specify that eligibility for disaster assistance is predicated on the registrant being displaced from their primary residence due to the disaster, thus having need for shelter. These eligibility criteria should have generally excluded prisoners incarcerated throughout the disaster period. Given the weaknesses we identified earlier related to the number of individuals who claimed damages based on invalid property addresses, we can not ascertain whether FEMA properly verified that these registrations were valid, and therefore deserving of IHP payments. The following are three cases where prisoner identities were used to improperly receive IHP payments.

- Case 1 involves a convicted felon, housed in a Louisiana prison from April 2001 to the present, who registered for IHP assistance by telephone. The registrant made a FEMA claim using a post office box address in Louisiana as his damaged property address to qualify for IHP payments for expedited assistance, rental assistance, and personal property replacement. Two of these payments were made via checks sent to the address he falsely claimed as his current residence, and the final payment was sent via electronic funds transfer (EFT) to someone who also listed the same current address on the checking account. FEMA paid over $20,000 to the registrant even though the damaged property address on the registration was a post office box address and the registrant was incarcerated throughout the disaster period.

- Case 2 involves a registrant who has been incarcerated in a Louisiana state penitentiary since February 2005. Several weeks after the disaster, the registrant applied by telephone for individual disaster relief assistance claiming a Louisiana address. Based on his registration information, FEMA paid the inmate over $14,000 in checks mailed to an address in Texas that he listed as his current address, and an EFT was sent to his checking

[14] FEMA paid registrants who used names and SSNs belonging to inmates in the Gulf Coast region (that is, Louisiana, Texas, Alabama, Mississippi, Georgia, and Florida) or federal prison institutions and whose application was made at the time of incarceration. Most of these prisoners are still incarcerated. These numbers do not include prisoners who submitted false identities or false addresses on their registrations, prisoners who were free at the time of the hurricanes, received rental assistance, and were later incarcerated (meaning they received rental assistance covering periods of incarceration) or prisoners who used other schemes to collect FEMA benefits, such as identity theft. The average amount FEMA paid to a prisoner for expedited assistance and rental assistance was over $3,000.

account. Payments included expedited assistance, rental assistance, and personal property replacement funds.

- Case 3 involves a registrant who has been incarcerated in a Mississippi correctional facility since 2004. The registrant used his name and SSN over the telephone to apply for and receive $2,000 in expedited assistance and $2,358 in rental assistance. The individual listed his correct current address, at the prison, to receive these payments.

Rental Assistance Payments Sent to Individuals Living in FEMA-Paid-For Hotels

Following hurricane Katrina, FEMA undertook massive efforts to house individuals and households who were displaced by the hurricane. Among other efforts, FEMA provided hotel accommodations to individuals who were at that time displaced across the United States.[15] We found that although FEMA was responsible for paying hotel costs, FEMA did not require hotels to collect registration information (such as FEMA registration identification numbers or SSN) on individuals to whom it provided hotel accommodations. Without this information, FEMA was not able to identify individuals who were housed in hotels, and, thus, FEMA was unable to determine whether rental assistance should be provided to individuals to whom the federal government was providing free lodging. As a result, FEMA made rental assistance payments which covered the same period of time that the registrant was staying at a FEMA-paid hotels.[16] Table 4 provides examples of some of these cases.

[15] Immediately after hurricane Katrina, the Red Cross moved to provide hurricane victims with housing in hotels through its Special Transient Accommodations Program. On October 25, 2005, FEMA took over the management of this program. FEMA subsequently reimbursed Red Cross for expenditures Red Cross incurred for its program.

[16] On November 23, 2005, FEMA issued a policy memo for Katrina stating that rental assistance payments for the first 3 months ($2,358) are not considered a duplication of benefits for individuals staying at FEMA paid hotels. FEMA made the policy retroactive and applied it to all rental assistance payments provided prior to the policy being issued. We do not believe that this retroactive policy determination eliminates the fact FEMA effectively provided some evacuees with two forms of lodging benefits at the same time, resulting in a waste of government funds.

Table 4: FEMA Registrants Receiving Rental Assistance and FEMA Paid Hotels

Case	Hotel Name (Location)	Rental Assistance Payments	Total Hotel Payments[a]	Details
1	Quality Inn (Carson, Calif.) Extended Stay America (Sacramento, Calif.)	$6,734	$ 8,000	• Registrant stayed at two hotels from September 2005 to February 2006 at a cost of $50 to $60 per night. • FEMA paid registrant rental assistance for both Katrina and Rita in October 2005 and again in December 2005 for Katrina.
2	Motel 6 (Port Allen, La.)	5,602	7,000	• Registrant stayed at hotels from October 2005 to February 2006 at cost of $36 to $56 per night. • While at the hotel, registrant submitted self-certification forms stating he required housing assistance as a result of both disasters. • FEMA paid registrant two rental assistance payments for Rita in November 2005 and two rental assistance payments for Katrina in December 2005 and January 2006.
3	Marriott Courtyard (Lafayette, La.)	5,208	18,000	• Registrant stayed at hotel from September 2005 to February 2006 at a cost of $109 to $122 per night. • FEMA paid registrant two rental assistance payments in September 2005 and December 2005.
4	Marriott Cypress Harbour (Orlando, Fla.)	4,386	12,000	• Registrant stayed at the vacation resort hotel from September to November 2005 at a cost of $154 to $249 per night. • In November 2005, the registrant moved to a FEMA-paid trailer. • FEMA made two rental assistance payments to the registrant in October 2005.
5	Days Inn (Monroe, La.)	4,386	8,000	• Registrant stayed at hotel from October 2005 to January 2006 at a cost of $69 to $79 per night. • FEMA paid registrant two rental assistance payments in September 2005 and December 2005. • FEMA inspector notes indicate registrant did not live at the damaged address at time of the hurricane.
6	Intercontinental (New Orleans, La.) Days Inn (Metairie, La.) Best Western French Quarter Landmark (New Orleans, La.)	4,056	14,000	• Registrant stayed at three hotels from November 2005 to February 2006 at a cost of $119 to $260 per night. • FEMA paid registrant rental assistance payments in November 2005 and January 2006.
7	Ramada Plaza Hotel (Corona, N.Y.)	2,358	31,000	• Registrant stayed at hotel from September 2005 to March 2006 at a cost of $149 per night. • FEMA paid registrant rental assistance in September 2005.

Case	Hotel Name (Location)	Rental Assistance Payments	Total Hotel Payments[a]	Details
8	Pagoda Hotel (Honolulu, Hawaii)	2,358	8,000	• Registrant stayed at hotel from October to December 2005 at a cost of $110 to $115 per night. • FEMA paid the registrant rental assistance in November 2005 and another rental assistance payment for $2,988 in January 2006. • Our investigation and public records indicate that the registrant did not live at the damaged property address in New Orleans at the time of the hurricane but instead resided in North Carolina.
9	French Quarter Suites (New Orleans, La.) Old Towne Inn (New Orleans, La.)	2,358	8,000	• Registrant stayed at two hotels from November 2005 to January 2006 at a cost of $100 to $136 per night. • FEMA paid registrant rental assistance in November 2005. • Registrant was evicted from second hotel for violating hotel rules.
10	Days Inn (Monroe, La.)	2,028	8,000	• Registrant stayed at hotel from October 2005 to January 2006 at a cost of $61 to $79 per night. • FEMA paid the registrant rental assistance in December 2005.

Source: GAO analysis and investigation of FEMA and hotel data.

[a]Rental assistance payments were made prior to February 13 while these recipients were staying in the FEMA-paid hotels. Total hotel payments are rounded to the nearest $1,000.

Because the hotels were not required to collect identification numbers, we were unable to determine the magnitude of individuals who received these duplicate benefits. However, as illustrated in table 4, our data mining identified a number of individuals housed in FEMA-paid for hotels who have received more than one rental assistance payment. Without an effective means of reconciling individuals in FEMA hotels with those individuals receiving rental assistance payments, FEMA may have wasted taxpayer dollars by paying twice for housing assistance to hurricane victims.

FEMA Lacked Controls over Accountability and Use of Debit Cards

FEMA did not establish proper accountability for debit cards. As a result, FEMA disbursed about $1.5 million of taxpayer money for over 750 debit cards that FEMA cannot establish went to disaster victims. In addition, as reported previously, we continued to find cases where recipients purchased goods and services that did not meet serious disaster related needs as defined by federal regulations.[17]

[17] 44 CFR 206.110.

Control Weaknesses over Accountability of FEMA Debit Cards

FEMA lacked controls for accounting for debit cards issued, resulting in the loss of accountability for over 750 debit cards valued at about $1.5 million. The lack of controls over debit cards is particularly troubling given that debit cards are, in essence, cash that can be used to purchase goods and services. In September 2005, JPMorgan Chase was initially paid approximately $22.7 million for about 11,374 cards that the bank believed were issued to FEMA registrants. However, prior to our inquiries beginning in November 2005, we found that neither FEMA nor the bank had reconciled the actual number of cards distributed with the number of cards for which payment was made. From our numerous inquiries, both JPMorgan Chase and FEMA began to reconcile their records to the debit cards issued. As a result,

- JPMorgan Chase performed a physical count of cards remaining to identify the number of cards distributed. This resulted in JPMorgan Chase determining that it distributed 10,989 cards, not 11,374 cards. Upon identification of the 385 undistributed debit cards, JPMorgan Chase refunded to FEMA $770,000 attributable to these undistributed debit cards.

- FEMA attempted to perform a reconciliation of the distributed cards to the cards recorded in its disaster recipient database. As of May 26, 2006, FEMA can only account for 10,608 cards of the 10,989 cards JPMorgan Chase claimed that it has distributed.[18] As a result, FEMA cannot properly account for 381 debit cards, worth about $760,000.

Lack of Guidance for Proper Use of Debit Cards

Since initially paying JPMorgan Chase $22.7 million, FEMA has expanded the use of debit cards as a payment mechanism for future IHP payment for some registrants. Through this process, FEMA made about $59 million in additional payments of rental assistance and other benefits. As of March 2006, over 90 percent of money funded to the debit cards has been used by recipients to obtain cash and purchase a variety of goods and services. Our analysis of data provided by JPMorgan Chase found that the debit cards were used predominantly to obtain cash[19] which did not allow us to

[18] Based on the electronic data provided to us, we were not able to corroborate 400 of the 10,608 cards FEMA stated that they were able to identify. According to a FEMA official, FEMA identified these recipients utilizing data mining activities and a manual review process of the recipient files. However, the FEMA official stated that no hard copies of the recipient files were made and, thus, we are not able to conclude whether these additional cards were, in fact, linked to a recipient who received a debit card.

[19] Over 70 percent of debit card dollars were cash withdrawals.

determine how the money was actually used. The majority of the remaining transactions was associated with purchases of food, clothing, and personal necessities.

Similar to findings in our February 13, 2006, testimony, we continue to find some cases where cardholders purchased goods and services that did not appear to meet legitimate disaster needs. In this regard, FEMA regulations provide that IHP assistance be used for items or services that are essential to a registrant's ability to overcome disaster-related hardship. Table 5 details some of the debit cards activities we found that are not necessary to satisfy legitimate disaster needs.

Table 5: Examples of Questionable Use of Debit Cards

Vendor	Location	Nature of Transaction	Amount
Jewelz	Arlington, Tex.	Diamond jewelry including watches, earrings, and a ring	$3,700
Vacation Express	Atlanta, Ga.	All inclusive 1 week Caribbean vacation resort in Punta Cana, Dominican Republic	2,200
Lesea Broadcasting	South Bend, Ind.	Donations to a faith based charity	2,000
New Orleans Saints	New Orleans, La.	5 New Orleans Saints football season tickets	2,000
Mark Lipkin	Houston, Tex.	Divorce lawyer services	1,000
Legends	Houston, Tex.	Gentleman's club	600
The Pleasure Zone	Houston, Tex.	Adult erotica products	400
Hooters	San Antonio, Tex.	Alcoholic beverages including $200 bottle of Dom Perignon champagne	300
GGW Video	Santa Monica, Calif.	Girls Gone Wild videos	300
Alamo Fireworks	San Antonio, Tex.	Fireworks	300

Source: GAO analysis of debit card transactions and additional investigations.

Note: Total transaction amounts are rounded to the nearest $100.

Concluding Comments

FEMA faces a significant challenge in ensuring that IHP relief payments are only sent to valid registrants while also distributing those relief payments as fast as possible. To ensure the success of the program, FEMA must build the American taxpayers confidence that federal disaster assistance only goes to those in need, and that adequate safeguards exist to prevent assistance from going to those who submit improper and potentially fraudulent registrations. To that effect, FEMA must develop and strengthen controls to validate information provided at the registration stage. As we have stated in prior audit work, and as FEMA had learned from prior experience, pursuing collection activities after disaster relief payments have been made is costly, time-consuming, and ineffective. Upfront controls are all the more crucial given the estimated $1 billion

dollars that had gone to improper and potentially fraudulent registrations related to hurricanes Katrina and Rita. It is key that FEMA address weaknesses in its registration process so that it can substantially reduce the risk for fraudulent and improper payments before the next hurricane season arrives.

In addition, to help deter future fraudulent registrations, FEMA must ensure there are consequences for those who commit fraud. We plan to refer potentially improper payments to FEMA for further review, and hope that FEMA will take the necessary recoupment actions. Further, we have referred, and plan to refer additional cases of potential fraud to the Katrina Fraud Task Force for further investigations and, if warranted, indictments. Finally, we plan to issue a report in the future with recommendations for addressing problems identified in this testimony.

Mr. Chairman and Members of the Committee, this concludes our statement. We would be pleased to answer any questions that you or other members of the committee may have at this time.

Contacts and Acknowledgement

For further information about this testimony, please contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov, John Kelly at (202) 512-6926 or kellyj@gao.gov.

Major contributors to this testimony include Kord Basnight, James Berry Jr., Gary Bianchi, Valerie Blyther, Matthew Brown, Norman Burrell, Jennifer Costello, Paul Desaulniers, Steve Donahue, Dennis Fauber, Christopher Forys, Adam Hatton, Aaron Holling, Jason Kelly, Sun Kim, Crystal Lazcano, Tram Le, John Ledford, Jennifer Leone, Barbara Lewis, Jonathan Meyer, Gertrude Moreland, Richard Newbold, Kristen Plungas, John Ryan, Sidney Schwartz, Robert Sharpe, Gail Spear, Tuyet-Quan Thai, Patrick Tobo, Matthew Valenta, Tamika Weerasingha, and Scott Wrightson.

Appendix I: Objectives, Scope and Methodology

Our objectives were to (1) provide an estimate of improper and potentially fraudulent payments related to certain aspects of the disaster registrations, (2) identify whether FEMA made improper or potentially fraudulent IHP payments to registrants who were incarcerated at the time of the disaster, (3) identify whether FEMA provided registrants with rental assistance payments at the same time it was paying for their hotel rooms, and (4) review FEMA's accountability over debit cards and controls over proper debit card usage.

To provide an estimate of improper and potentially fraudulent payments related to certain aspects of the disaster registrations, we drew a statistical sample of 250 payments from the Federal Emergency Management Agency (FEMA)'s Individuals and Households Program (IHP) payments. Three of the 250 were considered out of scope for our study because the payment has been returned to the U.S. government by the time of our review. Therefore, our review examined 247 payments for which the government was subject to financial loss. Potentially fraudulent and invalid payments are claims that contained (1) bogus identities, (2) addresses that did not exist, (3) addresses where there was no evidence that the address was the primary residence of the registrant at the time of the disaster, and (4) addresses that had been previously registered using duplicate information (such information would include same SSNs, same damaged address, and/or same current address). We conducted searches of public records, available FEMA data, and/or made physical inspections of addresses to determine if registrations were improper and/or potentially fraudulent.

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 5 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population.

To identify whether FEMA made improper or potentially fraudulent IHP payments to registrants who were incarcerated at the time of the disaster, we obtained the FEMA IHP database as of February 2006. We obtained databases containing state prisoner data since August 2005, including releases and new incarcerations, from the states of Louisiana, Texas, Mississippi, Alabama, Georgia, and Florida. We also obtained federal prisoner data since August 2005, including releases and new

incarcerations, from the Department of Justice. We validated the databases were complete by comparing totals against available public information on prisoner populations. We compared these databases against the population of IHP payments to identify prisoner SSN/name combinations that received payments from FEMA. We restricted this comparison to prisoners who were in state or federal prisons at the time of the disasters. We also interviewed prisoners who registered for disaster relief and prison officials to determine if prisoners were incarcerated at the time of the disaster.

To identify whether FEMA improperly provided registrants with rental assistance payments at the same time it was paying for their hotel rooms, we reviewed FEMA policies and procedures to determine how FEMA administered its hotel program, and obtained FEMA data on its hotel registrants. We also used data mining and forensic audit techniques to identify registrants who stayed in hotels paid for by FEMA who also received rental assistance payments through the IHP program. To determine whether registrations from our data mining resulted in duplication of housing benefits, we used a selection of 10 case studies for further investigation. We obtained documentation from hotel officials to substantiate that case study registrants stayed at hotels paid for by FEMA. We also gathered available FEMA data on case study registrations that received multiple rental assistance payments to determine what information they had provided FEMA in order to receive additional rental assistance.

To review FEMA's accountability over debit cards and controls over proper debit card usage, we reviewed databases of transactions and accounts provided by JPMorgan Chase, the administering bank for the debit cards, as well as FEMA's database of debit card accounts. We interviewed bank, FEMA, and Treasury officials regarding the reconciliation of debit card accounts against IHP registrants and reviewed documentation related to the payment flow of debit cards. We also performed data mining on debit card transactions to identify purchases that did not appear to be indicative of necessary expenses as defined by the Stafford Act's implementing regulations.

During the course of our audit work, we identified multiple cases of potential fraud. For cases that we investigated and found significant evidence of fraudulent activity, we plan to refer our cases directly to the Hurricane Katrina Fraud Task Force. We performed our work from February 2006 through June 8, 2006 in accordance with generally accepted

government auditing standards and quality standards for investigations as set forth by the President's Council on Integrity and Efficiency.

Data Reliability

To validate that the National Emergency Management Information System database was complete and reliable, we compared the total disbursements against reports FEMA provided to the Senate Appropriations Committee on Katrina/Rita disbursements. We also interviewed FEMA officials and performed electronic testing of the database on key data elements.

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