



Homeland
Security

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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;
- a 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 Individuals 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
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Acting Chief Financial Officer, DHS
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