

Hurricane Katrina: Stopping the Flood of Fraud, Waste, and Abuse
Senator Joe Lieberman
December 06, 2006

Madame Chairman, thank you for convening today's hearing on the Government Accountability Office's ongoing efforts to identify waste, mismanagement, and fraud in FEMA's administration of the Individuals and Households Program (IHP), as well as DHS use of purchase cards for goods and services during the response to Hurricanes Katrina and Rita.

Testimony we will hear from GAO's Forensic Audits and Special Investigations unit on the IHP is not only powerful but especially maddening.

GAO's investigations over the past year – as well as FEMA's own data on overpayments – show that the agency squandered hundreds of millions of dollars in gross improper payments to individuals and household that the government may never recover. Some people who were not eligible for assistance abused the process, and FEMA had no effective mechanisms to stop them. And some ineligible people who had no intent of gaming the government but thought they might be eligible for assistance were granted payments, even though FEMA should have known they were not eligible and should have explained to them that they were not eligible. .

On the other hand, last week we heard that a federal judge ruled that FEMA wrongfully cut off housing assistance to thousands of Hurricane Katrina and Rita evacuees without properly documenting why, making it difficult for applicants to appeal FEMA's decision.

Apparently, FEMA doled out millions of dollars to people who did not deserve it and then denied assistance to many people with potentially legitimate needs without using proper procedures.

During our Committee's investigation of Hurricane Katrina earlier this year, GAO provided an extensive look into flaws in FEMA's processing of IHP applications. GAO's investigation revealed significant breakdowns in the IHP registration system that resulted in payments to individuals or households who were not qualified for assistance or who received duplicate payments.

Today's testimony further confirms the gross inadequacies of FEMA's control systems. GAO's further investigations have uncovered:

- \$17 million in potentially improper rental assistance payments to individuals who were already receiving free housing in trailers or apartments.
- Millions of dollars of payments to resident aliens who did not qualify for IHP aid.
- Nearly \$20 million in duplicate payments to thousands of individuals who claimed damage to the same property from both Katrina and Rita. While some applicants may have been eligible for payments for both Katrina and Rita damage, GAO found that FEMA did not have proper checks in place to flag potentially invalid claims.

FEMA's low success rate in recovering improper payments makes abundantly clear the need to implement proper controls up front. FEMA has collected only \$7 million in improper payments out of the \$290 million that FEMA itself has identified.

GAO estimates FEMA's total improper payments to be \$1 billion through February 2006. We do not know yet what FEMA's plan will be for recouping this

money, or the extent to which it can recover the money. Clearly the better solution for the future is not to chase after improper payments once they are made but to prevent improper payments in the first place.

GAO's testimony on the IHP program to this Committee in February, as well as its more detailed reports issued in June and September, provided the basis for a series of corrective actions that Senator Collins and I proposed and that were included in the FEMA reform package that passed into law as part of the FY07 DHS Appropriations Act.

This law mandates that FEMA institute verification procedures that minimize the risk of unauthorized and duplicative payments under the IHP program, while providing an expedited review and appeals process for individuals or households who believe that their applications were wrongfully denied.

Having conducted a major investigation of the immediate response to Katrina and having enacted significant reform legislation, our Committee's task now is to continue our oversight and ensure that the reforms are implemented.

Today we will also hear testimony from GAO on the efforts of DHS to locate missing items that were purchased by FEMA employees during the response to Hurricanes Katrina and Rita. In July, GAO testified that FEMA could not account for many items purchased for relief, including laptops, printers, and flat-bottom boats.

In a November 27 letter to Senator Collins and me, the DHS Chief Financial Officer conceded that DHS is still having difficulty tracking down assets. Mr. Kutz, I hope you will share with the Committee your assessment of DHS's efforts to improve its property management.

The record is clear and disconcerting that, going forward, FEMA has much work to do before we can be confident that it is providing assistance to those who are eligible and who need it, while denying it to those who do not. Our reforms should make a difference – and Senator Collins and I are committed to being especially vigilant to make sure that they are implemented.

-30-