



United States Senate
Committee on Homeland Security and Governmental Affairs
Senator Susan M. Collins, Chairman

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Opening Statement
Senator Susan M. Collins
Chairman, Committee on Homeland Security and Governmental Affairs
“FEMA's Response to the 2004 Florida Hurricanes: A Disaster for Taxpayers?”
May 18, 2005

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Today, the Committee examines the integrity of the Federal Emergency Management Agency's disaster-relief program. Our specific focus is on FEMA's response to the series of hurricanes that struck southern states last year and the evidence that has emerged of fraudulent claims, wasteful spending, and ineffective management.

Disaster assistance programs are vital to those who are true victims of natural disasters. The critical nature of this assistance makes reports of waste, mismanagement and outright fraud particularly disturbing. We cannot sweep such allegations under the rug; we must face them head-on to preserve public confidence in this critical program. Although our focus is on specific events in Florida, this issue has ramifications that are relevant to future disaster-relief efforts in all regions of our country.

In the span of just six weeks in August and September of 2004, Florida was hit by four powerful hurricanes in quick succession: Charley, Frances, Ivan, and Jeanne. In some parts of Florida, there was tremendous devastation. More than 10 percent of the state's housing stock was damaged or destroyed by the hurricanes, affecting more than 700,000 residents. Property damage exceeded \$21 billion. One hundred seventeen Floridians lost their lives.

A disaster of this scale required a rapid and substantial response. FEMA responded with more than \$2 billion in immediate relief to Floridians as they rebuilt their battered state.

We expect relief in such dire circumstances to be swift and substantial. We did not expect what came next.

No sooner had the 2004 hurricane season ended than Florida newspapers began reporting erroneous payments and widespread fraud in FEMA claims in Miami-Dade County. Nearly 12,600 residents collected more than \$31 million in payments from Hurricane Frances, even though that Labor Day storm hit 100 miles to the north.

The effect of Frances in Miami-Dade has been described as that of a typical thunderstorm: some downed trees and power lines. In fact, the Miami-Dade County Office of Emergency Management described the damage from the hurricane as “minimal,” and the National Weather Service had no reports of flooding. Yet the American

taxpayers bought Miami-Dade residents thousands of television sets, air conditioners and other appliances, from microwave ovens to sewing machines. The taxpayers also bought rooms full of furniture and new wardrobes, paid to repair or replace nearly 800 cars, and provided rental assistance to people living in undamaged homes.

In response to these and other questionable expenditures, the Department of Homeland Security's Office of Inspector General undertook an audit of FEMA's assistance programs in Miami-Dade County for Hurricane Frances. We will hear about that audit from the Acting Inspector General, Rick Skinner, and from Michael Brown, the Under Secretary for Emergency Preparedness and Response.

This Committee also has been investigating the process by which individual damage claims are evaluated and verified. The audit reaches several disturbing conclusions that confirm the Committee's findings. It is often impossible to determine whether the payments FEMA made were based on actual disaster-related damages. The verifications of many personal-property damages were based solely on undocumented verbal statements: no receipts, no proof of ownership, in some cases, not even a damaged item to inspect. Similarly, the guidelines for repairing or replacing automobiles were lacking. Rental assistance was provided to applicants who had no apparent need or had failed to demonstrate eligibility for this assistance.

The IG's report identifies a number of significant control weaknesses that create the potential for widespread fraud, erroneous payments, and wasteful practices. One of the most troubling findings by the Inspector General is that FEMA inspectors were allowed to record damage to furniture or appliances even though the item allegedly had been thrown away before the inspector arrived. That is simply an invitation to fraud.

The audit also finds substantial deficiencies in the rental assistance program. One example is the Expedited Assistance Program, in which FEMA would send one month's rent to anyone in the disaster area who called and answered certain questions correctly, before any inspector was sent to verify the claim. Initially, FEMA did not even require the individual to represent that there had been damage to the home. Damage or not, FEMA sent each person a check for \$726.

More than \$9 million in total rental assistance was paid to some 5,000 people in Miami-Dade. The auditors found that this money was paid to people whose homes were declared unsafe by FEMA inspectors for unspecified, even dubious, reasons. In addition, there is no evidence that claimants actually used the money for the intended purpose: that is, to live elsewhere while their homes were repaired.

The OIG's findings of waste and ineffective controls are supported by evidence that this Committee has gathered in its own investigation. We have uncovered many instances in which applicants received awards for personal property, rental assistance, or both, despite the fact that subsequent quality-control inspections showed that there had been no storm-related damage to the home or its contents.

For example, last October, FEMA awarded \$18,452.37 to a Miami-Dade resident for rental assistance, as well as for the replacement of clothing, the furnishings in three bedrooms, and a host of appliances. A subsequent inspection found that the home had suffered no damage whatsoever.

Other errors were caused by FEMA's efforts to further streamline and accelerate the inspections process. FEMA's decision to introduce these new guidelines while thousands of inspectors were already in the field caused considerable confusion, particularly for new inspectors, and led to numerous errors and overpayments. To

cite just one example, FEMA records show that an applicant in Miami-Dade was awarded \$13,002.06 in personal property losses through an “inspector speed estimating error.”

The IG’s report also raises questions about why FEMA paid for funerals there when medical examiners reported no storm-related deaths in Miami-Dade. The OIG reviewed three cases of funeral payments in Miami-Dade and found that none was disaster-related.

No one contests the need for the federal government to provide swift and compassionate assistance to the victims of natural disasters. But when scarce resources are wasted, fraudulent claims are paid, and safeguards are ignored, there are new victims: the taxpayers. And it is a false choice to say that we cannot protect taxpayers while responding effectively to the urgent needs of disaster victims.

I would like to thank Senator Nelson for his appearance here today. I would also like to thank Representative Mark Foley, who has submitted a written statement but could not be here today. I would note, too, that Senator Martinez wanted to be here today but could not be. They were among the first to raise alarms about FEMA’s disaster-relief program, and I look forward to their testimony.

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