

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

Audit of FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances



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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.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Acting Inspector General

Contents

Introduction.....	3
Results in Brief	3
Background	4
Purpose, Scope, and Methodology.....	6
Results of Audit	8
Amendment to Major Disaster Declaration	8
Verification of IHP Disaster Losses for Other Needs Assistance.....	12
Repairing and Replacing Household Room Items Should Be More Closely Aligned to Actual Losses	12
Verification of Personal Property Losses Using Verbal Representations	15
Guidance Needed for Authorizing Assistance to Replace or Repair Automobiles	16
Eligibility Criteria to Determine When to Pay for Funeral Expenses Need Refinement ..	18
Need For Disaster-Related Miscellaneous Items Could be Better Verified	21
Verification of IHP Disaster Losses for Housing Assistance	23
Expedited Rental Assistance Not Provided Based on Proven Need.....	23
Controls Over Rental Assistance Eligibility Need Improvement	25
Controls Over Home Repair and Replacement Assistance Need Improvement.....	27
Oversight of Inspections Needs Improvement.....	28
Contractor’s Review of Inspection Work	28
FEMA’s Review of Inspection Data.....	29
Inspectors’ Independence.....	30

Appendices

Appendix A: Description of the Saffir-Simpson Hurricane Scale	32
Appendix B: The President’s Declaration of a Major Disaster for Hurricane Frances.....	34
Appendix C: Detailed Breakdown of IHP in Miami-Dade Approved and Audited Costs	35
Appendix D: Room Items That May Be Funded Under the ONA Component of the IHP	36

Contents

Appendix E:	FEMA’s Automobile Replacement Awards Versus Blue Book Values	38
Appendix F:	Data Queries Performed by FEMA Inspections Services Branch.....	39
Appendix G:	Recommendations	41
Appendix H:	Management Comments.....	43
Appendix I:	Major Contributors To This Report.....	58
Appendix J:	Report Distribution.....	59

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

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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 IV¹ 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 regulation⁵ 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 regulation⁶ requires FEMA to later assemble and document an estimate of the amount and severity of damages and losses. Additionally, Federal regulation⁷ 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 counties⁸ 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

¹⁰A 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 documentation¹², 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 regulation¹³ 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 guidelines¹⁷ 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 guidelines²⁰ 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 automobiles²¹. 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 regulation²² 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 regulation²⁵ 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 guidelines²⁶ 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 regulation²⁸

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 regulation²⁹ 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 regulation³⁰ 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 regulation³¹ 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 million³² 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

Appendix A
Description of the Saffir-Simpson Hurricane Scale

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>

Appendix B
The President's Declaration of a Major Disaster for Hurricane Frances

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.

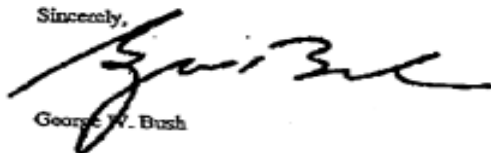
In order to provide Federal assistance, you are hereby authorized to allocate from funds available for these purposes, such amounts as you find necessary for Federal disaster assistance and administrative expenses.

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

Appendix C
Detailed Breakdown of IHP in Miami-Dade Approved and Audited Costs

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.

Appendix D
Room Items That May Be Funded Under the ONA Component of the IHP

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
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

Appendix E
 FEMA's Automobile Replacement Awards Versus Blue Book Values

FEMA's Automobile Replacement Awards Versus Blue Book Values				
Amount Awarded		Year/Make/Model	Retail Blue Book Value³⁴	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 inspection 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.

Appendix H
Management Comments

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,

A handwritten signature in black ink that reads "Michael D. Brown".

Michael D. Brown
Under Secretary
Emergency Preparedness & Response

Enclosure

www.fema.gov



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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 2

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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 3

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.

Appendix H
Management Comments

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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 5

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

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 6

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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 7

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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 8

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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 9

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

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 10

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 than 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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 11

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

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 12

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

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 13

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 month's 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.

Appendix H Management Comments

Enclosure — Comments on DHS IG Report
Audit of FEMA's IHP in Miami-Dade County, Florida, for Hurricane Frances
April 29, 2005
Page 14

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.

Appendix I
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