

Highlights of [GAO-06-518](#), a report to congressional committees

Why GAO Did This Study

In accordance with Public Law 108-324, GAO is required to audit the reimbursement of up to \$70 million of appropriated funds to the American Red Cross (Red Cross) for disaster relief associated with 2004 hurricanes Charley, Frances, Ivan, and Jeanne. The audit was performed to determine if (1) the Federal Emergency Management Agency (FEMA) established criteria and defined allowable expenditures to ensure that reimbursement claims paid to the Red Cross met the purposes of the law, (2) reimbursement funds paid to the Red Cross did not duplicate funding by other federal sources, (3) reimbursed funds assisted only eligible states and territories for disaster relief, and (4) reimbursement claims were supported by adequate documentation.

The 2004 hurricane season was one of the most destructive in U.S. history. Fifteen named storms resulted in 21 federal disaster declarations. Four hurricanes affecting 19 states and 2 U.S. territories from August 13 through September 26, 2004, triggered the nation’s biggest natural-disaster response up to that time. Over 150 deaths and \$45 billion of estimated property damage are attributed to hurricanes Charley, Frances, Ivan, and Jeanne in the United States alone. Through 2005, these four storms rank among the seven costliest in U.S. history.

GAO is not making any recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-06-518.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Steven J. Sebastian at (202) 512-3406 or sebastians@gao.gov.

DISASTER RELIEF

Reimbursement to American Red Cross for Hurricanes Charley, Frances, Ivan, and Jeanne

What GAO Found

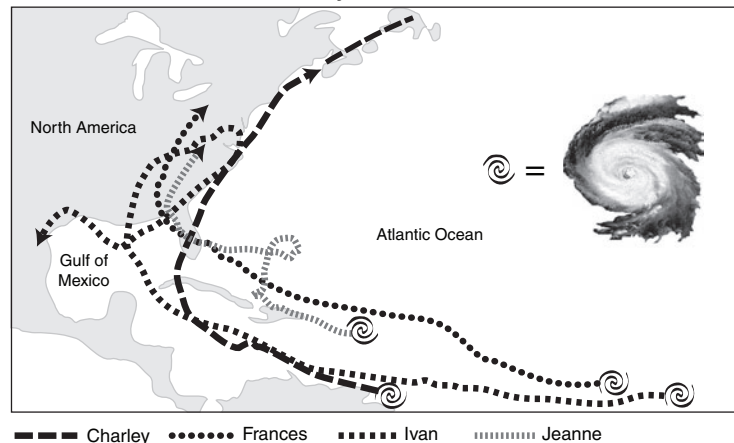
The signed agreement between FEMA and the Red Cross properly established criteria for the Red Cross to be reimbursed for allowable expenses for disaster relief, recovery, and emergency services related to hurricanes Charley, Frances, Ivan, and Jeanne. The Red Cross incurred \$88.6 million of allowable expenses.

Consistent with the law, the agreement explicitly provided that the Red Cross would not seek reimbursement for any expenses reimbursed by other federal funding sources. GAO identified \$0.3 million of FEMA paid costs that the Red Cross properly deducted from its reimbursement requests, so as not to duplicate funding by other federal sources. The Red Cross also reduced its requested reimbursements by \$60.2 million to reflect private donations for disaster relief for the four hurricanes, for a net reimbursement of 28.1 million.

Red Cross expenses were incurred in states and territories eligible for disaster relief associated with the four hurricanes in accordance with the FEMA/Red Cross agreement. The Red Cross requested reimbursement of \$28.1 million for the period August 11, 2004, through June 30, 2005, for payment from federal appropriated funds under Public Law 108-324.

After review and some retesting, GAO relied upon audit work conducted by the CPA firm of KPMG, LLP, which determined that most Red Cross expenses were incurred for eligible disaster services and were supported by adequate documentation. However, KPMG identified six weaknesses in the Red Cross’s internal controls related to expenses incurred for the four hurricanes and reported \$712,000 of known questioned costs, with which Red Cross concurred. The Red Cross also concurred with the content of the GAO report.

Paths of 2004 Hurricanes Charley, Frances, Ivan, and Jeanne



Source: NOAA.

Note: For official hurricane tracks, see <http://www.nhc.noaa.gov>.