



# Department of Homeland Security Office of Inspector General

## **Management Advisory Report: Computer Data Match of FEMA and HUD Housing Assistance Provided to Victims of Hurricane Katrina and Rita**






**Homeland  
Security**

June 24, 2009

MEMORANDUM FOR: The Honorable W. Craig Fugate  
Administrator  
Federal Emergency Management Agency

FROM:   
Richard L. Skinner  
Inspector General

SUBJECT: Management Advisory Report: *Computer Data Match of FEMA and HUD Housing Assistance Provided to Victims of Hurricanes Katrina and Rita (OIG-09-84)*

The purpose of this memorandum is to inform you of the results of our review of the Federal Emergency Management Agency's (FEMA) rental assistance benefits paid after hurricanes Katrina and Rita in 2005. Specifically, we determined whether there was evidence that landlords under the Direct Payment Plan, referred from the Department of Housing and Urban Development, Office of Inspector General (HUD OIG), had received improper payments.

Our review included interviews with officials from FEMA and Corporate Lodging Consultants, Inc. (CLC), which managed the disbursement of long-term FEMA rental benefits after the 2005 hurricanes; a review of 180 cases referred from the HUD OIG, which identified landlords that potentially received improper rental payments; and a review of pertinent documentation, such as CLC, FEMA, and HUD Public Housing Agency (PHA) records.

### **Results of Review**

In June 2006, HUD and FEMA entered into an agreement to compare data from participants in HUD's assisted housing programs with recipients of FEMA disaster assistance. As part of a review of almost 7,350 anomalies in which the HUD program office determined that federal benefits may have been improper, the HUD OIG referred 180 cases to us for followup. In these cases, both HUD and FEMA benefits were paid for the same registrant for the same time period. We determined that the data matching review conducted by the HUD OIG did not capture the address at which the FEMA registrant resided during the time period in which rental benefits were duplicated. Out of approximately 70 cases where we were able to determine the address, 14 cases constituted potentially fraudulent overlapping payments, and those cases were referred for further investigation. HUD OIG did not provide PHA housing records for the remaining 110 cases.

## Background

In the late summer of 2005, hurricanes Katrina and Rita struck the Gulf Coast less than 1 month apart. These storms destroyed or damaged several hundred thousand homes and displaced more than 1 million people. Numerous federal agencies and private organizations provided emergency shelter and other temporary housing assistance to the hurricane victims.

Under the National Response Plan in effect at the time of the disasters, FEMA served as the primary agency for coordinating federal housing assistance. Numerous federal agencies, including the Departments of Agriculture, Health and Human Services, and HUD, provided various types of assistance from physical shelter to financial aid.

## FEMA Rental Assistance

FEMA administered several different types of disaster housing assistance, including making rent payments to landlords on behalf of hurricane victims. Under section 408 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), 42 U.S.C. § 5174, FEMA established, as part of its Individuals and Households Program, a Landlord Direct Payment Plan. CLC, a commercial provider of customized lodging programs, administered the plan to qualify landlords and process lease payments. FEMA determined the eligibility of tenants for this program. Starting in March 2006, CLC entered into agreements with unit owners to pay all or part of the rent for FEMA-qualified tenants.

The FEMA/CLC landlord agreement specifies that landlords would be paid only while a FEMA qualified tenant resided in a unit, and that payments would stop the month after the tenant vacated. The program materials also stipulate that the landlord was responsible for notifying CLC of actual or planned lease terminations or if the tenant otherwise vacated the unit and the tenant was responsible for notifying FEMA. The owner certified, as part of its agreement with CLC, that it was not receiving any payments or other consideration from any other federal agency or other public source for rental of the unit during the terms of the contract.

## HUD Rental Assistance

Through a mission assignment from FEMA in October 2005, HUD developed the Katrina Disaster Housing Assistance Program (KDHAP), which provided monthly rent subsidies to victims who were either homeless or receiving HUD housing assistance before Hurricane Katrina. On December 30, 2005, the *Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza Act, 2006* (Public Law 109-148) appropriated \$390 million directly to HUD for rental assistance to victims who were either homeless or receiving HUD housing assistance before hurricanes Katrina or Rita. To implement this Act, HUD developed the Disaster Voucher Program (DVP), which became effective on or about February 1, 2006, replacing KDHAP.

Beginning in December 2007, under an interagency agreement with FEMA, HUD administers the Disaster Housing Assistance Program (DHAP), to provide long-term rental assistance and other services to previously non-HUD-assisted individuals and households displaced by

hurricanes Katrina and Rita. This program was to run through March 1, 2009; however, it was recently extended. On September 24, 2008, FEMA and HUD announced a similar program for the thousands of families displaced by Hurricane Ike. This program started November 1, 2008, and is to run for 18 months.

HUD operates the two Gulf Coast disaster rental assistance programs (DVP and DHAP) similar to how FEMA used CLC, except that HUD uses PHAs as the lease coordinator and paying agent, rather than a commercial contractor. Under the HUD programs, PHAs execute contracts with unit owners and FEMA determines tenant eligibility. Under HUD rules, families may not receive rental assistance while receiving “[a]ny other duplicative federal, State, or local housing subsidy....”<sup>1</sup> The contract between the owner and the PHA states that the rental payment will only be made while a qualified tenant resides in the unit and the owner is required to notify the PHA when the tenant moves out. The owner also certifies that it has not received nor will receive any other payments or consideration for the unit from any public or private source during the terms of the contract.

#### HUD/FEMA Computer Matching Agreement and Case Development

In June 2006, HUD and FEMA entered into an agreement under the *Computer Matching and Privacy Protection Act of 1988* (codified in 5 U.S.C. § 552a, as amended) to compare data on participants in HUD’s assisted housing programs with FEMA disaster assistance recipients.<sup>2</sup> Objectives of the matching program were to deter and correct abuse in these assistance programs and to increase the availability of assistance to truly eligible individuals. Under the agreement, HUD’s Office of Public and Indian Housing attempted to (1) contact individuals who were receiving rental assistance from FEMA to determine if they still resided at that location, and (2) match the names of individuals receiving HUD housing assistance against the names of individuals receiving FEMA rental assistance to determine if overlapping payments are being made. The program office referred to the HUD OIG almost 7,350 anomalies in which the program office was unable to make contact with individuals receiving FEMA rental assistance, or the program office determined that a family received rental assistance from both HUD and FEMA. After an initial assessment, the HUD OIG reduced the anomalies to approximately 3,500 cases in which there was no contact with the tenant receiving FEMA rental assistance, and 243 cases in which HUD determined that both HUD and FEMA were making payments to landlords on behalf of the same tenant. The HUD OIG decided to focus its initial investigative work on landlords who appeared to be receiving overlapping payments from both HUD and FEMA for the same tenant. According to the HUD OIG, the average rental payment for the HUD programs in question was about \$800 per month.

In the spring of 2008, the HUD OIG met with the Department of Homeland Security (DHS) OIG and provided information on the 3,743 cases that were developed from the anomalies that were referred to them by the HUD program office. HUD requested assistance with identifying landlords that potentially received payments from FEMA or CLC and HUD for the same period of time on behalf of the same tenant. We asked the HUD OIG to refer its 150 most representative cases of overlapping payments. Subsequently, the HUD OIG referred 180 cases

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<sup>1</sup> 24 CFR § 982.352(c)(12).

<sup>2</sup> See 71 Federal Register 36540-36542, dated June 27, 2006.

to us for follow up. The HUD OIG did not refer any of the 3,500 “no contact cases” to DHS OIG.

As part of our review, we met with CLC officials in Wichita, Kansas, to gain an understanding of the business processes associated with FEMA’s Landlord Direct Payment Plan, specifically information processing requirements, criteria for qualifying landlords, and payment processing. We determined that HUD’s data matching analysis did not capture the address where the tenant was residing at the time the CLC and HUD payments were made. The fraud allegation, that a HUD landlord was receiving payments from both HUD and FEMA at the same time on behalf of the same tenant living at the same address, could not be substantiated directly from the data; additional information such as PHA records, was needed. The HUD OIG provided PHA records for approximately 70 of the 180 cases it initially referred. Based on this additional data, we concluded that 14 of the 70 cases constituted potentially fraudulent overlapping payments, and we are pursuing those cases. We concluded that many of the remaining 56 cases constitute payments made on behalf of the same tenant but to different landlords. While this constitutes a waste of federal funds, it is doubtful that it is fraud. We plan to conduct a review of DHAP in fiscal year 2010.

### Conclusions

Our review of the HUD OIG’s initial allegation indicates that although only 14 cases involved potential fraud in which a single landlord received overlapping payments from HUD and FEMA programs to house the same disaster victim in the same rental unit, the review did determine that there was a significant potential for waste of millions of tax dollars. Specifically, the government has likely paid nearly \$3 million per month in improper payments, if HUD’s estimates are correct that the average family rental assistance payment is \$800 per month, and that 3,743 payments were improperly made to landlords because (1) the disaster assistance victim no longer lived at the location, (2) FEMA and HUD were both paying the same landlord for the disaster assistance victim to reside at the same rental unit, or (3) FEMA and HUD were both paying different landlords for the same disaster victim to reside at different rental units at the same time.

### Recommendations

To help prevent the continuation of FEMA disaster assistance rental payments to landlords who (1) receive rental assistance payments from HUD to house the same individual or (2) no longer house a FEMA disaster victim, we recommend that the Administrator, Federal Emergency Management Agency:

Recommendation #1: Make permanent its collaborative effort to share participant rental assistance program information.

Recommendation #2: Initiate a review of the 243 instances in which HUD and FEMA paid different landlords to house the same disaster victim at the same time to determine which landlords should reimburse the government for the overlapping payments.

Recommendation #3: Initiate a review of the 3,500 instances in which it appears that FEMA paid a landlord to house a disaster victim whom HUD was unable to contact at the rental address to determine if the landlord should reimburse FEMA for rental income the landlord did not earn.

We conducted this review from April 2008 through October 2008 under the authority of the *Inspector General Act of 1978*, as amended, and according to *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency (PCIE) and PCIE investigative standards.

Please advise us within 30 days of the actions taken to implement our recommendations. Should you have any questions, please call me, or your staff may contact Matt Jadacki, Deputy Inspector General for Emergency Management Oversight, at (202) 254-4100.

cc: DHS Audit Liaison  
FEMA Audit Liaison



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