



### Why This Matters

Following Hurricanes Katrina and Rita in 2005, and other declared disasters up to December 31, 2010, the Federal Emergency Management Agency (FEMA) disbursed more than \$8 billion in individual assistance payments, some of which were later determined to have been improperly paid to individuals who were ineligible, or received duplicate payments. In 2006, FEMA began recoupment efforts in an attempt to recover the misspent public funds. In 2007, a group of Hurricane Katrina applicants facing recoupment filed a class action lawsuit against FEMA, citing unfair recoupment practices, stopping FEMA from continuing its recoupment activities. In 2008, in light of the injunction and revised Department of Homeland Security debt collection regulations, FEMA terminated its recoupment process. In 2011, FEMA revised its recoupment process, mailing nearly 90,000 Notices of Debt from March through December 2011 and also considered thousands of appeals and requests for payment plans and compromise.

## FEMA's Efforts to Recoup Improper Payments With DARFA (3)

### What We Determined

The Disaster Assistance Recoupment Fairness Act of 2011 (DARFA) provides a limited time, discretionary authority for the FEMA Administrator to waive a debt arising from improper payments provided for disasters declared between August 28, 2005, and December 31, 2010, if the excessive payment was based on FEMA error; there was no fault by the debtor; collection of the debt is against equity and good conscience; and the debt does not involve fraud, a false claim, or misrepresentation by the debtor or others with an interest in the claim. FEMA is authorized to grant a waiver to eligible debtors with a 2010 adjusted gross income (AGI) of up to \$90,000 and, subject to certain conditions, only a partial waiver to those with an AGI greater than \$90,000.

If a recipient of an improper payment met the conditions outlined in the DARFA legislation, FEMA may grant a full or partial waiver. As of September 7, 2012, FEMA adjudicated 18,283 cases totaling \$101,113,733 that was initially identified for recoupment. Of that amount, FEMA has granted waivers for applicants in approximately 93 percent of the cases it has reviewed. Specifically, FEMA has granted 16,990 waivers and denied 1,293 waivers totaling \$94,862,566 and \$6,251,167, respectively. FEMA has recouped \$1,312,956 from applicants that were denied waivers. Additionally, FEMA has expended an estimated \$7,287,666 on related activities including staffing, contracting, and applicant refunds.

This is the third in a series of six Congressional mandated reports that will be issued every 3 months through June 2013. This report does not contain any recommendations. It is too early to determine the cost effectiveness of the process because waiver requests and reimbursements are still ongoing. Updated information and a cost-effectiveness assessment will be provided in our future reports.

### For Further Information:

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