



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.

For Further Information:

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FEMA's Efforts to Recoup Improper Payments With DARFA

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.

Following Hurricanes Katrina and Rita in 2005, and other declared disasters up to December 31, 2010, FEMA disbursed more than \$8 billion in assistance payments, some of which were later determined to have been improperly paid to individuals who were ineligible or who received duplicate payments. The debts in question arose in part because FEMA relaxed its internal controls in order to provide expedited delivery of assistance grants to displaced disaster survivors. The relaxed internal controls involved potential payments of \$621.6 million to 167,488 survivors. After reviewing all of the cases, FEMA reduced that original estimate and determined that 91,178 recipients, who received more than \$371 million, were candidates for recoupment. According to FEMA, there is sufficient justification not to recoup payment from the other 76,310 recipients, who collectively received more than \$250 million in disaster assistance.

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 June 8, 2012, FEMA adjudicated 6,432 cases totaling \$37,094,697 that was initially identified for recoupment. Of that amount, FEMA has granted waivers for applicants in approximately 96 percent of the cases it has reviewed. Specifically, FEMA has granted 6,167 waivers and denied 265 waivers totaling \$35,497,327 and \$1,597,370, respectively. Additionally, FEMA has expended an estimated \$2,589,076 on related activities including staffing, contracting, and applicant refunds. FEMA has not begun to recoup payments from applicants that were denied waivers.

This is the second 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.