



# Department of Homeland Security Office of Inspector General

## Improvements to Internal Controls for FEMA's Individuals and Households Program Registration Process

**(Redacted)**



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*Office of Inspector General*

**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

SEP 23 2009

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 as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the strengths and weaknesses of internal controls to the registration process for individual and housing assistance provided to disaster victims, which are managed by the Federal Emergency Management Agency's (FEMA) National Processing Service Centers. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable data and documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust 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  
Inspector General

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## Abbreviations

DHS	Department of Homeland Security
EFT	Electronic Funds Transfer
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
IHP	Individuals and Households Program
NEMIS	National Emergency Management Information System
OIG	Office of Inspector General
SSA	Social Security Administration
SSN	Social Security Number

# OIG

*Department of Homeland Security  
Office of Inspector General*

## **Executive Summary**

The Federal Emergency Management Agency (FEMA) has made significant improvements to the Individuals and Households Program (IHP) disaster assistance registration approval process, but more could be done to better utilize the additional information FEMA is obtaining from outside sources. For the 2008 disasters we examined, FEMA has been obtaining information to validate assertions concerning (1) identity, (2) occupancy, and (3) ownership made by all IHP registrants. FEMA also established a standard policy that will authorize IHP payments only after an inspector meets with the IHP registrant, inspects the damaged property, reviews documentation provided by the registrant, and provides a report to FEMA.

Inspecting a property prior to issuing disaster assistance is fundamentally a sound control procedure; however, the process could be improved if FEMA provided inspectors with information on the results of the identity, occupancy, and/or ownership validity checks before they meet with the registrant and conduct the physical inspection.

In major disasters such as the 2005 hurricanes Katrina and Rita, FEMA did not have the time to interview all IHP registrants and inspect the damaged property prior to providing disaster assistance. FEMA's decision to authorize payments without conducting interviews and inspections made the IHP program vulnerable to making payments on duplicate and potentially fraudulent registrations

Finally, FEMA needs an approved business plan that clearly articulates the steps it will take to quickly and accurately provide disaster assistance payments, in situations where inspecting all properties before issuing disaster assistance is not practical.

## Background

Immediately after the President declares a disaster, affected individuals are able to apply for individual assistance from the Individuals and Households Program (IHP) in person, by calling a toll-free telephone number, or through the Internet. Registrants provide FEMA a variety of information on the registration, including: name, social security number (SSN), damaged address and telephone number, current address and telephone number, insurance information, total household income, bank routing and account information, and a description of losses incurred because of the disaster.

By applying for IHP assistance, individuals are potentially eligible for the following types of disaster-related assistance: temporary housing (rent and lodging), home repair, home replacement, personal property repair or replacement, transportation repair or replacement, medical and dental expenses, funeral and burial costs, moving and storage expenses, and other related needs such as generators and the cost of flood insurance.

FEMA administers IHP disaster assistance through the National Emergency Management Information System (NEMIS), and contracts with a third-party contractor to attempt to validate identity, occupancy, ownership, and other information provided by registrants during the registration process. In addition, FEMA can use edit checks in NEMIS to identify duplicate registrations and to prevent duplicate payments to registrants who have provided invalid and/or fraudulent information when registering for assistance. The contractor validates information provided by registrants by comparing the registrant's name with the SSN, the name with the address, and other pieces of information provided.

Once FEMA accepts a registration, it requests a physical inspection of the registration address to be performed by a FEMA contractor.<sup>1</sup> To perform a physical inspection, an inspector meets with a registrant and reviews documentation to validate (1) the registrant's identity, (2) the registrant's occupancy of the damaged address, and (3) if applicable, the registrant's ownership of the damaged address. To validate the registrant's identity, occupancy, and/or ownership, the inspector is required to view physical documentation provided by the registrant, such as a driver's

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<sup>1</sup> Two contractors, Alltech and PaRR, are currently assigned to perform all disaster-related inspections for FEMA. Independent subcontractors, hired by the contractors, perform the physical inspections.

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license, merchant's statement or utility bills substantiating a registrant's identity and occupancy of the damaged address.

To validate ownership of a damaged address, the inspector reviews mortgage documents, tax assessment records, or homeowner's insurance documents. Once the inspector views a registrant's documentation, he or she inspects the address to determine what physical damage, if any, was sustained during the disaster. The inspector then records the validation of a registrant's documentation and the damage incurred due to the disaster on a FEMA-provided computer. The inspector subsequently uploads this data to NEMIS, and FEMA determines the type and amount of assistance that the registrant is eligible to receive.

On August 29, 2005, Hurricane Katrina struck several Gulf Coast states, including Alabama, Mississippi, and Louisiana, as a Category 3 hurricane. On September 24, 2005, Hurricane Rita, another Category 3 hurricane, struck Louisiana and Texas. These hurricanes caused catastrophic damage to the Gulf Coast. As part of the IHP program, about 2.5 million individuals applied for disaster assistance, and FEMA authorized about 1.5 million of these applicants as eligible for IHP disaster assistance. Because of the high volume of IHP registrations, FEMA turned off many of its system controls in order to process registrations in a timely manner. However, a subsequent Government Accountability Office (GAO) audit estimated that FEMA made between \$600 million and \$1.4 billion in payments to potentially fraudulent registrations because effective controls were not in place.

Between March and June 2008, heavy rains in Midwestern states caused multiple rivers to overflow and flood. States affected by the flooding include Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, and Wisconsin. The President declared disasters in these states, resulting in more than 100,000 registrants applying for IHP disaster assistance and FEMA paying more than 60,000 registrants for IHP disaster assistance as of October 14, 2008. In August and September 2008, hurricanes Gustav and Ike hit the Gulf Coast states of Louisiana and Texas. The President declared disasters for these two hurricanes, resulting in more than 1.2 million individuals applying for federal assistance. As of March 13, 2009, FEMA had authorized 200,000 individuals to receive IHP assistance for hurricanes Gustav and Ike.

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## Results of Review

The results of our analysis of FEMA data from hurricanes Katrina and Rita in 2005 and data from more recent disasters shows substantial improvements in internal controls, resulting in far fewer instances of payments being made to registrations with duplicate and invalid key data. However, FEMA is not fully using its validity checks for key registration data, and payments have been made to thousands of registrations that have failed key checks for identity, occupancy, and/or ownership. FEMA does have compensating controls in place to help ensure that registrations failing data checks have identity, occupancy, and/or ownership validated prior to a payment being issued, such as requiring a physical inspection of a damaged property and a registrant's documentation. However, failed checks do indicate registrations that are at a higher risk of being fraudulent, and should be scrutinized more thoroughly in the event FEMA cannot conduct inspections in a timely manner. Further, the results of these checks are not being passed to inspectors so that they can validate or overturn the claims after viewing registrant-submitted documentation during a physical inspection of the damaged property. Finally, FEMA needs a business plan that will guide decision-making and expedite disaster payments to valid registrants in the event of a major disaster where it is unable to conduct a physical inspection of damaged properties.

### Improvements in Controls Since 2005 Gulf Coast Hurricanes

Our analysis of FEMA IHP payment data for hurricanes Katrina and Rita and selected 2008 disasters showed that the number of duplicate, improper, and potentially fraudulent registrations receiving payment has been substantially reduced. FEMA officials acknowledged control breakdowns occurring subsequent to the 2005 Gulf Coast hurricanes, and said they were not preventable due to the size of the disasters, the magnitude of exception reports generated by the system, the shortage of management personnel to manually review registrations, and the need to turn off some controls in order to process assistance payments in a timely manner. FEMA has claimed that the weak control environment in 2005 was exceptional and that the control environment is much better for smaller disasters. The stronger control environment in smaller disasters is due in large part to FEMA's ability to implement a 100% inspection policy, where all registrations eligible for payment are inspected and a FEMA contractor interviews a representative of the registrant before authorizing payment.

To demonstrate the weaknesses in the controls for hurricanes Katrina and Rita payments, we analyzed FEMA IHP data for the 1.5 million registrants receiving payments to identify duplicate and potentially fraudulent data

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contained in the registration databases for the 2005 Gulf Coast hurricanes. Specifically, FEMA made duplicate, improper, and potentially fraudulent IHP payments to registrations based on the following information:

- Invalid SSNs (based on the Social Security Administration's (SSA) guidance on invalid SSN number strings)
- Multiple registrations with the same SSNs
- Post Office boxes that were listed as the disaster-damaged addresses
- Multiple registrations with the same bank routing numbers and account numbers
- Multiple registrations with the same disaster-damaged addresses and current addresses.<sup>2</sup>

Office of Inspector General (OIG) audits, as well as other oversight audits performed by GAO, identified serious internal control failures that occurred as part of FEMA's disaster assistance program after hurricanes Katrina and Rita. As a result of audit work, registrations identified as potentially fraudulent were referred to investigators for further investigation and, where applicable, for prosecution.

To test for changes in FEMA's internal control environment since 2005, we requested that FEMA provide databases of registrations and payments for the 2005 Gulf Coast hurricanes, the 2008 Midwest floods, and the 2008 Gustav and Ike hurricanes. We then tested the registration and payment data for the current disasters to determine if FEMA was making the same types of problematic payments made after the 2005 Gulf Coast hurricanes. Our analysis of the 2008 disaster registration and payment data showed that FEMA made virtually no payments to registrants with invalid or duplicate SSNs and made far fewer payments to registrants who had provided other duplicate information for the 2008 disasters. The results of the tests for the 2005 Gulf Coast hurricanes, the 2008 Midwest floods, and the 2008 Gustav and Ike hurricanes are shown in table 1.

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<sup>2</sup> We were unable to provide a list of SSNs accepted by FEMA from registrants to the Social Security Administration to be run against the SSA database of valid SSNs.



**Table 1.** Comparison of Fraud Prevention Tests Conducted on the 2005 Gulf Coast Hurricanes and the 2008 Midwest Floods and Hurricanes Gustav and Ike Payments

	<b>Gulf Coast Hurricanes</b>	<b>Midwest Floods<sup>1</sup></b>	<b>Hurricane Gustav<sup>2</sup></b>	<b>Hurricane Ike<sup>2</sup></b>
Total registrations	2.6 million	107,000	441,000	788,000
Total registrations receiving payment	1.5 million	62,000	70,000	130,000
Duplicate damaged addresses	380,000	1,700	4,400	10,100
Duplicate damaged and current addresses	111,000	600	3,100	5,200
Invalid SSNs	700	6	2	11
Duplicate SSNs	33,000	2	21	16
Post Office Boxes	2,200	4	4	14
Duplicate Electronic Funds Transfer (EFT) accounts	23,000	14	46	136

<sup>1</sup>Data based on FEMA registration and payment data as of October 14, 2008.

<sup>2</sup>Data based on FEMA registration and payment data as of March 13, 2009.

The results of our data analysis for the 2005 Gulf Coast hurricanes showed that FEMA paid more than 100,000 registrations based on potentially fraudulent information. Specifically, out of about 1.5 million registrations receiving FEMA payments, more than 30,000 had invalid or duplicate SSNs, more than 20,000 had duplicate American Bankers Association bank routing numbers and bank account numbers, and more than 100,000 had duplicate damaged and current household addresses. FEMA paid hundreds of millions of dollars to these duplicate, improper or potentially fraudulent 2005 Gulf Coast hurricane registrations. In addition, the tests identified the same types of internal control weaknesses and the kinds of potential cases that OIG and GAO had previously reported. According to FEMA officials, during the 2005 Gulf Coast hurricanes, FEMA turned off some internal controls in order to process disaster assistance payments in a timely manner, leading to internal control problems and payments based on invalid and duplicate registrations.

In contrast, far fewer payments were issued based on duplicate or invalid information for selected 2008 disasters. The data indicate that FEMA had a strong control environment in place during the Midwest flood disasters and hurricanes Gustav and Ike in 2008. For example, the same tests used to identify control weaknesses in the 2005 Gulf Coast hurricanes revealed no registrants with invalid or duplicate SSNs being paid as part of the Midwest floods or hurricanes Gustav and Ike. In addition, far fewer

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registrants were paid based on duplicate addresses and banking data in 2008 disasters when compared to the 2005 hurricanes. Registrants paid based on duplicate addresses are less risky than those that are paid based on other duplicate data because there are numerous reasons two valid registrants could share an address and still each receive payments. For example, two roommates would each be eligible to apply for and receive personal property reimbursement.

Two key changes have led to an improved IHP control environment. First, FEMA has increased the number and scope of protective measures taken to ensure that registrations based on duplicate and invalid information do not become eligible for assistance payments. For the 2005 Gulf Coast hurricanes, FEMA used a contractor to provide limited validity reviews of its online registrations. However, not all key data elements were validated by the contractor, telephone registrations were not initially subject to any validity reviews, and detailed test results were not passed to FEMA for review. FEMA has improved its data review process considerably since 2005. FEMA now passes all its registrations to the contractor for review, whether submitted online or by telephone. In addition, FEMA now requires the contractor to review more key data elements than in 2005. Currently, the contractor conducts multiple tests to establish the validity of a registrant's identity. In addition, the contractor performs reviews to determine whether the registrant was a valid occupant and/or owner of the damaged address. These upgrades to FEMA's contract provide a greater assurance that key registration information is valid, compared with the limited validity checks in place at the time of the 2005 Gulf Coast hurricanes.

In addition, since 2005, FEMA has operated under a 100% inspection and interview environment. This means that prior to making a payment on any IHP registration, a FEMA contractor meets in person with the registrant and inspects the damaged property to determine what assistance, if any, the registrant is entitled to receive. This allows FEMA, in addition to validity tests performed by the contractor, to have its inspectors perform an additional onsite review of documentation provided by a registrant to show that the registrant resides in and/or owns and occupies the address claimed on the disaster assistance registration.

## **Challenges Remain**

When compared with the 2005 Gulf Coast hurricanes, improved upfront testing of key registration data elements, as well as a 100% inspection environment, have allowed FEMA to make significant improvements in its ability to identify and prevent payments to registrations based on duplicate or invalid data. However, challenges remain that could result in FEMA

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making payments to improper or potentially fraudulent registrants and could hinder FEMA's ability to make timely payments to valid registrants in the event of a major disaster.

A significant number of registrations that fail one or more validity tests are receiving disaster assistance payments, according to data from the 2008 Midwest floods and hurricanes Gustav and Ike. While registrations failing data validity checks are not necessarily invalid, those registrations are at a higher risk of being fraudulent due to the lack of evidence substantiating key registration data. In addition, while FEMA makes a preliminary assessment of the validity of a registrant's identity, occupancy, and ownership of the damaged property based on upfront computer checks, FEMA does not provide inspectors with the results of that assessment prior to a physical inspection. Inspectors can overrule the preliminary assessment during a physical inspection based on viewing physical documentation received from a registrant, but the failure to provide them with these results leaves FEMA more vulnerable to registrants providing fraudulent documentation at the time of inspection.

#### **Payments to Registrations Failing Identity, Occupancy, and Ownership**

Our data analysis shows a significant number of FEMA disaster assistance payments being made to registrations that failed one or more of the identity, occupancy and ownership validity tests. Specifically, for the 2008 Midwest floods and hurricanes Gustav and Ike, roughly 50% of registrants receiving disaster assistance payments had failed one or more tests designed to validate identity, address, and occupancy and/or ownership of a damaged address at the time of the disaster. There are reasons why a valid registrant may fail one or more validity checks for key registration data. For example, an apartment resident who is on a lease but does not pay utility bills for the apartment may not be linked to the address through public records. In that case, the registrant may fail the occupancy validity check despite being a valid resident of the address. While validity check failures do not necessarily mean a registration is invalid, registrations that fail one or more of the validity tests are inherently more likely to contain false or inaccurate information and thus have a higher risk of resulting in payments based on fraudulent or improper registrant information. Specific results of our data analysis are shown in Table 2.

**Table 2.** Midwest Floods, Hurricane Gustav, and Hurricane Ike registrants failing identity, occupancy and/or ownership tests and receiving payments

	<b>Midwest Floods<sup>1</sup></b>	<b>Hurricane Gustav<sup>2</sup></b>	<b>Hurricane Ike<sup>2</sup></b>
Total registrations	107,000	441,000	788,000
Total registrations receiving payment	62,000	70,000	130,000
Registrations failing one or more validity test	25,000	43,000	69,000
<b>Failures by type:</b>			
Identity	890	1,100	4,000
Address	7,800	14,300	25,400
Occupancy	8,900	17,000	36,200
Ownership	15,700	28,000	33,100

<sup>1</sup>Data based on FEMA registration and payment data as of October 14, 2008.

<sup>2</sup>Data based on FEMA registration and payment data as of March 13, 2009.

**Inspectors Not Provided with Identity, Occupancy and Ownership Validity Test Results**

Despite the prevalence of registrants who fail identity, occupancy, and/or ownership tests eventually receiving payment after a physical inspection, FEMA does not provide the results of these validity tests to the inspectors who will inspect the damaged property. As a result, inspectors are not able to evaluate registrations with invalid or suspect data with a higher level of scrutiny than they would give to a registration that has passed all key validity tests.

In addition, inspectors are not required to independently validate documentation provided to them by disaster registrants to confirm identity, occupancy, and/or ownership. For example, if an inspector looks at a driver's license to establish a registrant's identity and/or occupancy, the inspector is not required to record the driver's license number or determine that the driver's license is valid with the State's Department of Motor Vehicles. In another example, if a registrant provides an inspector with a lease to show proof of occupancy, the inspector is not required to confirm lease information with neighbors, the leasing office, or the postal carrier to determine if additional evidence validates the lease. While additional scrutiny is perhaps unnecessary if a registrant has already passed all validity tests, the inspector's role could be expanded to include verifying registration data for registrations that failed one or more validity tests with third parties.

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### **Problems Exist in Occupancy Validation Checks**

FEMA uses occupancy validation checks to make a preliminary determination of whether an applicant occupied a damaged address at the time of a disaster. [REDACTED]

To validate a registrant's occupancy of a damaged address at the time of the disaster, FEMA uses a contractor to check the registrant's key personal information against available public records. However, while our tests confirmed the effectiveness of the contractor's ability to identify name and SSN mismatches, [REDACTED]

[REDACTED] Inspectors are required to validate occupancy during a physical inspection (such as by examining a driver's license or utility bill) before any IHP payments are authorized. [REDACTED]

### **Major Disaster Business Plan**

FEMA needs a business plan that could be implemented in the event of a major disaster (on the scale of hurricanes Katrina or Rita). FEMA needs to have a well thought-out business plan that could be adopted in the event of a major disaster if it is not practical to provide disaster assistance only after the damaged property has been inspected. Without a business plan to analyze the risk associated with different types of registrations, FEMA may deny timely assistance to registrants who have their identity, occupancy, and, if applicable, ownership confirmed by a third party. Historically, a backlog of registrants needing payments has caused FEMA to turn off its controls, making the process more vulnerable to fraud, waste, and abuse.

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In 2005, the magnitude of damage caused by hurricanes Katrina and Rita prevented FEMA from performing inspections of all damaged addresses claimed on disaster assistance registrations. Since 2005, FEMA has operated under a 100% inspection environment for all disasters, meaning that it performs a physical inspection of a damaged address to determine eligibility before any payments are issued.

Although FEMA expects to perform physical inspections of damaged addresses, it does not have a documented business plan in place to facilitate disaster assistance payments if a major disaster does not allow for timely 100% inspections. Further, FEMA does not assign risk values to disaster registrations based on the result of identity, occupancy, and ownership tests, nor does FEMA assign higher risk values to registrations that fail one or more key control tests. Based on its current policy, FEMA would face a tough decision if a disaster did not allow 100% of damaged addresses to be inspected in a timely manner. FEMA would have to either deny assistance to all registrants who had not received inspections and risk denying assistance to valid registrants, or decide how to distribute assistance to registrants who had not been inspected. Without a well-vetted business plan in place to withhold assistance from suspect registrants and to distribute initial assistance to registrants who pass all validity tests, FEMA may deny assistance to valid registrants or make payments to registrants who submit false and potentially fraudulent information. Conversely, FEMA would be forced to make spur-of-the-moment payment decisions without adequately addressing the pros and cons of its decisions.

## Conclusions

Our interviews and data analysis show that FEMA has improved its IHP program performance since 2005 because of increased controls through validity checks with a third-party contractor, and also being able to operate under a 100% inspection environment. However, FEMA still faces additional challenges in the registration and inspection process that make the IHP system vulnerable to paying improper and potentially fraudulent registrations. Specifically:

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- [REDACTED]

Further, FEMA does not have a business plan in place, based on a risk-based analysis of registration data, which would help FEMA decide how to give out immediate assistance if a major disaster does not allow 100% inspections to be performed in a timely manner. Without a business plan in place, FEMA will risk either dropping its control procedures and giving out immediate assistance to registrants who have failed key validity tests, or keeping its current control procedures and denying immediate assistance to registrants who pass all key validity tests but are unable to have their damaged address inspected. A risk-based plan would allow FEMA to provide immediate assistance to low-risk registrants who pass all key validity tests while delaying assistance to more risky registrants who fail one or more key validity tests until data inconsistencies can be resolved.

**Recommendations**

We recommend that the Administrator, Federal Emergency Management Agency:

**Recommendation #1:** [REDACTED]

**Recommendation #2:** Require inspectors to more closely examine the evidence that registrants provide overruling identity, occupancy, and ownership validity test failures.

**Recommendation #3:** Systematically record driver’s license numbers in NEMIS.

**Recommendation #4:** Design procedures to validate the authenticity of identity, occupancy, and/or ownership information provided by disaster assistance registrants (at least on a sampling basis).

**Recommendation #5:** [REDACTED]

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**Recommendation #6:** Develop policy and standard operating procedures for expediting IHP assistance when traditional FEMA inspection is not feasible or may be delayed for a significant period of time that (1) seek to maximize identity, occupancy and ownership validation; and (2) define and document risk-based solutions for expediting assistance.

### **Management Comments and OIG Analysis**

We obtained written comments from the Acting Director, Office of Policy and Program Analysis. We have included a copy of the comments in Appendix B. The Acting Director, Office of Policy and Program Analysis concurred with all six recommendations with the exception that FEMA requires additional time to review the effectiveness and feasibility of recommendation #3.



## Appendix A

### Purpose, Scope, and Methodology

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The objectives of our work were to determine (1) whether FEMA has instituted changes to respond to recommendations issued by the OIG<sup>3</sup> and the GAO<sup>4</sup> designed to prevent fraud, waste, and abuse in the IHP disaster assistance program observed after hurricanes Katrina and Rita, and (2) the extent to which IHP remains vulnerable to fraud, waste, and abuse.

To determine whether FEMA has instituted changes designed to prevent the types of fraud and abuse that occurred after the 2005 Gulf Coast hurricanes, we interviewed FEMA officials to determine the changes that FEMA has made to strengthen its control environment. We also analyzed databases from the 2005 Gulf Coast hurricanes, the 2008 Midwest floods, and the 2008 Gustav and Ike hurricanes to determine the extent to which the types of duplicate, improper and potentially fraudulent registrations that resulted in payments in hurricanes Katrina and Rita existed in the 2008 disasters. Finally, to determine the extent to which FEMA's IHP program remains vulnerable to fraud, waste and abuse, we analyzed new data to determine if additional improvements could be implemented in FEMA's current internal control environment.

Our work was conducted under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards and President's Council on Integrity and Efficiency investigative standards. Audit fieldwork was conducted from March through November 2008, in the Washington, DC, area and at the Virginia National Processing Service Center.

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<sup>3</sup> *Expedited Assistance Overpayments*, GC-HQ-06-06, dated November 1, 2005.

<sup>4</sup> *Hurricanes Katrina and Rita Disaster Relief: Continued Findings of Fraud, Waste, and Abuse*, GAO-07-300, dated March 2007.

Appendix B  
Management Comments to the Draft Report


U.S. Department of Homeland Security  
Washington, DC 20472



FEMA

AUG 19 2009

MEMORANDUM FOR: Matt Jadacki  
Deputy Inspector General  
Office of Emergency Management Oversight  
Office of Inspector General

FROM:   
Robert A. Farmer  
Acting Director  
Office of Policy and Program Analysis

SUBJECT: Comments on OIG Draft Report, *Improvements to Internal Controls for FEMA's Individuals and Households Program Registration Process*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) subject draft audit report. As the Federal Emergency Management Agency (FEMA) works toward refining its programs, the OIG's independent analysis of program performance greatly benefits our ability to continuously improve our activities.

FEMA concurs with the draft report's six recommendations with the exception of the caveat expressed with regard to the third recommendation. FEMA has been working diligently to correct the issues identified in your audit. While we will be providing corrective action plans in our 90-day response, we provide the following information relative to the six recommendations:

**Response:** FEMA has initiated a software change request for the next major Automated Construction Estimator (ACE) release currently anticipated in the Fall of 2009 that will give inspectors this needed information.

**Recommendation #2:** Require inspectors to more closely examine the evidence that registrants provide overruling identity, occupancy and ownership validity test failures.

**Response:** In response to a recent U.S. Government Accountability Office (GAO) review of FEMA fraud controls, we contacted the Department of Homeland Security (DHS) OIG to help us identify some things we can look for in determining potentially fraudulent documentation, such as hotel bills

[www.fema.gov](http://www.fema.gov)

## Appendix B

### Management Comments to the Draft Report

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with no logo. Once we complete our discussions with the DHS OIG, we will develop and conduct training for National Processing Service Center (NPSC) employees and inspection contractors on new procedures for closely examining these documents. When Recommendation # 1 is implemented, giving the inspectors information on identity, occupancy and ownership validity tests, questionable applicants can be identified by the inspectors for a more thorough examination of the documentation provided.

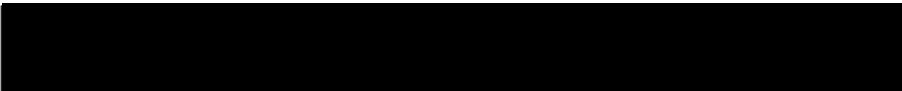
FEMA has successfully put many fraud prevention controls in place since 2005 as the DHS OIG noted in this report. FEMA is aware of the potential for fraud and will continue to work to reduce the risk of improper payments. We do have to balance fraud prevention with the understanding that most FEMA applicants have a legitimate need for assistance and need it quickly. We believe that additional procedures to validate applicant identity should be implemented without adding undue wait time for disaster assistance payments.

**Recommendation #3:** Systematically record driver's license numbers in NEMIS.

**Response:** FEMA requires additional time to review the effectiveness and feasibility of this recommendation. Considerations include the funding/prioritization of software changes, current contract limitations, technical limitations to validating authenticity and a cost-benefit analysis.

**Recommendation #4:** Design procedures to validate the authenticity of identity, occupancy, and/or ownership information provided by disaster assistance registrants (at least on a sampling basis).

**Response:** This recommendation was also part of the recent GAO review of FEMA fraud controls. We will consult with the DHS OIG and a statistician regarding the percentage of documents we should examine and/or the "randomness" of our search. The NPSCs have made some organizational changes to include an internal Audit Section that will report to the NPSC Operations Branch Chief. This new team will have responsibility for auditing our casework, reviewing how policy or procedural guidance affected our decisions, conducting random checks, working with GAO and the DHS OIG and others on lessons learned, and making recommendations for system changes. This newly formed audit team should be in place by mid-September 2009.



**Response:** FEMA will work with our external data validation vendor and the Office of the Chief Information Technology Officer (OCIO) to discuss/implement improvements that do not result in degradation of service delivery times.

**Recommendation #6:** Develop policy and standard operating procedures for expediting IHP assistance when traditional FEMA inspection is not feasible or may be delayed for a significant period of time that (1) seek to maximize identity, occupancy and ownership validation; and (2) define and document risk-based solutions for expediting assistance.

**Response:** FEMA will continue to examine policies and standard operating procedures for expediting assistance when a traditional inspection is not feasible or has been delayed.

## Appendix B

### Management Comments to the Draft Report

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FEMA has already incorporated the results of the identity and occupancy validity tests in pre-inspection disaster assistance eligibility decisions. A recent example is FEMA's processing of Hurricanes Gustav and Ike Transitional Sheltering Assistance. In these disasters, applicants were provided with non-financial, direct lodging assistance after they passed an automated identity and occupancy verification, without an inspection. Applicants who failed identity and/or occupancy verification, but were otherwise eligible for Transitional Sheltering Assistance were provided with a fax number to which identity and occupancy verifications documents could be sent and expeditiously processed.

We are prepared to implement a similar procedure if it is determined that disaster activity warrants payments to applicants after automated fraud checks, without an inspection. Such a plan could be used in conjunction with Geographic Information Systems data regarding flood levels to pay applicants in large events when issuing individual inspections is not feasible.

Thank you again for the opportunity to comment on this draft report and we look forward to working with you on other issues as we both strive to improve FEMA.

**Appendix C**  
**Major Contributors to this Report**

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Gina Smith, Director  
John Ryan, Director  
John Kelly, Director  
Scott Wrightson, Forensics Specialist

## **Appendix D**

### **Report Distribution**

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#### **Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff for Operations  
Chief of Staff for Policy  
Deputy Chiefs of Staff  
General Counsel  
Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
FEMA Assistant Administrator, Disaster Assistance Directorate  
FEMA Audit Liaison (Project Code 09-109-EMO)

#### **Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

#### **Congress**

Congressional Oversight and Appropriations Committees, as appropriate



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DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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