

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Interagency Agreement with
U.S. Department of Housing and Urban
Development for the Disaster Housing
Assistance Program**



OIG-08-55

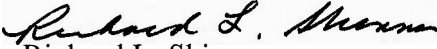
May 2008



Homeland Security

MAY 6 2008

MEMORANDUM FOR: R. David Paulison
Administrator
Federal Emergency Management Agency

FROM: 
Richard L. Skinner
Inspector General

SUBJECT: *Interagency Agreement with U.S. Department of Housing and Urban
Development for the Disaster Housing Assistance Program*
Report Number OIG-08-55

On July 26, 2007, the Department of Homeland Security/Federal Emergency Management Agency (DHS/FEMA) entered into an interagency agreement (IAA) with the Department of Housing and Urban Development (HUD) to administer the Disaster Housing Assistance Program (DHAP). The agreement requires HUD to act as a servicing agent to provide temporary long-term housing rental assistance and case management to identified individuals and households displaced by hurricanes Katrina and Rita. FEMA program officials responsible for the DHAP contacted the Office of Inspector General with concerns relating to the potential for duplication of fees being paid, as well as administrative fees being paid for services not rendered.

We performed a review of HUD-proposed modifications to the operating requirements for DHAP. The objective of our review was to determine whether certain elements of the proposed modifications relating to compensation for program services could result in duplicate or improper payments. We analyzed the IAA terms and conditions, including program services and funding, and reviewed the DHAP operating requirements, including specific services to be provided and amounts, method, and timing for payment. Additionally, we held discussions with program officials at FEMA and HUD, and reviewed correspondence between the two agencies with respect to the HUD-proposed modifications.

The DHAP provides temporary housing assistance through March 1, 2009, by means of a monthly rent subsidy to eligible families displaced by Hurricanes Katrina and Rita. The agreement requires HUD's Public Housing Authorities (PHAs) to perform pre-transitional activities and case management services. In addition, the IAA indicates that FEMA will provide the PHAs with monthly fees for administrative services, as well as a one-time placement fee when a family enters the program. PHAs will calculate the monthly rent subsidies, make monthly rent payments on behalf of participating families, perform housing inspections, and apply appropriate subsidy standards for families. See Appendix A for a more detailed description of these fees. Further, HUD receives administrative fees for salaries and benefits, travel, overtime, communications, equipment and other services.

HUD initially planned to start the DHAP in November 2007, but subsequently changed the initiation date to December 2007 since they could not get all families transitioned to DHAP. Consequently, FEMA, rather than the PHAs, made rent subsidy payments for November. However, PHAs may have been reimbursed for administrative costs not incurred, specifically the portion of the administrative service fees related to rent subsidy payments to eligible families during November. In addition, duplicate fees related to subsidy payments could have been paid in December 2007 and subsequent months because many of the PHAs were not in a position to make those payments in December. We were told that the Houston PHA made the rent subsidy payments for those PHAs that could not make the December payments. Since the Houston PHA will be paid for the administrative services provided on behalf of those PHAs, service fees should not have been paid to PHAs that did not provide services in December. We concluded that FEMA paid HUD for administrative service fees not incurred, and paid some fees twice.

We recommend that Disaster Assistance Directorate officials require HUD's PHAs to:

Recommendation #1: Provide a cost-estimate for administrative service fees related to the rent subsidy payments made by the PHAs,

Recommendation #2: Reimburse FEMA for the administrative service fees related to the rent subsidy payments that were not made by HUD's PHAs in November 2007, and

Recommendation #3: Reimburse FEMA for the duplicate administrative service fees related to the rent subsidy payments that were paid or will be paid to the Houston PHA and the PHAs that did not render service in December 2007 and subsequent months.

This review was conducted 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.

We request that you provide written comments to this report and the three recommendations within 30 days of the date of this memorandum. 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: Chief Financial Officer, FEMA
Assistant Administrator, Disaster Assistance Directorate
Assistant Administrator, Grants Program Directorate
Director, GAO/OIG Liaison Office
FEMA Audit Liaison

Appendix A

Disaster Housing Assistance Program Fees for Public Housing Authorities

DHAP Administrative Activity	Service PHA to Perform	Example
<p>Pre-Transition Activities (9/1/07 - 10/31/07, only)</p>	<p>\$92.00/month times number of families referred to PHA and receiving pre-transitional services, times number of months of service before November 1, 2007 (this is to be paid in lump-sum immediately after FEMA signs a grant agreement with the PHA)</p>	<p>If 100 families are referred to the PHA during September, the <u>Pre-Transitional Activities Fee</u> is: $\\$18,400 = \\92×100 [Families referred] x 2 [max # of months in this period]</p> <p>If 11 more families referred to PHA during month of October, the PHA would receive an additional <u>Pre-Transitional Activities Fee</u> of: $\\$1,012 = \\92×11 [additional Families referred] x 1 [# of months remaining in this period]</p>
<p>Case Management</p>	<p>\$92/month to be paid in lump-sum after November 1, 2007</p>	<p>November 2007 to February 2008 - number of families referred times 4 [number of months of service during this period] - For the 111 families noted above, the <u>Case Management Fee</u> is: - $\\$40,848 = \\$92 \times 111 \times 4$</p> <p>March 2008 to March 2009 - number of families under DHAP lease as reported on quarterly basis times 3 [number of months during quarter] - If 98 of 111 families noted above are reported as participating as of February 2008, quarterly <u>Case Management Fee</u> is: - $\\$27,048 = \\$92 \times 98 \times 3$</p>

Appendix A

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DHAP Administrative Activity	Service PHA to Perform	Example
Administrative Services	15 percent of initial estimated DHAP rent subsidy payment for 16 months (to be paid in lump-sum at time of family eligibility determination and referral to PHA)	<p>For the 111 families noted above, assuming each family has rent subsidy of \$500, the Administrative Service Fee is: $\\$114,969 = 15\% \times 111 \times \\500×13.81011 [program months 11/1/07 to 2/28/09, adjusted for assumed 2% month program attrition]</p> <p>If 10 additional families are referred during November, assuming rent subsidy of \$500, the Administrative Service Fee is: $\\$9,608 = 15\% \times 10 \times \\500×12.81011 [program months 12/1/07 to 2/28/09, adjusted for assumed 2% month program attrition]</p>
One-Time Placement Fee	To be paid when a family is placed under a Disaster Rent Subsidy Contract	<ul style="list-style-type: none"> - \$1,000 for each family leased in-place or residing in FEMA-identified unit - \$1,000 for each family successfully placed in permanent housing instead of DHAP - \$1,500 for each family placed in PHA-identified unit to reflect added responsibilities to assist family in leasing a unit under the program

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