



**STATEMENT OF RICHARD SKINNER**  
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**U. S. DEPARTMENT OF HOMELAND SECURITY**  
**BEFORE THE**  
**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**  
**UNITED STATES SENATE**  
**MAY 18, 2005**



Madam Chairman and Members of the Committee:

Thank you for the opportunity to be here today to discuss our audit of FEMA's Individuals and Households Program (IHP) in the Miami-Dade County area following Hurricane Frances. My remarks will focus entirely on our May 2005 report entitled, "FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances." The entire report is included with my testimony for the record.

In 2004, the State of Florida was affected by an unprecedented four hurricanes in two months causing widespread damage and destruction. The inclusion of Florida's Miami-Dade County in the declaration for Hurricane Frances and subsequent awards of approximately \$31 million by the Federal Emergency Management Agency (FEMA) under the IHP has been the subject of public scrutiny from Federal, State, and local elected officials, and the news media. In particular, they questioned whether conditions in Miami-Dade warranted a Presidential disaster declaration and whether the level and type of IHP assistance provided to Miami-Dade County residents was justified.

The purpose of our audit was to determine whether FEMA had sufficient evidence to support the county's eligibility for IHP assistance and whether adequate program controls existed to ensure that funds were provided only to eligible applicants, for eligible expenses. The audit did not attempt to determine the extent of potential fraud or to pursue any situations to a legal resolution. All matters involving potential fraud are being handled separately by our Office of Investigations in coordination with the U.S. Attorney's office for the Southern District of Florida. Other than to say we still have an ongoing, aggressive investigative program within the State of Florida, including Miami-Dade County, relative to the four hurricanes that hit that State during 2004, it is our policy not to discuss our ongoing fraud detection initiatives or our investigations involving fraudulent claims. As of March 2, 2005, the Office of Investigations, working with the U.S. Attorney's Office for the Southern District of Florida, had arrested 14 individuals for making false claims.

The IHP provides financial and direct assistance to eligible individuals and households who have uninsured expenses or needs and are unable to meet those expenses or needs through other means. For Hurricane Frances, the maximum amount of IHP assistance an individual or household could receive was \$25,600.

The IHP consists of two major components: Housing Assistance and Other Needs Assistance (ONA). As of February 28, 2005, residents of Miami-Dade County received approximately \$13 million under the Housing Assistance component for temporary rental, home repairs, and home replacement. Under the ONA component, residents received approximately \$18 million for personal property items and funeral and medical expenses. FEMA provided the State the option to administer the ONA component of the IHP or to have FEMA administer the program. For Hurricane Frances, the State elected to have FEMA administer the program.

The administration of the IHP has two key control points: (1) the disaster declaration and the related amendment process that is designed to assess damages and losses and determine and document the need for a major disaster declaration and FEMA assistance; and (2) the inspection of damages and verification of losses reported by individuals and households to determine whether the losses are disaster-related and eligible for FEMA assistance. Our review of the IHP in Miami-Dade disclosed shortcomings in both areas.

The policies, procedures, and guidelines used in Miami-Dade County to implement the IHP were also used throughout the State of Florida, casting doubt about the appropriateness of IHP awards made to individuals and households in other counties of the state as a result of the four hurricanes, particularly those counties that had only marginal damage. Further, according to FEMA officials, most of the procedures were used for disasters in other states making the conditions and recommendations broadly applicable to FEMA's implementation of the IHP nationwide.

### **Inclusion of Miami-Dade County in the Disaster Declaration**

FEMA designated Miami-Dade County eligible for Individual Assistance programs, which included the IHP, without a documented assessment of damages or analysis of the impact Hurricane Frances had on the area. As a result, individuals and households, not severely affected by the hurricane, were eligible to apply for assistance. This situation, along with the previous and subsequent hurricanes, strained FEMA's inspection resources, tested program controls, and made the IHP more susceptible to potential fraud, waste, and abuse.

While FEMA typically conducts damage assessments before making its recommendation to the President on whether a major disaster declaration under the Stafford Act is warranted, Federal regulation<sup>1</sup> allows Governors to make expedited requests without a damage assessment for catastrophes of unusual severity and magnitude. However, in the case of Miami-Dade, the President's declaration specified that additional assistance would be subject to a damage assessment.

According to available records, the Governor's request, which was made on September 2, 2004, two days prior to landfall, covered Individual Assistance in Miami-Dade County and the other counties based on the anticipated path of the hurricane and projected damages. The National Oceanic and Atmospheric Administration's National Weather Service, reported, however, that Miami-Dade County did not incur any hurricane force winds, tornados, or other adverse weather conditions that would cause widespread damage. Weather data indicated that the strongest sustained winds were 47 miles per hour (mph), which is considered by the National Weather Services to be mild tropical storm force winds.<sup>2</sup> The strongest peak gusts of winds were 59 mph. Additionally, the highest recorded accumulation of rainfall between September 3 and 5, 2004, was 3.77 inches in North Miami Beach. No substantial rainfall accumulation occurred, and the

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<sup>1</sup> 44 CFR 206.33(d)

<sup>2</sup> A Category I Hurricane has winds of 74 to 95 mph— Tropical Storm have winds ranging from 39-73 mph.

National Weather Service did not report any flooding for Miami-Dade County during this timeframe.

Although Hurricane Frances did not affect Miami-Dade County as predicted, local residents obviously sustained some degree of damage. As of March 3, 2005, the Florida Office of Insurance Regulation reported 11,807 property claims and payments of \$43.5 million in Miami-Dade County as a result of Hurricane Frances. The type of property damage was not available, but the office reported that structural real property damage accounted for 92% of the payments statewide. The State of Florida is currently reviewing those claims and payments to determine their legitimacy. Also, as of March 7, 2005, the U.S. Small Business Administration (SBA) had approved 126 loans totaling \$1.3 million for home and business damages.<sup>3</sup>

According to FEMA officials, the affected areas in Miami-Dade County were predominately low-income neighborhoods that contained some of the State's oldest housing stock. These dwellings were not built to more recent State and local building codes established after Hurricane Andrew, which may have made them more susceptible to greater damages from the tropical force winds caused by hurricane Frances.

Although Hurricane Frances caused damage in Miami-Dade County, it is unclear whether the extent of damage warranted federal assistance. Damage assessments document the extent, type, and location of damages and whether the costs of repairs are beyond the capability of State and local governments to warrant federal assistance. In the absence of such a damage assessment, the inclusion of Miami-Dade County in the amended declaration remains questionable.

We recommended that the Director of FEMA's Recovery Division:

- Ensure that, for future declarations, preliminary damage assessments are performed to determine and document the type, extent, and location of disaster related damages whenever possible.
- Develop clearer guidance defining circumstances where complete damage assessments may be unnecessary or infeasible.

FEMA disagreed that damage assessments were required, arguing that the Code of Federal Regulations allows for damage assessments to be skipped in events of such unusual severity and magnitude that field assessments are not required to determine the need for federal assistance. Instead, FEMA officials advised us that they relied on their best judgments at the time to amend the President's declaration and add 12 counties for disaster relief under the IHP. We believe, however, that the President's Declaration was very explicit; that is, FEMA was to conduct damage assessments before adding additional counties to the declaration. Furthermore, we do not believe that the impact of Hurricane Frances on Miami-Dade was such as to warrant skipping damage assessments, especially in light of the fact that the hurricane made landfall 100 miles north of the County,

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<sup>3</sup> The SBA may make loans available without a Presidential disaster declaration.

produced only mild tropical force winds, and caused no flooding. We found no evidence to suggest that the residents of Miami-Dade County experienced widespread trauma, that is loss of life, loss of essential utilities – power or water, or other essential services, at least for a duration that would have justified the inclusion of the County in the President’s declaration.

Although there is sufficient evidence today, after the fact, that Miami-Dade County had some damages related to Hurricane Frances, it is still unclear, in our opinion, that the extent of the damages would have warranted the inclusion of the County in the President’s declaration. A PDA, as required by the President, would have eliminated any doubt whether or not the County qualified for IHP assistance.

### **Verification of IHP Disaster Losses for Other Needs Assistance (ONA)**

As of February 28, 2005, FEMA provided \$18 million in ONA to Miami-Dade County individuals and households in response to Hurricane Frances. Program controls for the administration of the ONA need to be tightened and accompanied by additional guidelines and criteria to enhance FEMA’s overall effectiveness in addressing the disaster-related needs of applicants.

#### Repairing and Replacing Household Room Items Should be More Closely Aligned to Actual Losses

FEMA awarded \$10.2 million to repair or replace household room items for Miami-Dade County residents under the ONA component of the IHP. However, the procedures used by FEMA to award funds for those items does not limit assistance to only disaster-related losses as required by Federal law and regulations.

We recommended that the Director of FEMA’s Recovery Division modify FEMA’s inspection procedures to identify more accurately disaster-related losses of household items for which applicants should be compensated.

#### Verification of Personal Property Losses Using Verbal Representations

FEMA awarded \$720,403 to 228 applicants for personal property items based upon the applicants’ verbal representations of their losses. In situations where personal property items have been discarded, FEMA guidelines permit inspectors to record disaster-related losses if the item lost can be reasonably verified through other means. In those cases, inspectors are required to document the applicant’s file with the comment “PP Verbal.” However, the guidelines do not require inspectors to document the specific items that were not available for inspection, the verbal representations made, or the evidence used to verify the loss.

We recommended that the Director of FEMA’s Recovery Division modify the IHP Inspection Guidelines to require inspectors to specify in the “PP Verbal” file the specific

item(s) that was not available for inspection, the verbal representations made, and the evidence used to verify the loss.

#### Guidance Needed for Authorizing Assistance to Replace or Repair Automobiles

Contract inspectors were not required to validate how damages to automobiles were disaster-related. Additionally, for the approvals we reviewed, the amount authorized for automobile replacement, particularly for older vehicles, in our opinion, was generally far in excess of the market replacement costs or an amount needed to acquire comparable transportation.

We recommended that the Director of FEMA's Recovery Division:

- Develop eligibility criteria for funding automobile damage that can be tied to damages sustained as a result of a disaster.
- Modify guidelines to require contract inspectors to document verified automobile damages to allow FEMA to justify awards based on disaster-related needs.
- Work with the States to establish a more reasonable replacement value for destroyed automobiles based on the cost to acquire a comparable vehicle.

#### Eligibility Criteria to Determine When to Pay for Funeral Expenses Need Refinement

FEMA caseworkers authorized payments of \$15,743 for three funerals, which we concluded were insufficiently documented to establish the deaths as disaster-related. This occurred because FEMA did not have criteria for determining whether deaths are disaster-related and eligible for funding.

We recommended that the Director of FEMA's Recovery Division:

- Develop criteria and guidelines for determining "disaster-related deaths."
- Require staff to document their analysis of each request for funeral expense assistance in order to support approval or disapproval of such assistance.

#### Need for Disaster-Related Miscellaneous Items Could be Better Verified

FEMA awarded \$192,592 for miscellaneous items to applicants in Miami-Dade County based only upon the verification that such items were purchased—not whether a disaster-related need existed.

We recommended that the Director of FEMA's Recovery Division modify inspection guidelines to require contract inspectors to justify that funding recommendations for miscellaneous items are based upon disaster-related needs.

## **Verification of IHP Disaster Losses for Housing Assistance**

As of February 28, 2005, FEMA awarded \$13.1 million to Miami-Dade applicants for rental assistance and home repair and replacement. However, the implementation of the Housing Assistance component of the IHP was hampered by several procedural omissions and generally weak guidelines for performing inspections and documenting results.

### Expedited Rental Assistance Not Provided Based on Need

FEMA provided \$82,764 in expedited assistance to 114 applicants who were not, or may not have been eligible. Those applicants reportedly had insurance, did not report a need for housing, or reported that their homes were not damaged.

We recommended that the Director of FEMA's Recovery Division recoup the \$36,300 paid to individuals who did not report a need for rental assistance or damage to their home.

### Controls Over Rental Assistance Eligibility Need Improvement

In our opinion, sufficient criteria were not in place to reasonably assure that the \$9 million of rental assistance provided to 4,985 Miami-Dade County residents was made to eligible applicants. To prevent this from occurring under future disaster declarations, FEMA needs to improve its guidelines for performing inspections, documenting the basis for unsafe home determinations, and recognizing deferred maintenance conditions.

We recommended that the Director of FEMA's Recovery Division modify its home inspection procedures to require contract inspectors to document (1) the basis for determinations that homes are unsafe, and (2) instances of deferred maintenance, including an evaluation of the severity of such conditions for housing eligibility decisions.

### Controls Over Home Repair and Replacement Assistance Need Improvement

FEMA awarded \$2.7 million to repair 2,180 homes and \$132,556 to replace 20 homes in Miami-Dade County. The need for improved guidance for unsafe home determinations and deferred maintenance are also necessary to ensure proper funding for home repair. In addition, FEMA needs to improve guidance on documenting the reasons for home repair and replacement.

We recommended that the Director of FEMA's Recovery Division modify its inspection guidelines to require inspectors to identify and document the types of disaster damages sustained to justify a decision that homes are destroyed.

## **Oversight of Inspections Needs Improvement**

FEMA's contract agreements with inspection services providers did not require the contractors to review inspections results prior to submission to FEMA. Additionally, FEMA's edit checks for inspection errors were made after payments to applicants rather than before. More timely reviews in both these areas may have prevented approximately \$24.4 million of ineligible or excessive payments that FEMA has made throughout the United States and its territories from August 2004 to February 2005. Of those funds, \$215,214 was provided to applicants in Miami-Dade County.

Also, no provisions in the contract agreements required inspectors to certify their independence and recuse themselves from inspections that may present possible conflicts of interest.

We recommended that the Director of FEMA's Recovery Division:

- Modify, when feasible, inspection contracts to require contractors to review the quality of work of their inspector prior to submitting inspections data to FEMA.
- Modify NEMIS to include an edit review of inspector work for errors prior to processing payments to applicants.
- Modify inspection contracts to require inspectors to certify their independence for each inspection and to recuse themselves from inspections that present a possible conflict of interest.

In conclusion, the policies, procedures, and guidelines used in Miami-Dade County for the IHP were also used throughout the State of Florida, as well as for disasters in other States, making our findings and recommendations broadly applicable to FEMA's implementation of the IHP nationwide. FEMA generally agreed that improved internal controls are needed over the IHP program and plans to take corrective actions. As a general comment, however, FEMA pointed out that the IHP program is designed to provide speedy assistance to victims of disasters and that increased controls would come at the price of slower payments to those in need. We recognize the need to balance speed with proper stewardship. However, we believe that many improvements can be made to guard against waste and abuse, without unduly delaying payments to those who need them.

This concludes my prepared remarks, Madam Chairman. I will be happy to answer any questions you or the members may have.

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