



December 2014

HURRICANE SANDY

FEMA Has Improved Disaster Aid Verification but Could Act to Further Limit Improper Assistance

Why GAO Did This Study

Hurricane Sandy struck the United States in October 2012, causing an estimated \$65 billion in damages. FEMA provides assistance to survivors through IHP and other programs. Part of its mission is to provide assistance quickly, but GAO previously identified weaknesses in FEMA's ability to do so while protecting government resources. Moreover, GAO's 2006 reports on Hurricane Katrina and Rita showed that FEMA did not consistently validate the identity of applicants or inspect damaged properties.

GAO was asked to review the internal controls FEMA's IHP used in response to the storm. This report discusses (1) the extent to which FEMA implemented controls to help prevent IHP payments that are at risk of being improper or potentially fraudulent and (2) challenges FEMA and states faced obtaining information to help prevent IHP payments from duplicating or overlapping with other sources in its response to Hurricane Sandy.

GAO reviewed FEMA's records for assistance provided to the five states that received IHP following the storm, assessed FEMA's controls to prevent individuals from fraudulently receiving disaster assistance, and interviewed FEMA officials and selected officials from states impacted by the storm.

What GAO Recommends

GAO recommends, among other things, that FEMA collaborate with SSA to obtain additional data, collect data to detect duplicative assistance, and implement an approach to verify whether recipients have private insurance. FEMA concurred with the recommendations.

View [GAO-15-15](#). For more information, contact Seto J. Bagdoyan at 202-512-6722 or bagdoyans@gao.gov.

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What GAO Found

By implementing new controls since the mid-2000s, the Federal Emergency Management Agency (FEMA) improved its ability to detect improper and potentially fraudulent payments, but GAO identified continued weaknesses in the agency's validation of Social Security numbers, among other things. As of August 2014, FEMA stated that it had provided over \$1.4 billion in Hurricane Sandy assistance through its Individuals and Households Program (IHP)—which provides financial awards for home repairs, rental assistance, and other needs—to almost 183,000 survivors. GAO identified \$39 million, or 2.7 percent, that was at risk of being improper or fraudulent, compared to 10–22 percent of similar assistance provided for Hurricanes Katrina and Rita. GAO identified payments as at-risk if they had characteristics indicating, for example, that ineligible recipients or duplication of assistance could be involved. However, it is not possible to determine whether these payments were definitively improper or fraudulent without inspecting each payment. FEMA officials reviewed GAO's findings and stated that at least \$6.1 million of the \$39 million were not improper or fraudulent, but GAO could not independently confirm their conclusions for each payment.

In February 2006, FEMA began using a tool to validate the identity of applicants during registration. FEMA also hired contractors to inspect damaged homes to verify the identity and residency of applicants and that reported damage was a result of Hurricane Sandy. However, in this review, GAO found 2,610 recipients with potentially invalid identifying information who received \$21 million of the \$39 million GAO calculated as potentially improper or fraudulent. GAO's analysis included data from the Social Security Administration (SSA) that FEMA does not use, such as SSA's most-complete death records. Collaborating with SSA prior to providing assistance could give FEMA additional information to further reduce its risk of assisting ineligible applicants.

FEMA and state governments faced challenges in obtaining the data necessary to help prevent duplicative payments from overlapping sources. For example, FEMA was unable to identify potentially duplicative rental-assistance payments to recipients of its Sheltering and Temporary Essential Power pilot program, in part because it did not request the necessary data from states at the program's outset. FEMA recently took steps to make data sharing among programs easier, including initiating a committee to explore ways to maintain and share relevant data needed to evaluate and help prevent potentially duplicative assistance in the future. In addition, FEMA relies on self-reported data from applicants regarding private home insurance—a factor the agency uses in determining benefits, as federal law prohibits FEMA from providing assistance for damage covered by private insurance. By examining data from entities that provide federally backed mortgages, GAO identified 534 individuals receiving over \$2.3 million in home repair and personal property assistance who said they did not have private insurance but had mortgages that require such insurance. FEMA reviewed 55 cases and stated that 32 were likely appropriate because the assistance was for damage not covered by private insurance. However, the risk remains that some individuals may have received assistance from FEMA for ineligible expenses. Assessing a variety of methods to verify self-reported data would provide FEMA greater assurance that it has a cost-effective means of obtaining sufficiently accurate and reliable information.

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Abbreviations

DHS	Department of Homeland Security
DHS OIG	Department of Homeland Security Office of the Inspector General
EVS	Enumeration Verification System
Fannie Mae	Federal National Mortgage Association
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
Freddie Mac	Federal Home Loan Mortgage Corporation
IHP	Individuals and Households Program
NEMIS	National Emergency Management Information System
NFIP	National Flood Insurance Program
ONA	Other Needs Assistance
PKEMRA	Post-Katrina Emergency Management Reform Act of 2006
SSA	Social Security Administration
SSN	Social Security number
Stafford Act	Robert T Stafford Disaster Relief and Emergency Assistance Act
STEP	Sheltering and Temporary Essential Power
TSA	Transitional Shelter Assistance

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December 12, 2014

Congressional Requesters

In its mission to reduce the loss of life and property after disasters, the Federal Emergency Management Agency (FEMA) must quickly assist those in need while also protecting government resources from fraud, waste, and abuse. Both objectives are critical to the agency's success and strong governance, but achieving them simultaneously can be challenging. If FEMA provides assistance too quickly, abuse may go undetected; conversely, if FEMA spends too much time assessing applicants' eligibility, the applicants may be deprived of needed assistance and services. Our work has consistently shown that reliable and effective controls are vital in helping achieve an appropriate balance.¹

In 2005, FEMA provided \$7 billion in financial assistance to survivors of Hurricanes Katrina and Rita, which caused an estimated \$159.4 billion in damages. The response to these disasters exposed several vulnerabilities in FEMA's internal controls. In a series of reports issued from June through December 2006, we identified significant control weaknesses that resulted in an estimated \$600 million to \$1.4 billion in potentially fraudulent or improper payments.² FEMA reported that approximately \$60 million of those payments had been recovered as of

¹For example, see GAO, *Hurricane Sandy Relief: Improved Guidance on Designing Internal Control Plans Could Enhance Oversight of Disaster Funding*, [GAO-14-58](#) (Washington, D.C.: Nov. 26, 2013); and *Catastrophic Disasters: Enhanced Leadership, Capabilities, and Accountability Controls Will Improve the Effectiveness of the Nation's Preparedness, Response, and Recovery System*, [GAO-06-618](#) (Washington, D.C.: Sept. 6, 2006).

²GAO, *Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \$600 Million and \$1.4 Billion*, [GAO-06-844T](#) (Washington, D.C.: June 14, 2006); *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, [GAO-06-655](#) (Washington, D.C.: June 16, 2006); *Hurricanes Katrina and Rita: Unprecedented Challenges Exposed the Individuals and Households Program to Fraud and Abuse; Actions Needed to Reduce Such Problems in Future*, [GAO-06-1013](#) (Washington, D.C.: September 27, 2006); and *Hurricanes Katrina and Rita Disaster Relief: Continued Findings of Fraud, Waste, and Abuse*, [GAO-07-252T](#) (Washington, D.C.: Dec. 6, 2006).

September 2014.³ Our 2006 work examining FEMA's response to Hurricanes Katrina and Rita showed that FEMA did not consistently validate the identity of applicants, inspect or confirm the physical existence of damaged residences, or confirm whether potential aid recipients actually owned or occupied a damaged property at the time of the disaster. In June and September 2006, we recommended that FEMA develop processes for validating applicants' identities and primary residences during the application process.⁴ In response, FEMA took several steps to strengthen its controls, including establishing identity verification for all applications as of June 2006 and inspections for all residences as of 2008. In a June 2009 report, we reexamined these controls in FEMA's 2008 response to Hurricanes Gustav and Ike and found that they had improved.⁵ However, we recommended additional actions in that report, including a recommendation that FEMA conduct random checks to assess the validity of applicants' supporting documentation. Beginning in December 2009, the agency took further steps to improve controls by randomly reviewing and verifying the legitimacy of the supporting documentation that caseworkers accept from applicants under the Individuals and Households Program (IHP), which provides financial awards for home repairs, rental assistance, and other needs.

As in the 2005 response to Hurricanes Katrina and Rita and the 2008 response to Hurricanes Gustav and Ike, FEMA provided large-scale posthurricane assistance to survivors after Hurricane Sandy struck the Northeast United States in October 2012 and caused an estimated \$65 billion worth of damage. The Disaster Relief Appropriations Act of 2013 included approximately \$50 billion in supplemental appropriations for fiscal year 2013 for expenses related to the consequences of Hurricane

³In 2011, Congress passed the Disaster Assistance Recoupment Fairness Act of 2011, which allowed FEMA to waive recoupment of part of this total. The act permitted FEMA to waive debts under certain circumstances, but not if the debt involved fraud, the presentation of a false claim, or misrepresentation. FEMA stated that approximately \$90 million was waived pursuant to the act.

⁴[GAO-06-655](#), [GAO-06-1013](#).

⁵GAO, *Hurricanes Gustav and Ike Disaster Assistance: FEMA Strengthened its Fraud Prevention Controls, but Customer Service Needs Improvement*, [GAO-09-671](#) (Washington, D.C.: June 19, 2009). Our assessment was limited to undercover attempts to receive benefits and interviews with recipients of assistance; it did not include an examination of all assistance payments disbursed to survivors.

Sandy.⁶ The funds were allocated to a number of agencies, including almost \$11.8 billion to FEMA, which used a portion of the funds to provide housing and other assistance to those affected by Hurricane Sandy through a number of programs, including to IHP. According to the data FEMA provided in November 2013, the most current and complete records at the time of our request, 182,782 individuals in five disaster-affected states received assistance through the agency's IHP program.⁷

You asked us to review the internal controls FEMA used in providing assistance through IHP as a part of the agency's response to Hurricane Sandy. This report assesses (1) the extent to which FEMA implemented controls to help prevent IHP payments that are at risk of being improper or potentially fraudulent and (2) what challenges, if any, FEMA and states faced in obtaining and sharing information to help prevent IHP payments from duplicating or overlapping with other sources of assistance in FEMA's response to Hurricane Sandy.⁸

To assess the extent to which FEMA had implemented controls to help prevent payments that are at risk of being improper or potentially fraudulent, we reviewed FEMA's IHP records for applications and assistance provided in response to Hurricane Sandy as of November 2013, as well as FEMA's controls designed to prevent individuals from

⁶Pub. L. No. 113-2, div. A, 127 Stat. 4 (2013). Amounts from the Disaster Relief Appropriations Act of 2013 represent the appropriations as originally enacted and not adjusted to account for sequestration.

⁷Since the data for IHP assistance was provided by FEMA in November 2013, IHP assistance has increased to 182,911 recipients as of August 2014.

⁸An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Improper Payments Information Act of 2002, as amended (codified at 31 U.S.C. § 3321 note). Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. Fraud involves an intentional act or representation to deceive with the knowledge that the action or representation could result in gain. An improper payment may be the result of fraud.

fraudulently receiving disaster assistance.⁹ We submitted IHP applicants' Social Security numbers (SSN) to the Social Security Administration's (SSA) Enumeration Verification System (EVS). The EVS provides information on invalid (never issued) SSNs and instances where there are mismatches between SSN, name, and birth date. In addition, we searched the IHP applicant database for records with duplicative SSNs, addresses, bank account numbers, and phone numbers as well as evidence that personal information of likely deceased individuals on SSA's full death file was used to obtain IHP benefits.¹⁰ We also compared IHP records with prison records of individuals incarcerated in state prisons in Connecticut, New Jersey, and New York to determine whether rental assistance payments were made to prisoners.¹¹ Finally, we interviewed FEMA officials and reviewed policies related to eligibility for assistance for flood-related damage through IHP and reviewed IHP assistance records to assess the extent to which that guidance was consistently followed.

To examine the challenges, if any, FEMA and states faced in obtaining and sharing information to help prevent duplicative IHP payments from overlapping sources, we reviewed application data of IHP recipients who reported that they did not have private homeowners insurance to determine whether their damaged properties had a federally backed mortgage, which housing and mortgage officials told us require mortgage holders to maintain private insurance. We compared these applications with data from the Federal Housing Administration (FHA), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) to determine whether any IHP recipients may have received assistance for damage from Hurricane Sandy that could be covered by private homeowners insurance. We also interviewed state and federal officials and reviewed guidance about FEMA's Sheltering and Temporary Essential Power (STEP) pilot program

⁹The President declared that sections of 11 states (New Jersey, New York, Connecticut, Rhode Island, Maryland, Massachusetts, New Hampshire, West Virginia, Delaware, Pennsylvania, and Virginia) and the District of Columbia were adversely affected by Hurricane Sandy.

¹⁰SSA's full death file contains all of SSA's death records, including state-reported death information.

¹¹We selected prisons in New York, New Jersey, and Connecticut because these three states were most affected by Hurricane Sandy.

to assess FEMA's ability to determine whether an applicant's home had been repaired through the STEP program prior to providing sheltering assistance through the IHP.¹²

We assessed the accuracy and reliability of FEMA's IHP data and data provided by state departments of correction by interviewing agency officials knowledgeable about the data system and by obtaining written responses regarding (1) methods of data collection and quality control reviews, (2) practices and controls over data-entry accuracy, and (3) any limitations of the data. To assess the reliability of data from FHA, Fannie Mae, and Freddie Mac, we interviewed agency officials knowledgeable about the data system and mortgage loans. In addition, we conducted electronic testing of the data, including checks for missing, out of range, or logically inaccurate data. We determined that the data were sufficiently reliable for the purposes of this report.

We assessed FEMA's controls and the challenges FEMA and states faced in obtaining data to prevent overlapping payments by using criteria from FEMA guidance, a review of laws pertaining to disaster relief, including the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA),¹³ and the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended.¹⁴ We also reviewed best practices from auditing and antifraud organizations, internal control criteria from *Standards for Internal Control in the Federal Government*, and previous GAO work on fraud prevention and information systems controls.¹⁵

¹²STEP was a pilot program intended to reduce the demand for other FEMA-provided housing, such as congregate shelters or TSA, and allow individuals to return to or remain in their homes. The program provided basic repairs to disaster-affected residences to make them habitable.

¹³PKEMRA was enacted as Title VI of the Department of Homeland Security Appropriations Act, 2007, Pub. L. No. 109-295, § 601, 120 Stat. 1355, 1394 (2006).

¹⁴Pub. L. No. 93-288, 88 Stat. 143 (1974) (codified as amended at 42 U.S.C. §§ 5121–5207).

¹⁵GAO, *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution*, [GAO-06-954T](#) (Washington, D.C.: July 12, 2006); *Federal Information System Controls Audit Manual (FISCAM)*, [GAO-09-232G](#) (Washington, D.C.: February 2009); *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

We conducted this performance audit from July 2013 to December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A more detailed explanation of our objectives, scope, and methodology can be found in appendix I.

Background

In late October 2012, Hurricane Sandy made landfall in southern New Jersey, with effects felt across 11 states and the District of Columbia, particularly the densely populated New York and New Jersey coasts. The storm caused an estimated \$65 billion worth of damage, as more than 23,000 people sought refuge in temporary shelters and more than 8.5 million utility customers lost power. In response, the Disaster Relief Appropriations Act of 2013 was signed into law in January 2013, which included approximately \$50 billion in supplemental appropriations for expenses related to the consequences of Hurricane Sandy. The funds were allocated to a number of agencies, including almost \$11.8 billion to FEMA, which used a portion of the funds to provide housing and other assistance to those affected by Hurricane Sandy through a number of programs. As of September 30, 2014, the agency had obligated nearly \$10.6 billion to Hurricane Sandy recovery, of which over \$1.6 billion was expended through IHP assistance.

FEMA Disaster Assistance Programs

FEMA disaster assistance is provided through its IHP, which is part of its Individual Assistance program, as well as through its Public Assistance grant programs. These federal assistance programs were established under the Stafford Act. In addition, the National Flood Insurance Program (NFIP) provides insurance coverage for flood damage to individuals who live in designated flood zones. (See fig. 1 for a summary of the various types of assistance.)

Figure 1: Federal Emergency Management Agency (FEMA) Programs Providing Assistance after Hurricane Sandy

Individual Assistance, Public Assistance, and insurance through the National Flood Insurance Program (NFIP) provided lodging, home repair, other needs assistance, and claims payments to individuals affected by Hurricane Sandy. The programs were not mutually exclusive, so an individual could receive assistance or claims payments from more than one of them.



Source: GAO analysis of FEMA data. | GAO-15-15

FEMA's IHP program provides financial assistance and direct assistance to eligible individuals and households who, as a direct result of a major disaster or emergency, have uninsured or underinsured necessary expenses and serious needs that cannot be addressed by other means, such as other assistance programs or insurance. For example, IHP provides financial assistance in the form of money to individuals and households for home repairs, rental assistance, personal property, transportation, and funeral and burial costs. FEMA determines whether individuals or households meet eligibility requirements for IHP assistance after they register either online, in person, or over the telephone.¹⁶ Individuals and households may be eligible for assistance if, due to the disaster, they have been displaced from their primary residence or their primary residence has been rendered uninhabitable. Additionally, the primary residence must be located in a presidentially declared disaster area and the applicant must have insufficient or no insurance coverage. Applicants must submit identification information, including name, SSN, and date of birth. Applicants must also provide a physical property address affected by the disaster.

After Hurricane Sandy, individuals or households could receive a maximum of \$31,900 in financial assistance through IHP.¹⁷ As of November 2013, FEMA had provided more than \$1.4 billion in IHP cash assistance to survivors of Hurricane Sandy.¹⁸ Figure 2 shows the number of recipients and total dollar amounts of assistance provided through IHP after Hurricane Sandy, by county.

¹⁶FEMA regulations define Household to mean all persons who lived in the predisaster residence who request assistance, as well as any persons, such as infants, spouses, or part-time residents who were not present at the time of the disaster but who are expected to return during the assistance period.

¹⁷FEMA is required to adjust the maximum amount for assistance provided under the IHP annually based on the Consumer Price Index for All Urban Consumers.

¹⁸The end of the period of assistance for Hurricane Sandy was April 30, 2014, for New York, New Jersey, and Connecticut; May 3, 2014, for Rhode Island; and May 20, 2014, for Maryland.

Figure 2: Hurricane Sandy Individuals and Households Program (IHP) Recipients by County

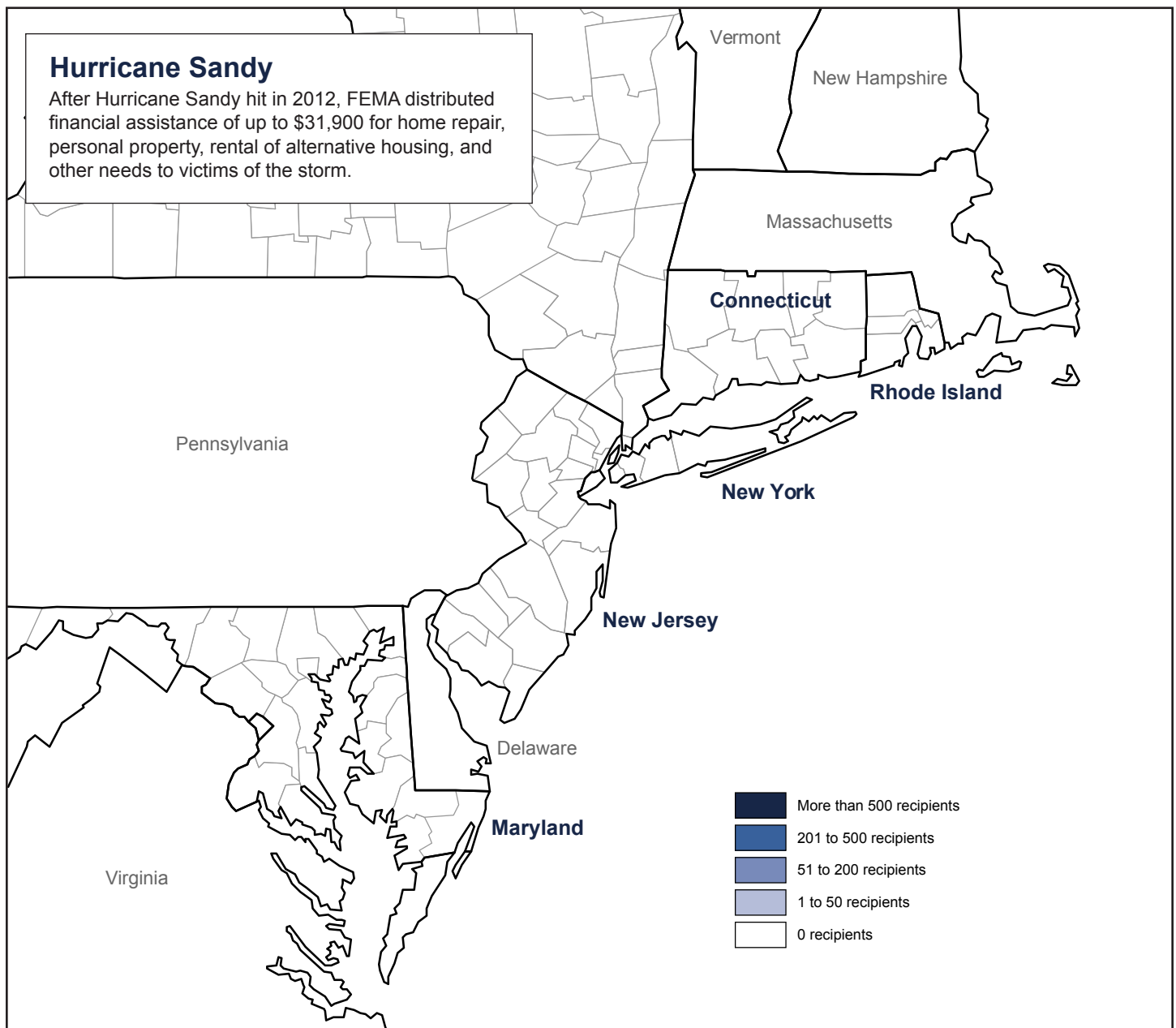
Interactive Graphic



Instructions: Roll over the shaded U.S. counties for more information.



Print version: See Appendix II



Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

Table 1 describes the total payments made through the IHP in response to Hurricane Sandy, by state, according to data provided to us by FEMA in November 2013.

Table 1: Individuals and Households Program (IHP) Expenditures as of November 2013

State (disaster number)	Number of households receiving assistance	Housing assistance (dollars)	Other needs assistance (dollars)	Total assistance (dollars)
New York (4085)	117,578	\$859,928,592	\$145,584,045	\$1,005,512,637
New Jersey (4086)	61,398	359,074,194	56,748,678	\$415,822,872
Connecticut (4087)	2,969	13,976,857	1,107,837	\$15,084,694
Maryland (4091) ^a	732	2,147,394	424,167	\$2,571,561
Rhode Island (4089)	105	378,749	42,592	\$421,341
Total	182,782	\$1,235,505,786	\$203,907,319	\$1,439,413,105

Source: Federal Emergency Management Agency (FEMA). | GAO-15-15

^aStates may choose to participate in the administration of the Other Needs Assistance (ONA) provision of IHP. FEMA administered ONA on behalf of all affected states except for Maryland, which opted to participate in the administration of this benefit.

FEMA's Public Assistance grant program provides funding to state, tribal, and local governments and nonprofit organizations for recovery efforts after a disaster, including removing debris, implementing emergency protective measures, and repairing or replacing damaged public equipment or facilities. FEMA also uses Public Assistance grants to provide short-term sheltering for disaster survivors who are unable to return to their homes. For instance, Transitional Shelter Assistance (TSA) provides short-term sheltering assistance to disaster survivors who have a continuing need for shelter after congregate shelters, such as those in schools, have closed.¹⁹ Under TSA, disaster survivors may be eligible to stay in hotel or motel lodging for a limited period and have the cost of the room and taxes covered by FEMA. Payments for TSA lodging are made through a contracted vendor directly to participating hotels on behalf of FEMA; disaster survivors are not provided with any cash assistance under this program. While the TSA program is funded under Section 403 of the Stafford Act through Public Assistance, it is administered through FEMA's Individual Assistance program, which is more prepared to collect

¹⁹FEMA defines a congregate shelter as any private or public facility that provides refuge to evacuees but that normally serves a nonrefuge function, such as schools, churches, or stadiums.

information on individuals than Public Assistance. FEMA considers applicants' eligibility for TSA as part of the IHP application process.

In addition to IHP and TSA, which were administered by FEMA's Individual Assistance program, FEMA implemented the STEP initiative in the weeks after Hurricane Sandy and reimbursed local governments the cost for providing this assistance to disaster survivors through the Public Assistance program. STEP was a pilot program intended to reduce the demand for other FEMA-provided shelter, such as congregate shelters or TSA, and allow individuals to return to or remain in their homes.²⁰ Limiting the need for sheltering assistance outside of residents' homes was particularly important because Hurricane Sandy affected an area with high population density, limited space, and high demand for hotel rooms and other potential sheltering facilities. The STEP program shares some commonality with IHP, as it provides basic repairs to disaster-affected residences such as for electricity, heat, hot water, securing broken windows, and covering exterior walls and roofs. However, STEP is intended only to make the homes habitable for the short term and does not provide any assistance beyond basic repairs to homes, whereas IHP provides financial assistance for home repair or replacement, rental expenses, damaged personal property, and other needs. In New York City, the New York City Rapid Repair Program augmented STEP to allow for repairs to multifamily dwellings and more permanent repairs needed to meet building codes. FEMA reported that STEP had provided repairs to approximately 12,500 separate households in New Jersey and New York. FEMA also reported that, as of June 2014, nearly \$418 million had been expended through the STEP program to states and localities, which were responsible for establishing contracts with service providers to assist residents in need of repairs. These states and localities later provided FEMA with the records of service, which were maintained at the state or local level, for reimbursement.

Finally, homeowners with mortgages held by federally regulated private lenders on property in participating communities identified by FEMA to be in special flood hazard areas are required to purchase flood insurance under the National Flood Insurance Program (NFIP). Under NFIP, the federal government assumes the liability for the insurance coverage and sets rates and coverage limitations, among other responsibilities, while

²⁰STEP was still a pilot program as of September 2014.

private insurers sell the policies and administer the claims for a fee determined by FEMA. While certain homeowners are required to purchase flood insurance, any property owner regardless of flood risk may purchase NFIP flood insurance if their community participates in the program. NFIP is administered by FEMA's Federal Insurance and Mitigation Administration on behalf of the federal government, which is responsible for administering programs that provide assistance for mitigating future damage from natural hazards.²¹ Homeowners who fail to maintain flood insurance despite being required to do so are usually not eligible for repair, replacement, or restoration assistance from FEMA or other federal agencies for insurable damage related to flooding.

Table 2 summarizes the disaster-recovery programs discussed in this report.

Table 2: Federal Emergency Management Agency (FEMA) Disaster-Recovery Programs and Status of Hurricane Sandy Expenditures as of November 2013

Disaster-recovery program	Type of program	Payment or assistance provided	Number of households receiving assistance or claims payments following Hurricane Sandy	Funds expended or claims paid following Hurricane Sandy (millions of dollars)
Individuals and Households Program (IHP)	Individual Assistance	Up to \$31,900 for home repair, rent, and other disaster-related expenses	182,782 ^a	\$1,439
Transitional Shelter Assistance (TSA)	Public Assistance	FEMA-paid lodging in local hotels	11,505	106
Sheltering and Temporary Essential Power (STEP)	Public Assistance	Basic home repairs to allow survivors to return quickly	Approximately 12,500	418 ^b
National Flood Insurance Program (NFIP)	Insurance	Insurance claims to policyholders for flood damage	144,293	8,202 ^c

Source: FEMA and GAO analysis of FEMA data. | GAO-15-15

^aSince FEMA provided the data in November 2013, IHP assistance had increased to \$1,454 million for 182,911 recipients as of August 2014.

^bData for STEP were provided in September 2014.

^cData for NFIP data are current as of June 2014.

²¹For an overview of GAO's work on NFIP, see GAO, *Economic Development: Overview of GAO's Past Work on the National Flood Insurance Program*, [GAO-14-297R](#) (Washington, D.C.: Apr. 9, 2014).

New Controls Introduced after Hurricanes Katrina and Rita

In responding to disasters and federal legislation since Hurricanes Katrina and Rita, FEMA implemented new controls designed to improve its capacity to verify applicants' eligibility for assistance. We reported in June 2006 that in response to Hurricane Katrina, FEMA made between \$600 million to \$1.4 billion in improper and potentially fraudulent payments, in part due to insufficient steps by FEMA to verify applicants' identities and residences.²² Verifying identities is an essential step in preventing fraud, waste, and abuse.²³ After Hurricanes Katrina and Rita, we also identified potential fraud and abuse related to the temporary housing assistance FEMA provided to individuals displaced by the disasters. For example, in the wake of these hurricanes, we reported that some survivors were simultaneously staying in hotels under TSA and receiving cash rental assistance payments.²⁴ In addition, in March 2007 we reported that FEMA made nearly \$20 million in duplicate payments to over 7,000 applicants who improperly claimed the same damaged property for both Hurricanes Katrina and Rita.²⁵ We made a number of recommendations in our March 2007 report to help minimize duplicate payments, which FEMA has implemented as discussed below.

FEMA instituted a number of changes following Hurricanes Katrina and Rita and implemented new fraud-prevention controls in response to Hurricanes Gustav and Ike in 2008. As we reported in June 2009, FEMA established identity and address verification on all applications, identified duplicate registrations, and increased requirements for home inspections. In addition, FEMA began requiring individuals in need of housing assistance to provide valid registration numbers before checking into FEMA-paid-for hotels.²⁶

In addition, FEMA took steps to respond to requirements included in the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA). For example, PKEMRA required FEMA to develop and implement a

²²This estimate was based on a statistically significant sample and with a 95 percent confidence interval. [GAO-06-844T](#).

²³[GAO-06-954T](#).

²⁴[GAO-06-1013](#).

²⁵GAO, *Hurricanes Katrina and Rita Disaster Relief: Continued Findings of Fraud, Waste, and Abuse*, [GAO-07-300](#) (Washington, D.C.: Mar. 15, 2007).

²⁶[GAO-09-671](#).

training program to prevent waste, fraud, and abuse. In response, FEMA now requires all employees to take a fraud-prevention course each calendar year and contractors for FEMA Disaster Housing Inspections provide fraud and abuse avoidance training to the inspectors.²⁷

PKEMRA also required that FEMA submit any database or processing system to the Department of Homeland Security Office of the Inspector General (DHS OIG) for a review of internal controls. In response, the DHS OIG has issued a series of reports on FEMA's internal controls. For example, in 2009, a DHS OIG analysis of disaster registration and payment data concluded that FEMA made virtually no payments to applicants with invalid or duplicate SSNs and made far fewer payments to applicants who had provided other duplicate information for the 2008 disasters.²⁸ In the same report, the DHS OIG reported that IHP payments to duplicate, improper, and potentially fraudulent registrations decreased substantially since Hurricane Katrina, primarily because FEMA required inspection of every applicant's home before it would process an assistance payment.

FEMA Implemented Controls to Prevent Assistance to Ineligible Recipients, but Opportunities Exist to Further Enhance Oversight

The controls that FEMA implemented have improved the agency's ability to prevent improper or potentially fraudulent payments, and the amount of such payments for Hurricane Sandy decreased compared to Hurricanes Katrina and Rita. However, we identified some limitations in the agency's validation of Social Security numbers (SSN), identification of duplicate applications, and oversight of flood damage assistance.

²⁷In accordance with best practices from auditing and antifraud organizations, having a strong training program is an element of an effective fraud-prevention strategy. See, for example: Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, *Managing the Business Risk of Fraud: A Practical Guide* and Institute of Internal Auditors, *Internal Auditing and Fraud*. We did not evaluate this fraud prevention course or the fraud and abuse avoidance training as a part of this report.

²⁸Department of Homeland Security, Office of the Inspector General, *Improvements to Internal Controls for FEMA's Individuals and Households Program Registration Process*, OIG-09-110 (Washington, D.C.: September 2009).

FEMA Improved Controls for Preventing Potentially Improper or Fraudulent IHP Payments prior to Hurricane Sandy

While safeguards were generally not effective after Hurricanes Katrina and Rita, the controls FEMA implemented since then have improved the agency's ability to prevent improper or potentially fraudulent IHP payments. After ensuring that payments in multiple at-risk categories were not counted more than once (as discussed below), we identified about \$39 million, or 2.7 percent of the more than \$1.4 billion in IHP assistance, that was at risk of being improper or potentially fraudulent after Hurricane Sandy.²⁹ By comparison, the estimated proportion of improper and potentially fraudulent IHP payments made in response to Hurricanes Katrina and Rita was between \$600 million to \$1.4 billion, or 10 to 22 percent, of the \$6.3 billion of assistance provided. FEMA reports that it is in the process of trying to recover some of the improper payments from Hurricane Sandy and reported that it has requested repayment of over \$8.5 million and had recouped about 8 percent of that amount as of October 2014.

As described in more detail through the rest of the report, we defined improper and potentially fraudulent payments as including assistance that was provided to (1) state prisoners, (2) individuals using SSNs that did not match SSA's records or belonged to likely deceased individuals, (3) applicants using the same identifying information as other applicants, and (4) applicants receiving payments for damage that were at risk of being duplicative with damage covered by a private homeowners insurance policy. It also includes payments for flood-related damage for which documentation was not sufficiently transparent to provide assurance that the payments were for eligible damage. In our calculation, however, the \$39 million in at-risk dollars is the maximum amount at risk that we identified, and we referred each of these cases to FEMA for further investigation. Based on several examples provided by FEMA in response to our analysis, we would expect case-by-case investigations of these payments to show that some of the payments were proper. Thus, the actual percentage of fraudulent or improper payments could ultimately amount to less than the Office of Management and Budget's benchmark for identifying programs with significant improper payments.³⁰ Table 3 lists

²⁹This percentage was calculated using the actual results, not the rounded numbers displayed in the text.

³⁰Office of Management and Budget guidance for fiscal year 2013 defines gross annual improper payments in a program exceeding (1) 2.5 percent of program outlays and \$10 million of all payments or (2) \$100 million regardless of the percentage of total payments as "significant improper payments."

the categories of at-risk payments we identified, along with the frequency and dollar amount of the payments. Because some of the payments we identified as being at risk appear in more than one category, the sum of the dollar amounts for each category in the table is greater than our total at-risk calculation of \$39 million, which counts the payments included in multiple categories only once. Additionally, and as discussed below, FEMA officials stated that at least \$6.1 million of the payments we identified as being at risk were deemed appropriate upon the agency's subsequent review of our matching results and related applicant files (see app. III). However, we were not able to independently verify what FEMA officials told us without additional investigation into each payment. Accordingly, while we present what FEMA officials told us about the outcome of their review as context from the agency's perspective, we continue to include these cases in our at-risk calculation.

Table 3: Summary of IHP Assistance Identified as At-Risk for Potential Fraud or Improper Payments

Type of risk for payments made	Number of IHP registrations	At-risk assistance (dollars)
Receipt of rental assistance while incarcerated	2	\$7,328.00
Social Security number (SSN) was invalid, did not match Social Security Administration's (SSA) records for other identifying information, or SSN belonged to likely deceased individual	2,610	21,892,332.43
Duplicates not flagged by the Federal Emergency Management Agency (FEMA)	203	1,679,836.63
SSNs used by multiple recipients	20	180,725.43
Bank accounts used by multiple recipients	147	1,247,660.29
Addresses where more than 1 applicant received home-repair assistance	128	1,324,189.94
Address and last name used by multiple recipients and cumulatively receiving more than \$31,900	418	1,153,336.95
Receipt of funeral assistance through a second registration in the same household	18	71,716.16
Receipt of home-repair assistance and claiming to lack private homeowner's insurance while maintaining federally backed mortgage	534	2,324,748.49
Inaccurate flags for National Flood Insurance Program (NFIP) compliance	1,322	10,542,717.72

Source: GAO analysis of FEMA data. | GAO-15-15

Note: Because some of the payments we identified as being at risk appear in more than one category, the sum of the dollar amounts for each category in the table is greater than our total at-risk calculation of \$39 million, which counts the payments included in multiple categories only once.

Two Applicants Incarcerated in State Prisons Obtained Rental Assistance through IHP but May Have Been Eligible for Assistance

The Stafford Act specifies that eligibility for temporary housing assistance is predicated on individuals or households being displaced from their predisaster primary residence or their predisaster primary residence being rendered uninhabitable or inaccessible due to the disaster. FEMA may provide temporary housing assistance in the form of financial assistance to individuals or households to rent alternate housing accommodations. Generally, the eligibility criteria will exclude incarcerated individuals from receiving financial assistance for the time they are in prison, as they do not have a disaster-related need for housing.³¹ In a 2006 testimony, however, we described how FEMA paid over \$3 million to over 1,000 applicants who used names and SSNs belonging to state and federal prisoners for expedited and housing assistance following Hurricane Katrina.³² In July 2012, we followed up on our recommendation that FEMA develop a means for preventing prisoners from receiving disaster assistance to which they were ineligible. In response, FEMA reported that it had implemented a control to flag applications using high-risk addresses, including prisons, for further review prior to providing assistance.

To test these controls, we compared data from IHP with data from state prisons in the three most-affected states.³³ Our analysis of FEMA data showed that out of 182,782 recipients, FEMA provided IHP assistance to 2 individuals who were incarcerated for the entire 6 months following Hurricane Sandy. FEMA officials stated that both of the individuals, or adult members of their households, met their procedural requirements for assistance, which includes the owner of a damaged home or another individual over the age of 18 who lived in the home prior to the disaster to be present for the home inspection of the damaged addresses. However, as noted above, while FEMA was able to tell us about the outcome of its review, additional investigation would be required to validate FEMA's conclusions. Thus, we did not independently verify documentation that these individuals were eligible or were present for the inspection.

³¹There are some instances in which an individual may be eligible to receive rental assistance despite being incarcerated when registering, such as when an individual is the head of a household applying on behalf of family members affected by the disaster.

³²[GAO-06-844T](#).

³³We worked with state departments of corrections in New York, New Jersey, and Connecticut to access data on individuals who were incarcerated from October 29, 2012, through April 29, 2013.

FEMA's Internal Controls
for Identifying Invalid SSNs
Did Not Prevent Payments to
Some Potentially Ineligible
Recipients

In February 2006, FEMA began using a tool created by a contractor to help validate the identity of applicants during the initial review of an application, eliminating any wait otherwise necessary for another agency to validate the applicant's personal information. The validity check cross-references information provided by applicants against multiple databases, including public records, credit reports, and other sources. According to FEMA officials, the validity check uses SSA's Death Master File, which is a publicly available subset of the death records that SSA maintains on deceased SSN-holders.³⁴ Officials further stated that the validity check compares the applicant's SSN and other identifying information with these various public sources of information to verify that the SSN matches the name of the applicant, does not belong to a deceased individual, and is not associated with more than one person (e.g., the SSN has been used in an instance of identity theft). Officials said that in addition to verifying applicants' SSNs, the validity check provides other checks. For example, it compares damaged property addresses with public records to verify that the applicant lived at the damaged property. It also flags "high-risk" addresses, such as addresses of businesses and prisons.

While FEMA's SSN validity check is designed to identify and flag ineligible applicants, we found that 2,610 of the 182,782 IHP recipients had SSNs that could either not be validated by SSA or appeared on the full death file. These individuals received over \$21 million in assistance through the IHP. We identified these 2,610 recipients for potential ineligibility by using multiple sources of SSA data. Specifically, we compared IHP applicants' names, dates of birth, and SSNs to SSA's records using SSA's Enumeration Verification System (EVS). EVS flags SSNs in which the name or date of birth (or both) do not match its records for the SSN, as well as SSNs that have never been issued. We also compared IHP applicants to SSA's full death file to identify individuals who may have used a likely deceased person's identity to receive assistance. As discussed earlier, the full death file lists all SSNs of people

³⁴SSA has historically collected death information about SSN-holders so it does not pay Social Security benefits to deceased individuals and to establish benefits for survivors. SSA receives death reports from a variety of sources, including states, family members, funeral directors, post offices, financial institutions, and other federal agencies. We refer to SSA's complete file of death records as "the full death file." A subset of the full death file that may not include death data received by the states, which SSA calls "the Death Master File," is available to the public. For more information on SSA's death files, see GAO, *Social Security Death Data: Additional Action Needed to Address Data Errors and Federal Agency Access*, [GAO-14-46](#) (Washington, D.C.: Nov. 27, 2013).

for whom SSA has received a record of death, and FEMA uses a subset of the full death file as part of its validity checks.

Of the 2,610 recipients, our analysis showed that 10 recipients used SSNs that had never been issued. These 10 recipients received 14 assistance payments totaling less than \$43,000, about 0.004 percent of the payments made to the 182,782 recipients in our review. While this may indicate a limitation in FEMA's validity check, FEMA nevertheless processed fewer payments to applicants using SSNs that had never been issued, suggesting that on the whole FEMA's ability to screen applicants based on invalid SSNs improved. For instance, in our previous work on Hurricanes Katrina and Rita, we estimated that 0.8 percent (or 20,800 payments) of the 2.6 million payments made through the IHP were to applicants who used SSNs that had never been issued.³⁵

FEMA reviewed a nongeneralizable sample of 41 of the 2,610 recipients we identified with names or dates of birth that did not match SSA's records and found that all 41 passed its validity check for SSNs. During its review of our analysis, FEMA officials indicated that they used a different third-party vendor's software from the one FEMA uses when it initially receives an application for assistance to verify that the payments were proper. Based on its results, FEMA suggested that a majority of recipients in the sample could have been flagged by EVS because they had changed their last names due to marriage or divorce but had not reported the change to SSA. While this may be case, individuals who legally change their name are to report the change to SSA. Hence, applicants with names that do not match SSA's records are to provide evidence of their legal name prior to receiving assistance from federal programs like IHP. These 41 recipients were not selected randomly; therefore, conclusions regarding the appropriateness of the payments for the 2,610 recipients we identified cannot be made from the sample FEMA reviewed.

³⁵[GAO-06-844T](#).

We also found that 45 of the 2,610 recipients appeared on the full death file and had an IHP application dated after the reported date of death.³⁶ These 45 recipients received over \$465,000 in assistance. In response to our request for additional information about these cases, FEMA selectively reviewed 36 of the cases and determined that in 26 of these cases either a coapplicant was eligible for assistance because he or she was both an occupant of the damaged property and an heir to the property due to the death of the owner; or there was no indication in the file supporting the situation that the applicant was deceased at the time of the disaster, at inspection, or during calls made by the joint field office.³⁷ FEMA officials stated that in the remaining 10 cases, 7 were submitted for recoupment review, 2 had payments returned voluntarily, and the last was likely under investigation for fraud.

While some of the information FEMA provided for 26 of the cases may explain why a coapplicant is eligible for an assistance payment made to a deceased applicant, other instances related to the other recipients will require additional follow up by FEMA to determine whether the payments were potentially improper or fraudulent. For instance, when there is no indication in a file that an applicant is deceased, it could be that FEMA's identity check did not detect the use of a deceased person's identity. Furthermore, FEMA allows individuals other than the applicant to meet with an inspector and handle other aspects of the application—a measure often important for applicants who are physically unable to meet with an inspector because, for example, they took shelter with family out of town or are too ill or infirm to travel to the damaged home. However, if FEMA's verification check did not identify a deceased individual, this flexibility in who meets with the inspector can increase the risk of fraud.

As demonstrated by our analysis, FEMA's control to ensure the validity of applicants' SSNs—that the SSN belongs to the applicant and does not

³⁶We identified 29 of the 45 recipients by matching the SSN used in their application with those listed on the full death file. The other 16 recipients were identified by using results of EVS, which identified some applicants as using an SSN that did not correspond to the applicant's name or date of birth. For some of the applicants with mismatched identifying information, EVS provided a valid SSN for the name and date of birth of the applicant. We used the EVS recommended valid SSN to compare these applicants with the full death file and found that the 16 recipients matched an individual who appeared on the full death file.

³⁷Joint field offices are locations where federal, state, and local officials convene to administer their respective disaster-assistance programs.

belong to a likely deceased individual—could be enhanced if it obtained more-comprehensive sources of information, such as SSA’s full death file—the tool we used to identify likely deceased individuals. In addition, FEMA officials stated that the agency’s validity check does not confirm that the date of birth is consistent with the name and SSN on the application, which we were able to do by using SSA’s EVS. Such differences could explain why we were able to identify more potentially fraudulent transactions, such as recipients being potentially deceased or as having SSNs that did not match the associated name and date of birth as registered with SSA. As an assistance-providing federal agency, FEMA may have the authority to access SSA’s more-comprehensive death file data.³⁸ FEMA may also be able to establish an information-sharing agreement with SSA to access EVS in order to verify the SSNs provided by IHP applicants.³⁹ However, in providing technical comments on a draft of this report in November 2014, FEMA stated that as of October 2014 it had determined that the agency may be able to cross-check applicant data with SSA’s full death file. FEMA further stated that it had not contacted SSA to explore the cost and feasibility of accessing the full death file or EVS, although officials are open to considering this option if it is found to be the best approach. Under IHP, FEMA is to ensure that recipients are eligible for assistance. Supplementing the verification check that the contractor uses with SSA data could enable FEMA to further

³⁸The Social Security Act requires SSA to share its full death file, to the extent feasible, with federal benefit-paying agencies for the purpose of preventing improper payments, if the agency reimburses SSA for its reasonable costs and the arrangement does not conflict with SSA’s duties with respect to state data, as authorized by 42 U.S.C. § 405(r)(3). According to SSA officials, for FEMA to access these data, the agency must first make a formal request to SSA, explaining how it would use these data, and have agreements in place with SSA that outline the circumstances of a data-sharing agreement. SSA would then determine whether FEMA’s proposed use of the information is in accordance with the allowable use outlined in the act. See [GAO-14-46](#) for more information on this process.

³⁹According to SSA officials, FEMA could initiate the process of establishing a reimbursable data-exchange agreement for SSN verifications by submitting a data-exchange request form found on SSA’s website. SSA’s Office of Data Exchange would then work with FEMA staff to identify how best to meet FEMA’s needs. For example, in April 2007 the State Department established an exchange agreement with SSA that allowed the State Department’s electronic passport-processing system to automatically query EVS to verify that a passport applicant’s SSN, name and date of birth match the records at SSA. See GAO, *State Department: Pervasive Passport Fraud Not Identified, but Cases of Potentially Fraudulent and High-Risk Issuances Are under Review*, [GAO-14-222](#), (Washington, D.C.: May 1, 2014).

FEMA's Internal Controls
Helped Prevent Improper
Payments to Most but Not All
Applicants Using Duplicate
Applicant Information

identify potentially ineligible applicants and reduce the risk of improper or fraudulent payments.

FEMA's National Emergency Management Information System (NEMIS) uses an automatic control to identify IHP applications containing the same identifying information as other applicants to preclude payment of duplicate benefits. FEMA officials explained that this control is designed to identify applicants who have submitted duplicative information in one or more of four fields on the application: SSN, address, phone number, and bank account number. For example, the control is designed to hold payments to an applicant using the same SSN as another applicant who received assistance until a FEMA official can manually review the application and determine whether payment is appropriate. FEMA officials document in NEMIS their rationale for approving payments in these cases.

Duplicative information in one or more of those four fields can suggest potential fraud. Specifically, it can indicate that an applicant is applying multiple times or that more than one member of a household is applying for IHP assistance, which is generally not allowed in the program.⁴⁰ For example, SSNs are assigned to individuals, so applicants using the same SSN are likely to be either one person with multiple applications or an instance of possible identity fraud. Duplicate bank accounts also indicate a higher risk that multiple applicants from one household are requesting assistance. For example, two individuals sharing a bank account are likely to share living expenses and income, as one might expect to see in a household. Applicants with duplicate identifying information in the address and phone number fields may pose a risk, for example, of more than one person applying for benefits for the same damage, such as to a vehicle or other personal property, for which only one person, alone or as head of household, is eligible.

We tested whether FEMA's control to identify applications containing the same identifying information as other applications functioned consistently and found that it identified most such applications. Specifically, we found that, of the 182,782 IHP recipients, 36,021 records shared duplicate SSNs, addresses, phone numbers, or bank accounts with one or more

⁴⁰According to FEMA regulations, a household may only register one time to receive IHP assistance, with some possible exceptions related to temporary housing assistance.

other applicants. FEMA's control flagged 35,818 (99 percent) of these 36,021 recipients as having duplicate information when the applications were first processed. According to FEMA, these payments were to be halted until FEMA staff manually reviewed the applications. FEMA provided several examples from NEMIS documenting FEMA staff evaluation of the duplicate information and their eligibility determination.

However, the control did not identify the remaining 203 duplicate applicants, who received financial assistance totaling about \$1.7 million. We provided information on these missed duplicates to FEMA for review. FEMA officials provided the following explanations:

- Officials stated that the control should have identified 30 of these applicants. As a consequence, a FEMA official should have manually reviewed these applications before a payment was processed. FEMA officials are investigating these 30 cases and said that they will analyze why NEMIS did not flag the applications.
- In 125 cases, officials explained that the duplicate applications were filed in different states and thus assigned a different disaster number. FEMA assigns separate disaster numbers for each state affected by a single disaster as each state receives its own presidential declaration of disaster. Because FEMA's duplicate control does not compare applications across different disaster numbers in different states, FEMA's control did not identify these applications as having duplicate information. As a consequence, it faced increased risk of providing improper assistance.⁴¹

As of August 2014, FEMA had not provided explanations for the 48 remaining instances in which we identified applications with duplicate information that were not flagged by FEMA's system. FEMA officials were unable to explain why the control did not function properly for all of the cases we identified but said that they will examine the control further to determine why it functioned inconsistently. According to standards for federal information-system controls, evaluating controls can help reduce

⁴¹In 2007, we recommended that FEMA conduct checks like this across disasters to ensure that damage covered for one disaster—for example, Hurricane Katrina—was not covered for a later disaster—for example, Hurricane Rita, which happened 1 month later. [GAO-07-300](#).

risk in government programs.⁴² Identifying the cause for the control's inconsistent performance to the extent that the benefits exceed the costs could better position FEMA to determine whether modifications to the control are appropriate to reduce the chance of it missing duplicates in future applications. Additionally, *Standards for Internal Controls in the Federal Government* states that risks should be analyzed for their possible effect in order to determine how to manage the risks.⁴³ As such, an analysis of the assistance provided to recipients using duplicate identifying information who were not flagged by FEMA's internal controls, including the costs of options available to address the issue, may provide insight as to how to effectively manage this risk in the future.

In addition to testing whether FEMA's control consistently identified applications with duplicative identifying information, we independently analyzed the 36,021 recipients to identify what we considered "high-risk" recipients: These were recipients who FEMA's control flagged as a duplicate but for which FEMA subsequently provided assistance payments and that met our criteria for high risk. These criteria, as discussed in greater detail below, included any instance in which assistance was provided to (1) recipients using the same SSN, (2) recipients using the same bank account, and (3) recipients using the same address or phone number as well as other identifying information such as the same last name, which are indications that two individuals are of the same household.

Recipients with Duplicate SSNs

Because SSNs are assigned to individuals, applications with the same SSN are likely to be either one person with multiple applications or an instance of possible identity fraud. Our analysis found that 10 recipients received assistance through two registration accounts each, both of which used the same SSN and other identifying information. Collectively, the 10 recipients were recorded as 20 different individuals in NEMIS and obtained \$180,725 in assistance. We provided information about these cases to FEMA for explanation. In 5 cases, FEMA officials stated that the

⁴²GAO, *Federal Information System Controls Audit Manual (FISCAM)*, [GAO-09-232G](#) (Washington, D.C.: February 2009). We did not perform a complete review of information-system controls in this analysis.

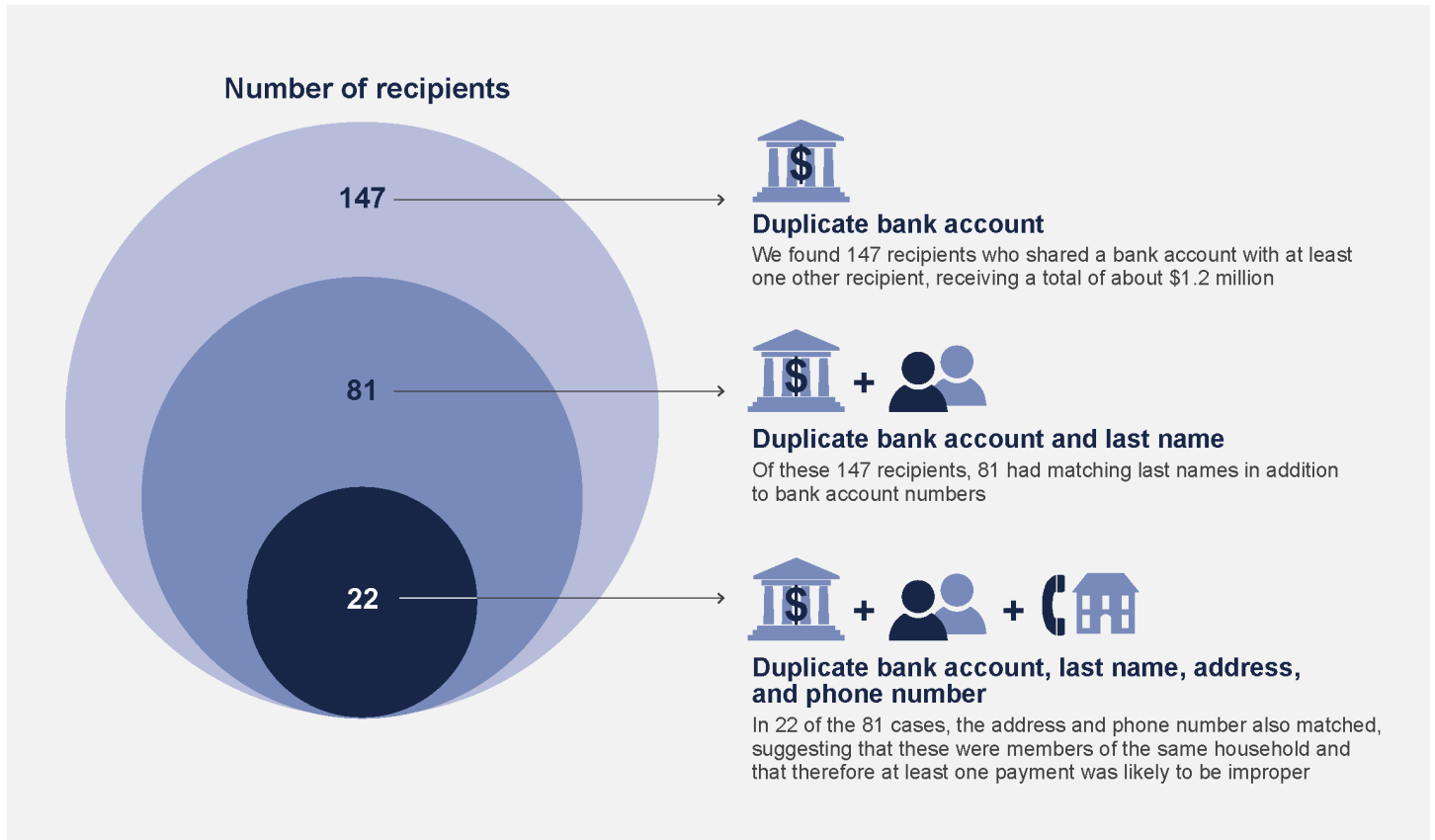
⁴³[GAO/AIMD-00-21.3.1](#).

manual review had improperly allowed payment, and FEMA initiated efforts to further review and, as appropriate, recoup the assistance. FEMA officials stated that a caseworker had not followed proper procedures in completing manual reviews for these 5 individuals. In four cases, FEMA officials permitted an individual to use a second registration account to obtain additional assistance for funeral expenses for relatives who passed away as a result of the storm. We discuss these cases in greater detail below. In the last case, FEMA officials stated that the applicant withdrew the second application upon being informed of the duplication, and that, while a rental assistance check had been issued through the second registration, the individual would have been eligible for the additional payment had the individual continued to use the first registration, so recovery of payments was unnecessary.

Recipients with Duplicate Bank Accounts

Individuals sharing a bank account are likely to share living expenses and income, as one might expect in a household with cohabitants. However, only one member of a household is generally eligible to receive IHP assistance. We found 147 recipients out of the 36,021 duplicates who shared a bank account with at least one other recipient, receiving a total of about \$1.2 million. Furthermore, of these 147 recipients, 81 had matching last names in addition to bank account numbers. In 22 of those cases, the address and phone number also matched, increasing the risk of an improper or potentially fraudulent payment (see fig. 3). FEMA officials stated that 133 of the 147 recipients did not receive duplicative benefits. Payments to 4 recipients had already been identified as improper and recouped by FEMA, and an additional 10 were identified and submitted for recoupment review.

Figure 3: Individuals and Households Program (IHP) Recipients Using Duplicate Bank Accounts



Source: GAO analysis of FEMA data. | GAO-15-15

Note: As of October 2014, the Federal Emergency Management Agency (FEMA) reviewed payments to these 147 recipients, stating that 133 did not receive a duplication of assistance and that the remaining 14 recipients were either being reviewed for recoupment of payments or had already repaid the duplicative assistance. We could not independently confirm FEMA's conclusions without additional investigation for each payment.

In addition, we identified nine bank accounts among these 147 recipients that received payments totaling more than \$31,900, the maximum amount allowable per household. FEMA officials stated that payments were allowable for eight of these nine bank accounts. They further explained that they began seeking recoupment of payments to the other bank account in January 2013 when they discovered that the manual review had incorrectly determined to pay this applicant.

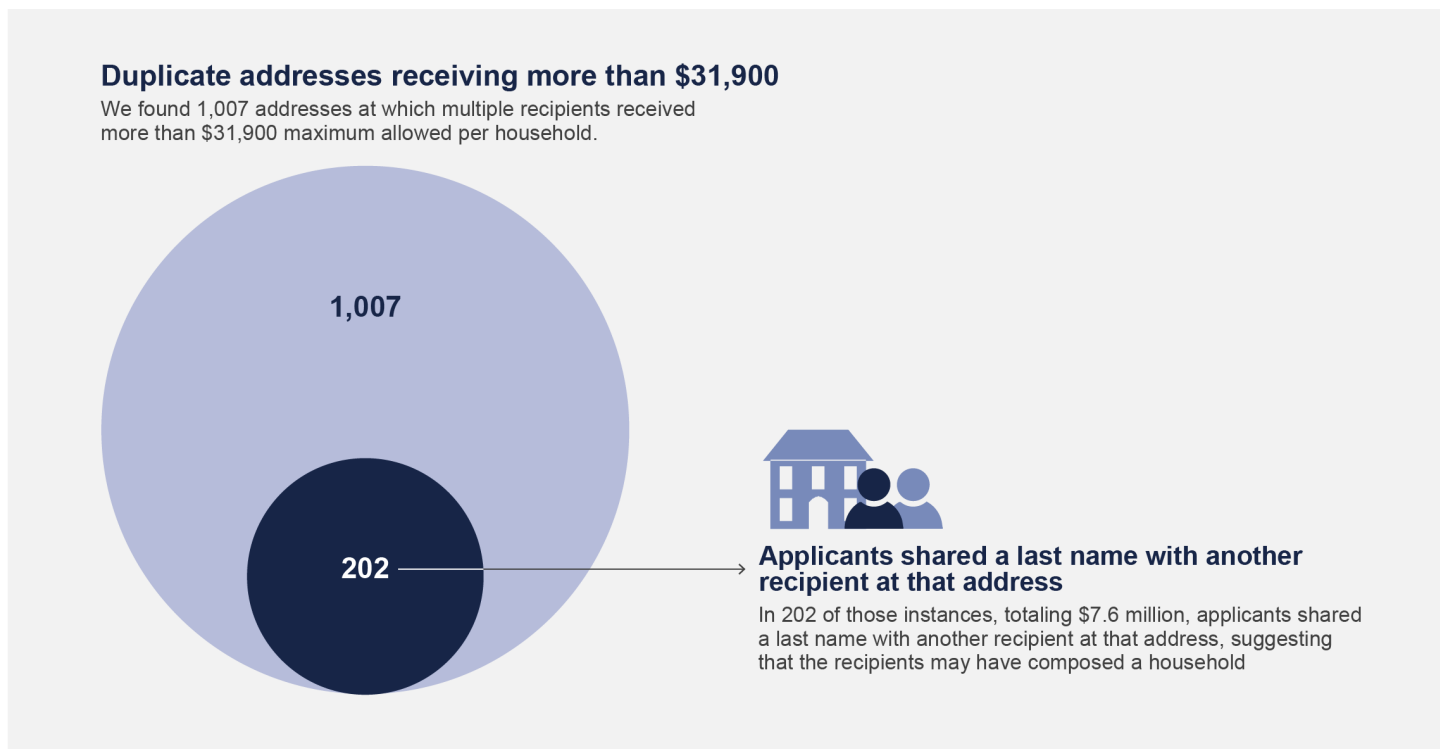
Recipients with Duplicate Addresses or Phone Numbers and Other Risk Factors

In cases where we found recipients with duplicate addresses or phone numbers, we looked for additional risk factors that could indicate the applicants were part of the same household.⁴⁴ Specifically, we found 128 recipients using 66 addresses at which more than one person received home-repair assistance—a type of assistance that FEMA officials said should be provided to only one person per home regardless of how many people lived in a damaged home. This assistance totaled \$1.3 million. FEMA reviewed the records of these 128 recipients and stated that 99 recipients did not receive duplications of assistance, while payments to 3 recipients had already been identified as improper and recouped by FEMA and an additional 26 were identified and submitted for recoupment review.

Additionally, we found 1,007 addresses at which multiple recipients cumulatively received more than the \$31,900 maximum allowed per household. In 202 of those instances, totaling \$7.6 million and including 418 recipients, applicants shared a last name with another recipient at that address, suggesting that the recipients may have composed a household (see fig. 4). FEMA's review of 200 of the 418 recipients concluded that 46 of these 200 recipients did not receive duplications of assistance and an additional 100 maintained renter and landlord relationships, so all parties were eligible for the assistance received. According to FEMA officials, the remaining 54 recipients were in recoupment review or had repaid the duplicative payments.

⁴⁴There are legitimate situations in which a duplicate address or phone number would not suggest abuse. For example, two unrelated people, such as a homeowner and someone renting a room, may live at the same address and share a phone number and both may have been eligible for rental assistance in the event that the home was damaged in the storm.

Figure 4: Individuals and Households Program (IHP) Addresses at Which Multiple Recipients Received More than a Combined \$31,900



Source: GAO analysis of FEMA data. | GAO-15-15

Note: \$31,900 is the maximum allowable amount of assistance to an individual or household.

As of October 2014, FEMA reviewed 200 of the 418 recipients residing at the 202 addresses where recipients shared a last name and address, stating that 145 did not receive a duplication of assistance and that the remaining 55 recipients were either being reviewed for recoupment of payments or had already repaid the duplicative assistance. We could not independently confirm FEMA's conclusions without additional investigation for each payment.

Receipts of Funeral Assistance through a Second Registration in the Same Household

As mentioned above, FEMA officials stated that there were 4 instances in which an individual applicant was allowed to use a second registration number to apply for and receive funeral expenses. However, we found 5 additional instances in which members of a single household were allowed to create a second registration account to receive additional

assistance for funeral expenses.⁴⁵ The 9 cases involved 18 recipients who received a total of nearly \$72,000 for funeral expenses. In these cases, individuals received as much as an additional \$10,000 for funeral expenses, and in 3 cases the total amount of assistance exceeded the \$31,900 limit per household. While this approach was not consistent with federal law, the decision to provide additional aid was made for humanitarian reasons. In April 2014, FEMA clarified its guidance to explicitly state that a second registration could not be used for funeral expenses, as that could allow a household to exceed the \$31,900 assistance cap.

FEMA Could Enhance Oversight of Assistance for Flood-Related Damage

Individuals that receive IHP assistance for flood-related damage in a disaster and live in certain flood zones are generally required to purchase and maintain flood insurance as a condition of receiving assistance from the IHP for flood-related damage.⁴⁶ An individual was generally not eligible to receive IHP assistance for flood-insurable items that incurred flood-related damage from Hurricane Sandy if the damaged property had a flood-insurance requirement from a prior disaster but the owner did not comply with this requirement and did not maintain a policy.⁴⁷

FEMA uses information from two NFIP-related databases to populate fields in its IHP database to flag IHP applicants who are potentially

⁴⁵In two instances, recipients shared last names and bank accounts. In two other instances, recipients shared a last name, address, and phone number. And in the other instance, the recipients shared a last name and phone number.

⁴⁶42 U.S.C. §§ 4012a and 5154a; 44 C.F.R. §§ 206.110(k) and 206.113(b)(7) and (8). The flood-insurance requirement applies to IHP recipients residing in participating communities of the National Flood Insurance Program (NFIP) whose damaged property is located in a special flood hazard area. IHP recipients must purchase flood insurance, for at least the assistance amount, for the structure (if the IHP recipient is the owner) or for its contents (if the IHP recipient is a renter). The requirement extends to the flood-damaged property for the life of the property. If the property is sold, the flood-insurance requirement is passed on to the new homeowner. If a renter does not return to the property, he or she is no longer required to purchase flood insurance.

⁴⁷An applicant who was noncompliant with a flood-insurance requirement could still be eligible for IHP assistance for flood-related damage to repair items that are not covered by flood insurance, such as wells or septic systems, as well as for types of assistance that are not dependent on whether an applicant has flood insurance, such as rental assistance or assistance with medical, dental, childcare, or disaster-related funeral costs.

ineligible for assistance for flood-related damage.⁴⁸ Table 4 shows the definitions of the flag FEMA uses to document flood-insurance requirement compliance and, by extension, applicant eligibility to receive flood-related assistance.

Table 4: Definitions of Flood-Insurance Compliance Flag in Federal Emergency Management Agency (FEMA) Database

Flagged as “Yes” (compliant)	Flagged as “No” (noncompliant)
Damaged property has a flood-insurance requirement and the policy is maintained; ^a or Damaged property has no flood-insurance requirement.	Damaged property has a flood-insurance requirement that is not maintained.

Source: FEMA. | GAO-15-15

^aAn applicant is considered compliant if there is an active flood-insurance policy at the time the damage occurs for at least the amount of assistance received during a previous disaster.

According to our analysis of the 182,782 IHP recipients, we found that 39,766 received about \$385 million in assistance for flood-related damage.⁴⁹ However, FEMA flagged 1,322 of these 39,766 individuals as being noncompliant with an existing flood-insurance requirement and provided these individuals with about \$10.5 million in assistance for flood-related damage.

FEMA reviewed a nongeneralizable sample of 63 of these noncompliant cases to explain why these applicants received assistance for flood-related damage. FEMA officials determined that in 26 of the cases, the recipient was compliant at the time of the assistance payment. In another 31 cases, the recipient was noncompliant at the time of Hurricane Sandy, but received assistance for items not covered by flood-insurance, which constitute eligible payments. In the remaining 6 cases, the assistance for flood-related damage was paid in error and is eligible for recoupment.

⁴⁸One NFIP-related database tracks information on flood-insurance requirements that result from receiving IHP flood damage assistance in a federal disaster; the other has information on all flood-insurance policies reported to the NFIP. The IHP database accesses information from these two NFIP-related databases based on the address of the damaged property. The NFIP-related databases are jointly managed by FEMA’s Federal Insurance and Mitigation Administration and the Small Business Administration.

⁴⁹As a consequence of receiving assistance for flood-related damage caused by Hurricane Sandy, these individuals will be required to purchase and maintain flood insurance for future disasters. This flood-insurance coverage must be at least the amount of IHP flood-related assistance received for damage from Hurricane Sandy.

The officials further explained that many of those flagged as noncompliant were individuals whose property did not have a flood-insurance requirement prior to Hurricane Sandy, and the noncompliant flag appeared after receiving IHP assistance for flood-related damage. According to the officials, the fields that are populated from the NFIP-related databases are updated on a continuous basis. FEMA officials explained that what likely happened with most of the 1,322 applicants was that their damaged property was flagged as compliant at the time the assistance payment for flood-related damage was made, but subsequent to the payment, a data change to the applicant's file may have prompted the system to recheck the NFIP-related databases—and because there was no indication of the purchase of their newly required flood-insurance—the applicant information was updated and appeared in the IHP database as noncompliant. We could not independently corroborate the officials' explanations because the design of the compliance flag in the IHP database did not allow us to verify the applicant's flood-insurance status at the time the payment was made.

Internal control standards require controls and transactions to be clearly documented and documentation to be readily available for examination.⁵⁰ The design of the compliance flag prevents FEMA or other reviewers from determining, after the fact, whether a noncompliance flag meant that an applicant was ineligible for assistance for flood-related damage after Hurricane Sandy. FEMA officials told us that currently there is not a way to tell through review of an applicant's file alone what an applicant's compliance status was at the time of the IHP assistance payment. As a result, when we presented FEMA officials with the 1,322 records that indicated a noncompliant applicant received IHP assistance for flood-related damage, FEMA officials could only determine whether a particular applicant was in fact eligible for the assistance payment for flood-related damage by reviewing an external NFIP-related database. The need for this extra step to review these transactions makes it more difficult to determine how much IHP assistance might have been improperly paid. FEMA officials also stated that the interaction between the IHP and NFIP databases was based on legacy systems that are in need of updating, which they are exploring. Specifically, FEMA officials told us that they are currently developing a budget for acquiring new information-technology capabilities and, in the agency's November 2014 written response to this

⁵⁰ [GAO/AIMD-00-21.3.1](#).

report (see app. IV), produced a set of development milestones to improve this compliance flag by May 31, 2016. FEMA officials stated that they were supportive of an enhancement to improve the current system's ability to track flood-insurance compliance and provide additional assurances that recipients were, in fact, eligible for IHP assistance for flood-related damage. Updating the legacy systems could be a good opportunity to redesign the compliance flag in the IHP system so that it will preserve the applicant's compliance status at the time of the IHP assistance payment.

FEMA and the States Faced Challenges in Obtaining and Sharing Information Needed to Prevent Payments from Potentially Overlapping Sources

We found that FEMA and state governments did not have the information necessary to determine whether FEMA was successful in preventing IHP recipients from receiving overlapping payments from FEMA's Sheltering and Temporary Essential Power (STEP) program. FEMA implemented a new intra-agency data-sharing agreement in April 2014 to help make future information sharing between these programs easier. In addition, FEMA does not have a mechanism to verify whether individuals have homeowners insurance, which would limit IHP payments for damages also covered by private insurance.

Limited STEP Data Posed a Challenge in FEMA's Efforts to Design Controls and Determine Whether STEP Recipients Also Received IHP Assistance

FEMA's guidance states that individuals who participate in the STEP pilot program are generally ineligible for IHP rental assistance once STEP-related work is completed, but FEMA did not have controls in place to limit IHP assistance from being offered to STEP recipients. FEMA's evaluation of the STEP program could help develop these controls by first collecting data from states and localities that implemented STEP. Specifically, FEMA asked that localities provide data on STEP participants by September 30, 2014, and FEMA plans to use the data to evaluate the pilot program, including lessons learned. However, according to the agency's analysis plan, this information will not permit FEMA to determine how many STEP recipients were living in TSA housing or receiving IHP rental assistance after STEP work was

completed on their residence, and several challenges may hinder its efforts.⁵¹

When it initiated STEP in the weeks following Hurricane Sandy, FEMA did not provide guidance to states and localities that would help it obtain complete information about the participants in the STEP program. Specifically, FEMA's guidance for data collection directed the localities that implemented STEP to provide FEMA and the appropriate state with a list of residences that received STEP assistance, including the owner's/occupant's name, residential address, and IHP registration ID, if applicable.⁵² However, FEMA did not direct the localities to collect additional data elements on residents served, such as dates of service, which would have allowed FEMA to determine whether individuals were receiving rental assistance or remained in TSA lodging after repairs on their home were complete.⁵³ As a result, localities defined the required information differently and collected different types of data outside of the required fields. For instance, FEMA officials told us that some localities collected names and addresses of participants but not the dates on which repairs were begun and finished. In addition, localities defined service dates differently. For example, some localities defined the start date as the date on which the repair work was initiated, while other localities defined it as the date of the initial assessment. FEMA has identified the absence of consistent data as a challenge for its analysis and its ability to understand whether STEP recipients continued to receive rental or other potentially duplicative assistance after repairs were complete.

⁵¹GAO's guide for designing evaluations states that an evaluation gives an agency the opportunity to improve program performance and provides a useful tool to determine whether the program has resulted in the desired benefits for participants and the public. GAO, *Designing Evaluations: 2012 Revision*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012).

⁵²STEP was implemented by localities. Each locality hired and directed contractors to provide repair services to residents.

⁵³Individuals may receive rental assistance through IHP after receiving STEP assistance in some circumstances. Because the authority for each program comes from different sections of the Stafford Act, the amount of STEP assistance individuals received did not count toward the \$31,900 maximum available through IHP. There may be practical reasons to allow individuals to receive rental assistance after STEP services are provided. For instance, according to New York city officials, some individuals remained in hotels after repairs were finished because their homes still harbored mold, which was not addressed by STEP.

FEMA officials also told us that one obstacle to collecting STEP data for comparison to TSA and IHP data is that, prior to Hurricane Sandy, they did not take the steps under the Privacy Act of 1974 to allow them to collect more personally identifiable information, such as SSNs or dates of birth, on individuals who received assistance through Public Assistance programs like STEP. As a consequence, FEMA could not identify and compare individuals who received STEP assistance with those who received TSA and IHP. FEMA officials also stated that their ability to request recipient addresses from local jurisdictions and compare them against data on individuals receiving other types of assistance in real time was inhibited because they did not have this authority immediately after Hurricane Sandy.

In response to these issues, in March 2014, FEMA published a new System of Records Notice, as required by the Privacy Act, on data sharing to make information sharing between programs easier.⁵⁴ Specifically, under the new rule, which took effect in April 2014, in future disasters FEMA will be able to instruct localities to collect and share relevant information on properties and individuals receiving assistance through Public Assistance efforts such as STEP, and FEMA will be able to compare this to assistance provided through Individual Assistance. FEMA officials expect the new data rule will help them to more accurately identify and monitor private properties that have been damaged by a disaster and are in need of Public Assistance for purposes of preventing duplication of benefits. According to the officials, FEMA has set up a committee to explore ways to maintain and share this data by developing a comprehensive information-technology system to house relevant disaster data, including information gathered by IHP and Public Assistance so that different entities within FEMA can access it. This committee should provide FEMA an opportunity to identify the specific fields it will need to both evaluate and prevent potentially duplicative sources of assistance from pilot programs, like STEP, when it implements such programs in the future.

⁵⁴79 Fed. Reg. 16015 (Mar. 24, 2014).

FEMA Made Payments at Risk of Being Improper Because It Did Not Have a Mechanism to Verify Whether IHP Recipients Had Homeowners Insurance

IHP provides disaster survivors with home-repair funds for damages not covered by private homeowners insurance, as federal law prohibits FEMA from providing assistance for damage covered by private insurance. To determine whether applicants carry private insurance, FEMA relies on self-reported data from each applicant. Specifically, applicants must identify any insurance policies they have during the registration process.

In order to identify properties likely to have been covered by a homeowners insurance policy at the time of the storm, we examined IHP home-repair assistance provided to addresses that held mortgages backed by Fannie Mae, Freddie Mac, or FHA. The federally related mortgages of these three entities require the homeowner to maintain private homeowners insurance on the property, according to officials at those agencies. Our analysis of the 182,782 IHP recipients found that 40,770 were homeowners who received assistance for home repair or personal property damage (excluding certain flood-related damage) and of these, 3,718 reported that they did not have any private insurance.⁵⁵ Of the 3,718 recipients, we found that 534 (14.4 percent) received assistance for damage to a property that had a federally backed mortgage that required private homeowners insurance as of October 2012. FEMA provided over \$2.3 million in assistance for home repair or personal property damage to these individuals (see table 5 below).

⁵⁵Our analysis excludes assistance to homeowners for flood damage to properties located in a special flood hazard area because such flood damage is typically not covered by private homeowners insurance. Also, individuals who received IHP assistance for home repair or personal property and reported having private insurance may have received assistance for damages not covered by their insurance, which is allowable.

Table 5: Individuals and Households Program (IHP) Home-Repair and Personal-Property Assistance for Recipients That Reported No Private Insurance but Held Federally Backed Mortgages That Require Insurance Coverage.

Mortgage holder	Number of recipients that reported not having private insurance and received IHP assistance	Assistance received^a (dollars)
Federal National Mortgage Association (Fannie Mae)	81	\$635,746
Federal Home Loan Mortgage Corporation (Freddie Mac)	43	166,205
Federal Housing Administration (FHA)	410	1,522,798
Total	534	\$2,324,749

Source: GAO analysis of Federal Emergency Management Agency (FEMA), Fannie Mae, Freddie Mac, and FHA data. | GAO-15-15

Note: As of October 2014, FEMA reviewed 55 of the 534 recipients, stating that 32 did not receive a duplication of assistance. We could not independently confirm FEMA's conclusions without additional investigation for each payment.

^aExcludes assistance to homeowners for flood damage to properties located in a special flood hazard area because such flood damage is typically not covered by private homeowners insurance.

We consider these payments to be at risk because these homeowners were likely to have insurance that typically covers this type of damage, although they reported that they did not. However, it is not possible to determine whether these matches definitively identify improper payments without reviewing the facts and circumstances of each case. Under certain circumstances, FEMA can appropriately provide assistance for home repair or personal property to individuals with private home insurance policies. For example, FEMA may provide IHP assistance for damage that is not covered by a particular private insurance policy or for damage that exceeds the limit on a private insurance policy.⁵⁶ In addition, if an insurance payment is delayed by more than 30 days, FEMA may provide applicants with home-repair payments, which are considered an

⁵⁶Certain provisions found in homeowners policies can also affect coverage. For example, while the most common private insurance policies typically exclude damage caused by flood and cover damage caused by wind, some insurance policies contain a clause that denies coverage for damage that is simultaneously caused by both an excluded peril (such as flood) and a covered peril (wind). According to insurance industry experts, this type of clause can present a particular challenge for owners of coastal properties when hurricanes occur. See GAO, *Homeowners Insurance: Multiple Challenges Make Expanding Private Coverage Difficult*, [GAO-14-179](#) (Washington, D.C.: Jan. 30, 2014).

advance and must be repaid to FEMA once an insurance settlement is received. FEMA reviewed 55 of these cases and stated that 32 were likely appropriate because the assistance was for damage that likely would not have been covered by private insurance. Nevertheless, these payments are at higher risk of being improper if the recipient has an unreported homeowners insurance policy.

GAO's fraud control framework states that information provided by applicants for government programs should be validated against government or other third-party sources.⁵⁷ There are a number of options that may help FEMA better evaluate whether IHP applicants have homeowners insurance policies. Implementation costs and the extent to which self-reported data could be validated vary among these options. For instance, to mitigate instances in which an applicant was not aware that he or she had homeowners insurance or did not understand the question, FEMA could ask whether applicants have a mortgage, since most mortgages require the mortgagee to maintain homeowners insurance. Although FEMA officials noted that having a mortgage did not automatically mean that individuals have homeowners insurance, it would allow the agency to flag applicants who said that they had a mortgage but no homeowners insurance for further verification of lack of insurance. Alternatively, FEMA has the legal authority to solicit this information from housing agencies, which means it may be able to periodically check applicant addresses against Fannie Mae's, Freddie Mac's, and FHA's federally related mortgages, as we did. This control would not prevent all potentially improper payments, as not all mortgages are federally related, but could provide an alternative to contacting individual insurance companies while allowing FEMA to recoup some funds that were provided for home repairs already covered by homeowners insurance. FEMA has not explored collaborating with federal entities that guarantee mortgages, such as FHA, Fannie Mae, or Freddie Mac. Lastly, public-private models for data sharing have proved successful for other agencies. For instance, MITRE, a nonprofit corporation that operates federally funded research and development centers chartered by Congress, recently assisted a federal agency in exchanging sensitive information with several private companies from a competitive industry. MITRE collected, held, and conducted analysis that all participants agreed to. It then provided the results to the parties while protecting both

⁵⁷[GAO-06-954T](#).

sensitive federal data and business competitive data that the parties would not want to share with one another.⁵⁸ A similar approach could help FEMA more systematically obtain data from private insurance companies. FEMA officials told us that they have the legal authority to solicit information from private insurance companies and have assessed possible mechanisms to check IHP and Public Assistance applicant information with data of third parties such as insurance companies in order to prevent a duplication of benefits. However, the agency did not implement this solution because the proposed mechanism raised privacy concerns and may have used incomplete information. Evaluating options, including the costs and feasibility, for verifying the accuracy of self-reported information FEMA received on whether applicants have private homeowners insurance could better position FEMA in making decisions about future assistance payments to help prevent duplication of payments to those applicants with homeowner insurance benefits.

Conclusions

In the 7 years between Hurricane Katrina and Hurricane Sandy, FEMA took steps to improve its ability to prevent ineligible applicants from receiving assistance following a disaster. For example, FEMA's controls for verifying identity, residence, and other key identifying information have helped identify high-risk applications and reduced the number of ineligible individuals from receiving payments, compared with previous disasters. However, additional opportunities exist to further enhance FEMA's oversight of its assistance. Given the limited amounts FEMA has been able to recover from improper payments for Hurricane Katrina (approximately 10 percent of the original amount has been recovered), strengthening its preventative, up-front controls is a better way to protect taxpayer resources than attempting to recover improper payments after they are made. For example, without collaborating with and obtaining additional data from SSA, particularly data from EVS and the full death file that SSA maintains, FEMA risks paying ineligible applicants because its automated identity-verification control would remain incomplete. Additionally, assessing the feasibility of options to enhance FEMA's automated control that flags applications with duplicate identifying information may help management select cost-effective ways to further reduce the risk of improper payments. With regard to flood assistance,

⁵⁸For more information on this example, see GAO's Government Data Sharing Community of Practice Minutes from the November 20, 2013 meeting. Minutes can be found at: <http://www.gao.gov/assets/670/660429.pdf>.

modifying data fields in its IHP database would allow FEMA's management to better assess the extent to which only eligible applicants received assistance for flood-related damage. Unless FEMA leverages these opportunities to make changes, the potential for improper assistance payments like those we identified in this report will likely persist.

FEMA continues to pilot new ways of providing assistance to disaster survivors, such as the STEP program. FEMA encountered challenges obtaining data from states on the delivery of STEP assistance after Hurricane Sandy in part because it did not request necessary data fields and, at the time, it did not have the authority to compare certain types of data on individuals receiving support from its Individual Assistance and Public Assistance programs. By determining data requirements and developing a process for comparing these data across programs before future disasters, FEMA would be better positioned to both evaluate STEP and ensure in future disasters that individuals whose homes are made habitable do not continue to receive duplicative types of assistance, such as rental assistance.

Finally, FEMA provided home-repair assistance to some applicants who may have inaccurately indicated that they did not have homeowners insurance, meaning that FEMA would have paid for damage already covered by a private source. This risk stems from FEMA's reliance on self-reported data for a single question—whether the applicant has private insurance—that is part of the application process. FEMA has begun exploring a mechanism for validating these data. Other approaches—each with varying levels of cost-effectiveness—could provide greater assurance that FEMA has accurate and reliable information on whether homeowners truly need its assistance or could turn instead to their private insurance to recover damages.

Recommendations for Executive Action

To help FEMA prevent improper payments, we recommend that the Administrator of FEMA take the following three actions:

- Collaborate with SSA to assess the cost and feasibility of checking recipient SSNs against EVS and the full death file to more accurately identify recipients who used SSNs that were ineligible or belonged to likely deceased individuals, document the results of this assessment, and if determined to be cost-beneficial take steps to implement a partnership to use SSA data.

-
- Assess the cost and feasibility of addressing limitations in FEMA’s control for identifying duplicate information in applications in high-risk data fields—such as SSN, bank-account information, address, and phone number—that may currently allow individuals or households to improperly receive multiple payments, and if determined to be cost-beneficial take steps to address the system design limitation.
 - As part of updates to legacy systems, redesign the compliance flag in the IHP system to clearly identify and document applicants’ compliance with NFIP requirements at the time when assistance for flood-related damage was provided through IHP.

To facilitate more-effective data sharing with state-level partners and enhance FEMA’s ability to prevent duplicative benefits, we recommend that the Administrator of FEMA take the following action:

- As part of its committee that is implementing enhanced data-sharing between Public Assistance and Individual Assistance programs, establish data-reporting requirements for states, including specific fields needed and a standard process for comparing information across programs, including IHP and STEP, to better position FEMA to evaluate such pilot programs and to help prevent potential duplicative payments.

Finally, to prevent assistance that duplicates homeowner insurance benefits, we recommend the Administrator of FEMA take the following action:

- Evaluate options, including costs and feasibility, to identify an approach for verifying the accuracy of self-reported information FEMA receives on whether applicants have private homeowners insurance. Such options could include posing additional questions to applicants, sharing data with federal agencies to identify federally backed mortgages, or developing a data-sharing approach with private insurance companies.

Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of Homeland Security for comment. In its written comments, reproduced in appendix IV and summarized below, the Department of Homeland Security (DHS) concurred with all five recommendations. DHS also described ongoing or planned actions, and provided a timeline for addressing the recommendations. DHS further stated that FEMA had already

implemented the fifth recommendation; however, we continue to believe that additional action is needed to fully address that recommendation.

In response to our first recommendation, to collaborate with SSA to assess the cost and feasibility of checking recipient SSNs against EVS and the full death file, DHS said that FEMA would engage with SSA to assess the cost and feasibility of using EVS and the full death file, as well as work with its third-party vendor to assess the feasibility of improving SSN validation results. The agency expects to complete this work by December 31, 2015.

In response to our second recommendation, to assess the cost and feasibility of addressing limitations in FEMA's control for identifying duplicate information in applications in high-risk data fields that may currently allow individuals or households to improperly receive multiple payments and take steps to address the system design limitation if cost-beneficial, DHS said that FEMA would work with developers to ascertain why certain duplicate applications were not flagged, anticipating a completion date by January 2015. DHS also stated that FEMA would consider appropriate system improvements based on the review and that a schedule of system changes would be developed according to the availability of funds.

In response to our third recommendation, to redesign the compliance flag in the IHP system to clearly identify and document applicants' compliance with NFIP requirements at the time when assistance for flood-related damage was provided through IHP, DHS said that FEMA's Recovery Directorate would identify a means for recording changes to applicants' compliance with NFIP requirements. According to DHS, the changes are to be easily viewed and queried to show applicants' status throughout the phases of the application process. FEMA estimated that work would be completed by May 31, 2016.

These actions, if implemented effectively, would address the intent of our recommendations.

In response to our fourth recommendation, to establish data-reporting requirements for states, DHS stated that FEMA would enhance its information-technology infrastructure to better facilitate bidirectional data sharing with states. FEMA started this effort in 2013 and plans to continue this work through September 30, 2016, in developing a datacenter to process this data exchange. While this action may help facilitate the sharing of data between FEMA and states, additional steps will be

required to clarify at the outset of the response to a given disaster what data states are to collect and when the data will be shared with FEMA.

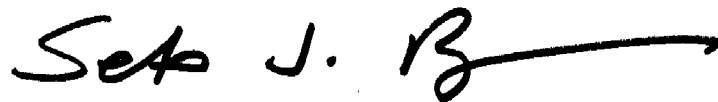
In response to our fifth recommendation to evaluate options to identify an approach for verifying the accuracy of self-reported information FEMA receives on whether applicants have private homeowners insurance, DHS stated that FEMA recognized the value in obtaining insurance data for IHP applicants and described the efforts FEMA has taken to-date to obtain this information. According to DHS, efforts to obtain the data from private-sector companies were not successful because FEMA is precluded from complying with the private-sector companies' expectations of receiving personally identifiable information about applicants in return from FEMA. Additionally, DHS stated that FEMA determined that access to insurance information from individual private insurance companies was not cost-effective, although DHS did not provide evidence to demonstrate that an analysis of the costs was completed. DHS stated that FEMA had considered acquiring data from other federal agencies to determine whether IHP recipients had federally backed mortgages, as we did in our analysis. According to DHS, FEMA contends that such analysis would only cover a small percentage of the insured population, yet we determined that nearly one-third of recipients of home repair or personal property assistance through the IHP after Hurricane Sandy had a federally backed mortgage. We believe that, given the inherent unreliability of self-reported data, adopting a mechanism to identify risk in a meaningful portion of applications warrants serious consideration. Further, though DHS states that an applicant's mortgage status does not influence eligibility for IHP assistance, we contend that mortgage status could serve as an appropriate flag for additional follow-up from a manual review of applications in which applicants claim not to have private home insurance. DHS also states that including one additional self-reported question on the IHP application regarding whether applicants have a mortgage would increase registration time and require approval from the Office of Management and Budget. One additional question should not significantly increase respondent burden. In addition, a question about mortgage status could provide an additional data point to assess the validity of responses to the current question. As a consequence, we reiterate our recommendation that FEMA evaluate these costs and potential benefits of adding a second question regarding whether an applicant has a mortgage as a flag for potentially inaccurate statements about insurance coverage. We appreciate the administrative burden associated with changes to the applicant form and suggest that FEMA could incorporate this change along with one of its future updates. While the percentage of applications in which this issue is a concern

ultimately may not be large, the cumulative dollar amount of such potentially improper or potentially fraudulent payments from this disaster and future disasters could be significant. We consider this recommendation open until FEMA conducts additional analysis of the costs and benefits of these methods in screening applicants for misstatements about their private home insurance status.

FEMA also provided technical comments, which we incorporated as appropriate. In its technical comments, FEMA clarified several terms and provided additional details related to its policies and programs. FEMA also requested that the report reflect the agency's ability to provide supporting evidence pertaining to the at-risk payments we identified, which is reflected in the report. Additionally, FEMA suggested that some of the figures we report related to FEMA's supporting evidence did not match its calculations. We reviewed these comments but determined that the report correctly summarizes the results of our analysis and the evidence that FEMA provided.

We are sending copies of this report to interested congressional committees, the Secretary of Homeland Security, the Administrator of FEMA, the Administrator of SSA, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-6722 or bagdoyans@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Seto J. Bagdoyan" followed by a long horizontal flourish.

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service

List of Requesters

The Honorable Thomas R. Carper
Chairman

The Honorable Tom Coburn, M.D.
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Michael T. McCaul
Chairman
Committee on Homeland Security
House of Representatives

The Honorable Susan W. Brooks
Chairman
Subcommittee on Emergency Preparedness, Response,
and Communication
Committee on Homeland Security
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the extent to which the Federal Emergency Management Agency (FEMA) implemented controls to help prevent Individuals and Households Program (IHP) payments that are at risk of being improper or potentially fraudulent and (2) what challenges, if any, FEMA and states faced in obtaining and sharing information to help prevent IHP payments from duplicating or overlapping with other sources of assistance in its response to Hurricane Sandy.

To assess the extent to which FEMA implemented controls to help prevent payments that are at risk of being improper or potentially fraudulent, we reviewed FEMA's controls designed to prevent individuals from fraudulently receiving disaster assistance, reviewed IHP data of applications and assistance provided in response to Hurricane Sandy, and interviewed FEMA officials. FEMA provided its IHP records as of November 2013, the most current and complete data available at the time of our request. The data contained records for all applicants requesting assistance for damages related to Hurricane Sandy, as well as the type and amount of IHP assistance payment received. To identify indications of payments to potentially ineligible recipients, we performed extensive testing of these data to determine whether there were (1) records with duplicate Social Security numbers (SSN), addresses, bank account numbers, and phone numbers and (2) payments to potentially ineligible recipients, such as those that were identified in other data systems as having invalid SSNs or as likely deceased or incarcerated at the time an assistance payment was received.

To identify whether any of the award recipients had potentially inaccurate or invalid personal identification information (SSN, name, birth date), we submitted this information for verification to the Social Security Administration's (SSA) Enumeration Verification System (EVS). The EVS system provides information on invalid (never issued) SSNs and instances where there are mismatches between SSN, name, and birth date. Where there are mismatches between SSN and name or SSN and birth date, EVS may provide one or more suggested SSNs based on the applicants' name and birth date. Where EVS provided these alternatives, we compared the suggested SSN to the SSN in the IHP data to determine the likelihood that a mistake had been made in transcribing them. In some cases, we found an EVS suggested SSN to be very similar to the SSN on the corresponding application, such as a match on 8 of 9 digits, leading us to conclude that the SSN was a match. However, if the mismatch was greater than 2 digits, we considered the SSN unverifiable with SSA's records. We defined invalid SSNs as those that EVS determined had never been issued.

To identify IHP recipients who may have used the identity of a likely deceased individual to receive IHP assistance, we matched FEMA IHP recipient data to the SSA's full death file by SSN to identify cases where the IHP application date was after the reported date of death. The full death file contains all of SSA's death records, including state-reported death information. We used a copy of SSA's full death file that was current as of May 2014, the most recent version available at the time we performed the analysis. We identified matches in two ways. In the first, we compared the SSNs that IHP recipients used in their application with the SSNs of those listed on the full death file. In the second, we examined the results of our analysis using the EVS system, which verified that IHP applicant information matched SSA's records. EVS identified some IHP recipients whose SSNs did not correspond to their name or date of birth. For some of these IHP recipients with mismatched identifying information, EVS provided a valid SSN for the name and date of birth of the applicant. For some of the flagged SSNs, EVS provided one or more valid SSNs that matched on the name and date of birth (or just on the name). We checked these EVS-recommended SSNs against the full death file. We used the EVS-recommended valid SSN to compare these IHP recipients with the SSNs of those listed on the full death file. For cases where EVS recommended more than one SSN for an IHP recipient, we only counted it as a full death file "match" if all the EVS-recommended SSNs matched with an individual on the death file.

To identify award recipients with SSN's associated with incarcerated individuals at the time of FEMA assistance, we matched FEMA IHP data to state department of corrections prisoner databases from New York, New Jersey, and Connecticut.¹ Prisoner data included individuals incarcerated on the day that Hurricane Sandy made landfall, October 29, 2012, and at any time in the following 6 months (through April 29, 2013). We identified records for which the FEMA assistance recipients' SSN, name, and birth date, or name and address matched that of a person who was incarcerated from October 29, 2012 through April 29, 2013. We conducted an analysis of the matches to eliminate those individuals who could have qualified for rental assistance prior to or following their incarceration. We also eliminated cases that appeared to be a result of

¹We chose to use data provided by state departments of correction in New York, New Jersey, and Connecticut because those states were most heavily impacted by Hurricane Sandy.

two individuals sharing a name or address but having different dates of birth and SSNs.

It is not possible to determine from data matching alone whether these matches definitively identify recipients who were deceased or incarcerated without reviewing the facts and circumstances of each case. For example, it is possible that individuals can be erroneously listed in the full death file. Similarly, a recipient may have an SSN, name, and date of birth similar to an individual in state prison records. Alternatively, our matches may also understate the number of deceased or incarcerated individuals receiving assistance because matching would not detect applicants whose identifying information in the FEMA data differed slightly from their identifying information in other databases.

To assess FEMA's oversight of IHP assistance for flood-related damage, we analyzed FEMA's IHP data to determine the number of recipients and amount of assistance received for flood-related damage from Hurricane Sandy whose property carried a requirement to purchase and maintain flood-insurance on that damaged property for future disasters. We examined how FEMA determined and tracked the eligibility of IHP recipients to receive assistance for flood-related damage based on their compliance with an existing flood-insurance requirement from a previous disaster. We analyzed the IHP data to identify how much flood-related assistance, if any, FEMA provided to IHP recipients it had flagged as noncompliant with an existing flood-insurance requirement. An applicant who was noncompliant with a flood-insurance requirement could still be eligible for IHP flood-related assistance to repair items that are not covered by flood insurance, such as wells, sewers, or septic systems, as well as for types of assistance that are not dependent on whether an applicant has flood insurance, such as rental assistance or assistance with medical, dental, childcare, or disaster-related funeral costs.

We assessed the accuracy and reliability of FEMA's IHP data by interviewing agency officials knowledgeable about the data system and by obtaining from the agency written responses regarding (1) the agency's methods of data collection and quality-control reviews, (2) practices and controls over data-entry accuracy, and (3) any limitations of the data. In addition, we conducted electronic testing of the data, including checks for missing, out of range, or logically inaccurate data. We determined that the data were sufficiently reliable for the purposes of our report.

We also assessed the reliability of SSA's full death file and prisoner databases provided by departments of corrections in Connecticut, New Jersey, and New York by reviewing relevant documentation, interviewing knowledgeable agency officials, and examining the data for obvious errors and inconsistencies. We concluded that each database was sufficiently reliable for the purposes of this report.

In addition to data analysis, we identified criteria for FEMA's actions by examining policies, laws, and guidance, including the policy memos and applicant guidance published by FEMA for the National Flood Insurance Program (NFIP) and IHP. We reviewed changes to FEMA's controls since Hurricane Katrina and interviewed officials from FEMA, state governments of New York and New Jersey, and the city of New York involved in the recovery effort about the effectiveness of the controls and any likely opportunities for fraud. We also reviewed relevant legal materials, including the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA).² In addition, we referred to best practices cited by auditing and antifraud organizations, GAO's fraud control framework, and previous GAO work on information-systems controls.³

To examine the challenges, if any, FEMA and the states faced in obtaining and sharing information necessary to prevent duplicative payments from overlapping sources, we reviewed guidance about FEMA's Sheltering and Temporary Essential Power (STEP) pilot program to assess FEMA's ability to determine whether an applicant's home had been repaired through the STEP program prior to the cessation of sheltering assistance through the IHP. Finally, we interviewed federal, state, and local officials involved in the response to Hurricane Sandy about challenges faced in data-sharing efforts.

To identify individuals who may have received IHP assistance for damage from Hurricane Sandy that could be covered by private insurance companies, we requested that the Federal National Mortgage Association

²PKEMRA was enacted as Title VI of the Department of Homeland Security Appropriations Act, 2007, Pub. L. No. 109-295, § 601, 120 Stat. 1355, 1394 (2006).

³GAO, *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution*, [GAO-06-954T](#) (Washington, D.C.: July 12, 2006); *Federal Information System Controls Audit Manual (FISCAM)*, [GAO-09-232G](#) (Washington, D.C.: February 2009); and *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

(Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) compare the addresses of individuals listed who received home-repair or personal property assistance from IHP with their loan records for October 2012, the month that Hurricane Sandy made landfall, to identify addresses that had a mortgage backed by one of these two entities. We also obtained data on mortgages backed by the Federal Housing Administration (FHA) as of September 30, 2012 and compared these data with IHP data on individuals who received home-repair or personal-property assistance to identify addresses that had an FHA-backed mortgage. According to officials from these housing and mortgage organizations, mortgages backed by Fannie Mae, Freddie Mac, and FHA require that loan servicers (banks) ensure that mortgage holders maintain hazard insurance on the mortgaged property, so it is more likely that individuals who had a mortgage would also carry a hazard insurance policy. We determined whether any of the IHP recipients listed as homeowners who reported not having any private insurance received assistance for a damaged address that had a federally backed loan, and we analyzed the types and amounts of assistance received. We assessed the reliability of data from FHA, Fannie Mae, and Freddie Mac by interviewing agency officials knowledgeable about the data system and mortgage loans. In addition, we conducted electronic testing of the data, including checks for missing, out of range, or logically inaccurate data. We determined that the data were sufficiently reliable for the purposes of our engagement. However, it is not possible to determine whether these matches definitively identify improper payments without reviewing the facts and circumstances of each case.

We identified criteria for data sharing within FEMA and with external organizations by examining policies, laws, and guidance, including the policy memos and applicant guidance published by FEMA for the STEP program and IHP. We interviewed officials from FEMA, state governments of New York and New Jersey, and the city of New York involved in the recovery effort about the effectiveness of data-sharing efforts and controls to prevent duplication of benefits. We also reviewed relevant legal materials, including the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended.⁴ In addition, we referred to best practices cited by auditing and antifraud organizations and previous

⁴Pub. L. No. 93-288, 88 Stat. 143 (1974) (codified as amended at 42 U.S.C. §§ 5121–5207).

GAO work on program evaluation and GAO's fraud-control framework.⁵ Finally, we assessed the reliability of data from Fannie Mae and Freddie Mac by interviewing agency officials knowledgeable about the data system and mortgage loans. In addition, we conducted electronic testing of the data, including checks for missing, out of range, or logically inaccurate data. We determined that the data were sufficiently reliable for the purposes of our engagement.

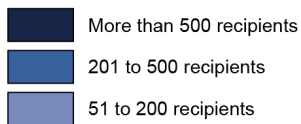
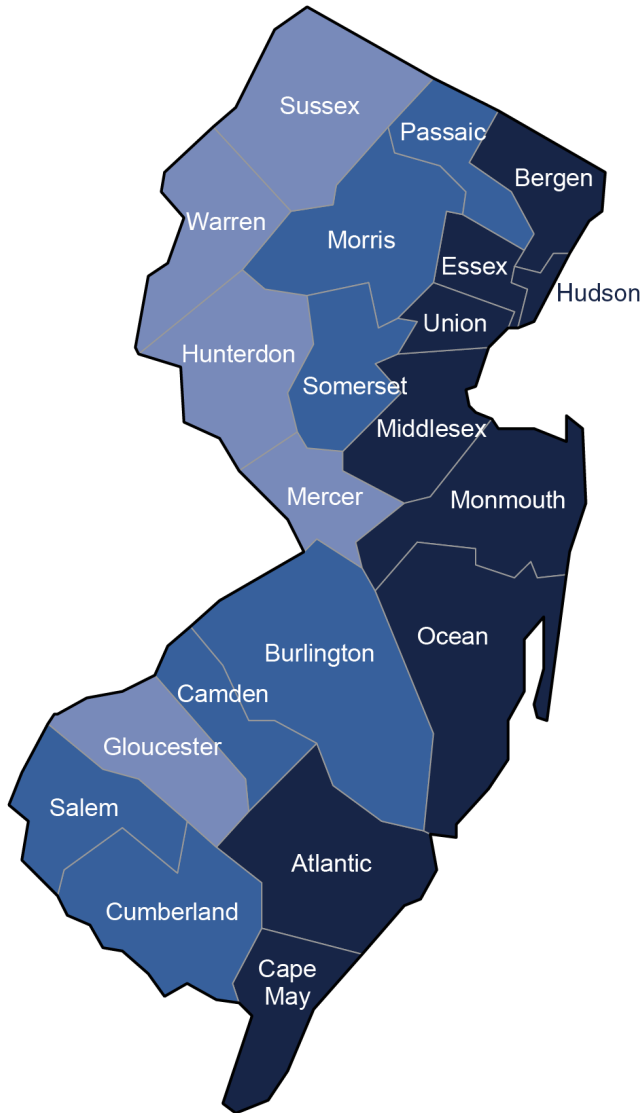
We performed this audit from July 2013 through December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵GAO, *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution*, [GAO-06-954T](#) (Washington, D.C.: July 12, 2006); and *Designing Evaluations: 2012 Revision*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012).

Appendix II: Recipients and Dollars to Counties

The following maps represent a static version of the interactive graphic in figure 2, detailing Individuals and Households Program (IHP) assistance received by each county that was declared by the President to be a disaster area eligible for Individual Assistance programs. The President declares disaster areas at the request of the governor of each state. Although the Federal Emergency Management Agency submits a recommendation to the President, disaster declarations are ultimately at the President's discretion. Amounts may not total due to rounding.

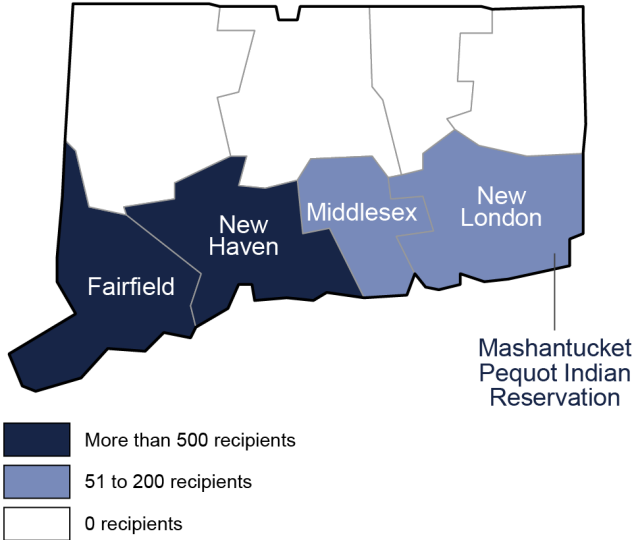
Distribution of Individuals and Households Program Funds in Response to Hurricane Sandy for New Jersey



County	Number of recipients	Dollars to county
Atlantic	8,712	\$44,657,370
Bergen	2,779	19,850,637
Burlington	245	1,110,082
Camden	421	1,193,538
Cape May	1,907	8,718,039
Cumberland	223	1,430,995
Essex	1,651	4,935,141
Gloucester	100	588,206
Hudson	5,172	27,667,126
Hunterdon	78	231,011
Mercer	198	499,172
Middlesex	2,980	19,422,435
Monmouth	11,537	85,579,069
Morris	264	594,614
Ocean	22,444	189,528,659
Passaic	270	688,018
Salem	207	1,218,273
Somerset	327	780,201
Sussex	151	374,941
Union	1,655	6,484,914
Warren	77	270,431
Total	61,398	\$415,822,873

Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

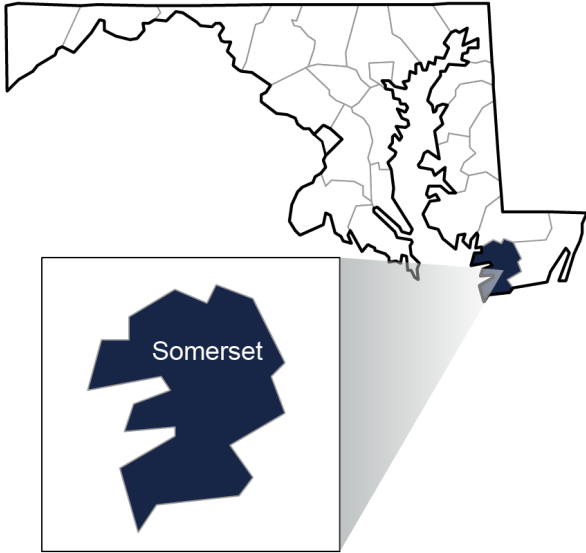
Distribution of Individuals and Households Program Funds in Response to Hurricane Sandy for Connecticut



County	Number of recipients	Dollars to county
Fairfield	1,856	\$9,726,137
Mashantucket Pequot Indian Reservation	1	248
Middlesex	124	553,567
New Haven	828	4,191,425
New London	160	613,317
Total	2,969	\$15,084,694

Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

Distribution of Individuals and Households Program Funds in Response to Hurricane Sandy for Maryland



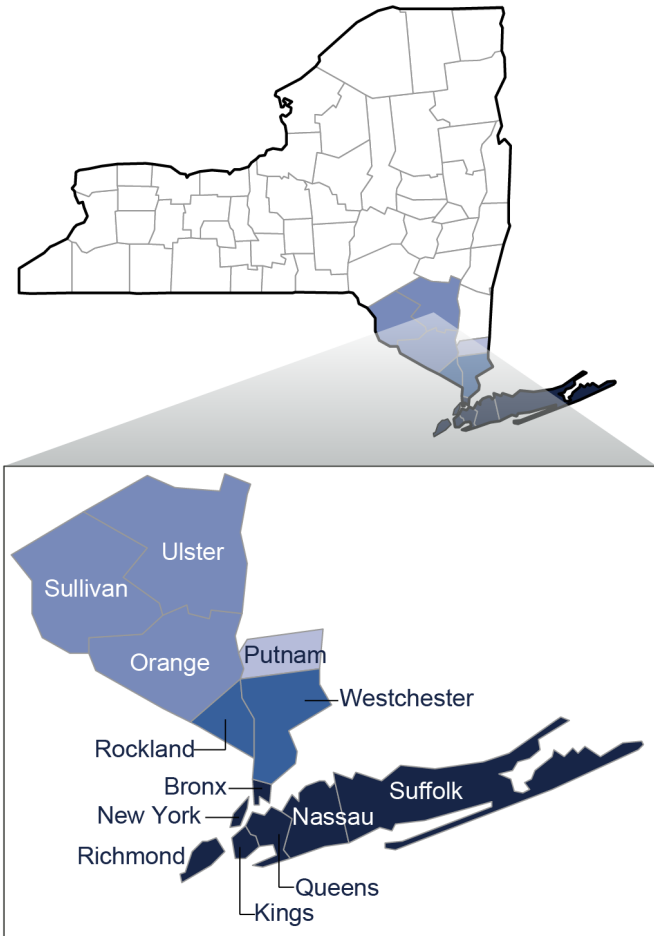
County	Number of recipients	Dollars to county
Somerset	732	\$2,571,561
Total	732	\$2,571,561

More than 500 recipients
 0 recipients

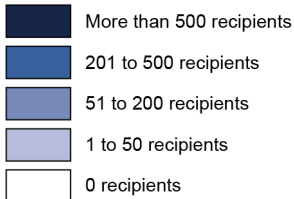
Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

Note: Somerset County in Maryland was approved for Individual Assistance after an appeal, as it was the area with the greatest unmet need. The City of Chrisfield in Somerset County sustained the heaviest concentration of damage to its residences.

Distribution of Individuals and Households Program Funds in Response to Hurricane Sandy for New York

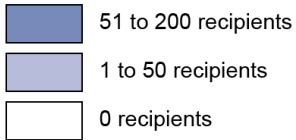
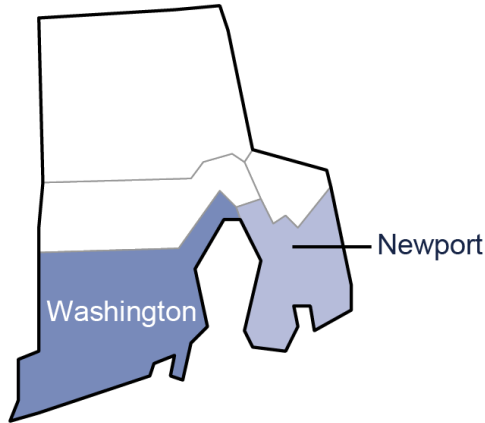


County	Number of recipients	Dollars to county
Bronx	653	\$3,094,134
Kings	24,790	220,154,772
Nassau	39,696	325,512,835
New York	3,964	15,371,605
Orange	142	469,633
Putnam	48	183,337
Queens	27,086	250,781,103
Richmond	10,065	104,174,988
Rockland	473	3,242,520
Suffolk	10,066	80,031,647
Sullivan	76	283,604
Ulster	86	516,608
Westchester	433	1,695,853
Total	117,578	\$1,005,512,637



Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

Distribution of Individuals and Households Program Funds in Response to Hurricane Sandy for Rhode Island



County	Number of recipients	Dollars to county
Newport	12	\$69,650
Washington	93	351,691
Totals	105	\$421,341

Source: GAO analysis of Federal Emergency Management Agency data (data); Map Resources (map). | GAO-15-15

Appendix III: Individual and Households Program (IHP) Registrations Reviewed by the Federal Emergency Management Agency (FEMA)

FEMA officials stated that at least \$6.1 million of the payments we identified as being at-risk were deemed appropriate upon the agency's review of our matching results and related applicant files. Table 6 describes the results of FEMA's review for each type of risk for which payments were made, including the number of payments and dollar amounts of payments deemed appropriate as well as those recouped or under review.

Table 6: Summary of the Federal Emergency Management Agency's (FEMA) Review of the Individuals and Households Program (IHP) Assistance Identified as Being at Risk for Potential Fraud or Improper Payments

Type of risk for payments made	Number of IHP registrations identified as being at risk	Number of at-risk IHP registrations reviewed by FEMA	Number of IHP registrations FEMA deemed proper	Amount of at-risk payments FEMA deemed proper (dollars)	Number of at-risk IHP registrations with payments recouped or in review	Amount of at-risk payments recouped or in review (dollars)
Receipt of rental assistance while incarcerated	2	2	2	\$7,328	0	\$0
Social Security number (SSN) was invalid, did not match Social Security Administration's (SSA) records for other identifying information, or SSN belonged to likely deceased individual	2,610	77	67	781,028	10	120,472
Duplicates not flagged by FEMA	203	203	n/a	n/a	n/a	n/a
SSNs used by multiple recipients	20	20	11	146,887	5	18,177
Bank accounts used by multiple recipients	147	147	133	1,160,797	14	86,863
Addresses where more than 1 applicant received home-repair assistance	128	128	99	995,276	29	328,914

**Appendix III: Individual and Households
Program (IHP) Registrations Reviewed by the
Federal Emergency Management Agency
(FEMA)**

Type of risk for payments made	Number of IHP registrations identified as being at risk	Number of at-risk IHP registrations reviewed by FEMA	Number of IHP registrations FEMA deemed proper	Amount of at-risk payments FEMA deemed proper (dollars)	Number of at-risk IHP registrations with payments recouped or in review	Amount of at-risk payments recouped or in review (dollars)
Address and last name used by multiple recipients and cumulatively receiving more than \$31,900	418	200	146	2,699,422	54	888,856
Receipt of funeral assistance through a second registration in the same household	18	18	n/a	n/a	n/a	n/a
Receipt of home-repair assistance and claiming to lack private homeowners insurance while maintaining federally backed mortgage	534	55	32	259,418	23	87,381
Inaccurate flags for National Flood Insurance Program (NFIP) compliance	1,322	64	56	269,041	8	137,788

Source: GAO analysis of FEMA data. | GAO-15-15

n/a = not available

Note: Because some of the payments we identified as at risk appear in more than one category, the sum of the dollar amounts for each category in the table is greater than the sum of the entire population of at-risk payments, which counts the payments included in multiple categories only once.

We could not independently confirm FEMA's conclusions without additional investigation for each payment.

FEMA reviewed the 203 duplicates that were not flagged, but did not provide us with its assessment of the results for each applicant. Rather, FEMA presented its results in aggregate. As such, we do not have data about the dollar totals involved with cases FEMA deemed proper or attempted to recoup. Further, its explanations as to why the applicants were not flagged were not sufficient to conclude that the payments were proper. For example, FEMA claimed that 125 of the 203 duplicates resided in different states and, as such, FEMA did not consider the payments to be duplicative. We continue to believe that cross-state checks are necessary to detect potentially improper or fraudulent payments, as an individual with homes in two states should only be eligible for assistance related to the primary residence. Further, FEMA explained that 44 of the 203 duplicates had been flagged for manual review for cross-disaster checks (other disasters prior to Hurricane Sandy), but that would not preclude the records from being flagged as duplicates within this disaster, as we found. Similarly, FEMA found that 16 of the 203 cases matched applications from disasters for which assistance was no longer available and were not flagged as cross-disaster duplicates because the matching disasters were closed. Again, our analysis found the duplicates within the data for only this disaster. FEMA confirmed that 30 applicants should have been flagged as duplicates and is investigating why the records were not flagged.

**Appendix III: Individual and Households
Program (IHP) Registrations Reviewed by the
Federal Emergency Management Agency
(FEMA)**

FEMA's review of funeral assistance using a second registration in the same household looked only for duplication of benefits instead of the extent to which second registrations were provided inappropriately within a household. While FEMA found no duplication of benefits for these payments, FEMA officials did not address our primary concern with these payments in its review and we did not include the results in this table.

Appendix IV: Comment from the Department of Homeland Security

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



**Homeland
Security**

November 26, 2014

Seto Bagdoyan
Director, Forensic Audits and Investigative Services
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report GAO-15-15, "HURRICANE SANDY: FEMA Has Improved Disaster Aid Verification but Could Act to Further Limit Improper Assistance"

Dear Mr. Bagdoyan:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

The Department appreciates GAO's recognition that the controls the Federal Emergency Management Agency (FEMA) has implemented since Hurricane Katrina have significantly helped reduce and prevent improper and potentially fraudulent payments. FEMA is committed to demonstrating responsible stewardship over taxpayer dollars and fulfilling its legal responsibility to recover improperly disbursed funds, while remaining mindful of the impact this process can have on the delivery of disaster assistance and the affected individuals and families.

The draft report contained five recommendations with which the Department concurs. Specifically, GAO recommended that the FEMA Administrator:

Recommendation 1: Collaborate with SSA [Social Security Administration] to assess the cost and feasibility of checking recipient SSNs [Social Security Numbers] against EVS [Enumeration Verification System] and the full death file to more accurately identify recipients who used SSNs that were ineligible or belonged to likely deceased individuals, document the results of this assessment, and if determined to be cost-beneficial take steps to implement a partnership to use SSA data.

Response: Concur. FEMA's Recovery Directorate will engage with the SSA through the Individuals and Households Program (IHP) to assess the feasibility and costs of validating SSNs against the EVS and the full death file. Additionally, FEMA's Recovery Directorate will work with a third-party vendor to assess the feasibility of improving results on the SSN validations under an existing contract vehicle. Pursuing both

approaches will enable FEMA to find the most cost beneficial approach to reducing improper payments associated with ineligible SSNs or deceased individuals.
Estimated Completion Date (ECD): December 31, 2015.

Recommendation 2: Assess the cost and feasibility of addressing limitations in FEMA’s control for identifying duplicate information in applications in high-risk data fields—such as SSN, bank-account information, address, and phone number—that may currently allow individuals or households to improperly receive multiple payments, and if determined to be cost-beneficial take steps to address the system design limitation.

Response: Concur. FEMA’s Recovery Directorate will engage with developers using specific examples provided by the GAO to ascertain why duplicate applications were not caught. Based on the review, FEMA’s Recovery Directorate will consider appropriate system improvements to address the issue. The review will be complete by January 2015 and the schedule for any system changes will follow subject to the availability of funds.
ECD: To Be Determined.

Recommendation 3: Redesign the compliance flag in the IHP system to clearly identify and document applicants’ compliance with the NFIP [National Flood Insurance Program] requirements at the time when assistance for flood-damage was provided through IHP.

Response: Concur. FEMA’s Recovery Directorate will work with the developers to ensure that as additional checks are run during the lifecycle, the system will record changes so they are easily viewed and queried to show the appropriate status for each phase of the application process. ECD: May 31, 2016.

Interim Milestones:

1. Begin requirements gathering process.	01/31/2015
2. Baseline requirements & Obtain Cost Estimate from development contractor.	05/31/2015
3. Fund development via eCaps (management decision on appropriateness of cost compared to value of the change & other development and policy priorities)	07/31/2015
4. Complete development & testing	12/31/2015
5. IT IV&V Testing & Deployment Approvals	03/31/2016
6. Production Deployment (this change would coincide with our large Sustainment release, scheduled between March and May each year)	05/31/2016

Recommendation 4: Establish data reporting requirements for states, including specific fields needed and a standard process for comparing information across programs, including IHP and STEP [Sheltering Temporary Essential Power], to better position

FEMA to evaluate such pilot programs and to help prevent potential duplicative payments.

Response: Concur. The FEMA Office of Chief Information Officer is enhancing its IT infrastructure to facilitate bi-directional data sharing with State partners. This work started in FY2013 and continues through FY2016 in the form of new capabilities built into FEMA’s target datacenter infrastructure architecture. Current DHS requirements for a Minimum Background Investigation for any partners connecting to the DHS network has added urgency to finding immediate policy and technical bridge solutions and these solutions will be folded into a future target state enterprise architecture. The FEMA Office of Chief Information Officer will have the bi-directional data sharing capability in production in September 2016. ECD: September 30, 2016.

Interim Milestones:

1. IT Governance approval of target infrastructure and data domain design of the FEMA enterprise architecture	02/28/2015
2. <i>DHS policy and technical solution resolution and approval for implementation of target design</i>	06/30/2015
3. Completion of logical design of infrastructure and data domains for implementation	10/31/2015
4. FEMA Cyber Security assessment and approval target infrastructure and data domain design	02/29/2016
5. Completion of Data Center infrastructure and data domain enhancements in Development Environment	05/31/2016
6. Completion of all testing of Data Center infrastructure and data domain enhancements in Test Environment	05/31/2016-09/30/2016
7. Deployment of target enterprise infrastructure data sharing capability in Production Environment	09/30/2016

Recommendation 5: Evaluate options, including costs and feasibility, to identify an approach for verifying the accuracy of self-reported information FEMA receives on whether applicants have private homeowners insurance. Such options could include posing additional questions to applicants, sharing data with federal agencies to identify federally-backed mortgages, or developing a data-sharing approach with private insurance companies.

Response: Concur. FEMA recognizes the value in obtaining insurance data and has performed extensive research on ways to access insurance data from private sector companies to determine whether an applicant has homeowners and auto insurance at the time of registration. Unfortunately, thus far, this option has presented several hurdles.

FEMA engaged a third party company with extensive public-records-related information but a chief overriding problem with this option was that access to the insurance database was participatory. As such, not only would FEMA have to pay for access to the data, in exchange for providing this service, FEMA would be required to provide information on existing NFIP policyholders and claims, including personally identifiable information. FEMA's Office of Chief Counsel determined in August 2014, and later in coordination with the Program Office in October 2014, that the data-sharing agreements required by the third-party company mentioned above precluded FEMA from participation, as those agreements violated both the applicable NFIP System of Records Notice and the Privacy Act.

FEMA has also looked to developing a data-sharing approach with individual private insurance companies. However, this approach was not found to be cost effective.

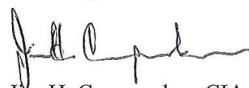
Another option considered was to acquire data from other Federal agencies to identify if a disaster survivor has a federally backed mortgage. However, this would only cover a small percentage of the insured population. In addition, having a mortgage does not influence an applicant's eligibility for IHP assistance, whereas having insurance may.

FEMA also contemplated creating new self-reported questions, such as questions about a survivor's mortgage. This option, however, does not give the Agency third-party verification of insurance status and would provide a new self-certified data element which would increase registration time and require approval from the Office of Management and Budget. Without independent verification, this does not achieve the desired objective and would only extend the registration process.

FEMA's Recovery Directorate is receptive to exploring other ways to obtain and verify insurance data; however, it has exhausted all currently known options in this regard. Therefore, we request that GAO consider this recommendation resolved and closed.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under a separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,



Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Appendix V: GAO Contacts and Staff Acknowledgements

GAO Contact

Seto J. Bagdoyan, (202) 512-6722 or bagdoyans@gao.gov

Staff Acknowledgements

In addition to the contact named above, Joah Iannotta (Assistant Director), Dean Campbell, Robert Heilman, Miriam Hill, Grant Mallie, Maria McMullen, James Murphy, Anna Maria Ortiz, and Rebecca Shea made key contributions to this report.

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