

**FEMA Did Not Sufficiently  
Safeguard Use of  
Transportation Assistance  
Funds**





# DHS OIG HIGHLIGHTS

## *FEMA Did Not Sufficiently Safeguard Use of Transportation Assistance Funds*

September 30, 2019

### Why We Did This Review

According to the Federal Emergency Management Agency (FEMA), it approved \$64.6 million for transportation assistance for vehicles considered damaged or destroyed by Hurricanes Harvey, Irma, and Maria in FY 2017. We conducted this review to determine to what extent FEMA prevented fraud, waste, and abuse of transportation assistance in response to the hurricanes.

### What We Recommend

We made three recommendations that, when implemented, will help ensure FEMA is spending Federal funds for transportation assistance properly.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at: [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

FEMA did not take sufficient actions to prevent fraud, waste, and abuse of transportation assistance funds for vehicles considered damaged or destroyed by Hurricanes Harvey, Irma, and Maria in fiscal year 2017. Specifically, FEMA did not adequately document applicants' eligibility for transportation assistance because FEMA's policies and procedures do not require documenting comprehensive insurance and second vehicle verifications. Without this documentation, FEMA risks approving ineligible applications.

FEMA also potentially paid applicants more than the pre-disaster market value of their vehicles. According to FEMA officials, determining pre-disaster value immediately after a disaster would be unduly burdensome and would delay assistance. As a result, FEMA risks overpaying Federal funds for transportation assistance in response to future disasters.

Lastly, FEMA did not verify applicants spent transportation assistance funds to address critical transportation needs. Again, FEMA lacked a process requiring post-payment reviews to ensure survivors spent funds as required. Consequently, FEMA risked improperly spending \$64.6 million in the wake of the 2017 hurricanes.

According to FEMA, its focus after a disaster is on distributing transportation assistance quickly. We do not dispute the importance of this focus. However, doing so without proper controls and oversight does not exemplify proper stewardship of taxpayer dollars.

### FEMA Response

FEMA concurred with one of our recommendations and did not concur with two of the recommendations.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

September 30, 2019

MEMORANDUM FOR: Keith Turi  
Assistant Administrator for Recovery  
Federal Emergency Management Agency

FROM: Sondra F. McCauley *Sandra F. McCauley*  
Assistant Inspector General for Audits

SUBJECT: *FEMA Did Not Sufficiently Safeguard Use of  
Transportation Assistance Funds*

For your information is our final report, *FEMA Did Not Sufficiently Safeguard Use of Transportation Assistance Funds*. We incorporated the formal comments from the Associate Administrator, Office of Policy and Program Analysis, in the final report.

The report contains three recommendations aimed at improving the Federal Emergency Management Agency's (FEMA) transportation assistance. FEMA concurred with recommendation 2 and did not concur with recommendations 1 and 3. Based on information provided in FEMA's response to the draft report, we consider recommendation 2 open and resolved. We consider recommendations 1 and 3 open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for the recommendation. Also, please include contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendation. Until your response is received and evaluated, recommendations 1 and 3 will be considered open and unresolved and recommendation 2 will be considered open and resolved.

Please email a signed PDF copy of your comments to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov). We will post the final report on our website, including your formal comments as an appendix to the report.

Please call me with any questions, or your staff may contact Katherine Trimble, Deputy Assistant Inspector General for Audits, at (202) 981-6000.



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### Background

In 2017, Hurricanes Harvey, Irma, and Maria hit Texas, Florida, and Puerto Rico causing significant flooding and wind damage. According to the Federal Emergency Management Agency (FEMA), these storms caused a combined \$265 billion in damages, of which FEMA approved \$64.6 million in transportation assistance.

FEMA's Individuals and Households Program (IHP) provides assistance for housing and other disaster-related needs and expenses including medical and dental care, childcare, and transportation to help individuals recover from federally declared disasters.<sup>1</sup>

For fiscal year 2017, FEMA set the maximum amount of all IHP assistance at \$33,300 per individual or household. According to FEMA, the IHP is not a substitute for insurance nor is it intended to compensate for an individual's or a household's entire loss, but should be used to meet basic needs and supplement disaster recovery efforts.

Under IHP, FEMA provides transportation assistance to assist individuals and households in repairing or replacing damaged or destroyed vehicles. According to FEMA, a vehicle is "repairable" if it sustains disaster-caused damage that affects its drivability or safety. Repairable damage includes a broken windshield, mirror, or headlight assembly and mechanical malfunction. A vehicle is "destroyed" if it has been declared a total loss.

Circumstances of total loss include a vehicle crushed by a falling tree, completely burned, or having floodwater over the engine. (See figure 1.)



Figure 1. Hurricane Harvey damage  
Source: FEMA website

FEMA's Assistant Administrator for the Recovery Directorate issued the *Individuals and Households Program Unified Guidance*. The IHP guidance provides eligibility requirements, as well as details on the application and verification processes for obtaining transportation assistance.

<sup>1</sup> FEMA, *Individuals and Household Program (Unified Guidance)*, FP-104-009-03 (Sept. 2016) (hereinafter referred to as IHP). The IHP relies upon the *Stafford Act* as its general legal basis for the guidance provided. See *id.* At 3 (citing *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended (*Stafford Act*), Pub. L. No. 93-288, 42 United States Code (U.S.C.) § 5121 et. seq).



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### **Eligibility Requirements**

After a disaster, individuals and households may apply for transportation assistance. To be eligible, applicants must meet all of the following requirements outlined in the IHP guidance:

- the vehicle sustained disaster-caused damages within the presidentially declared disaster area (the applicant does not need to live within the disaster area to be eligible);
- the damaged vehicle is an approved vehicle type — car, sports utility vehicle, truck, or van;
- the damaged vehicle complies with its state, territorial, or tribal government's registration and insurance requirements at the time of the disaster;
- the damaged vehicle is owned or leased (i.e., not a rental vehicle) by the applicant, co-applicant, or household member;
- the comprehensive insurance payment, if any, does not exceed the maximum award amount; and
- the applicant does not own an operational and unaffected second vehicle.

### **FEMA's Eligibility Verification Process**

After applying for assistance, an individual or household must complete an identity and income verification process. FEMA, state, territorial, or tribal governments verify the information in transportation assistance applications through one of two methods:

- **Desk Review:** If an applicant only has vehicle damage, the reviewing agency sends a request for information to the applicant outlining the required documents that must be submitted, including the vehicle registration, insurance documentation, proof the disaster caused damage or loss, and a list of all vehicles owned by the household. The reviewing agency then reviews the information to verify eligibility and determine the award amount.
- **Onsite Inspection:** If an applicant has other property damage, such as to the primary residence, a FEMA contract inspector verifies application eligibility through an onsite inspection. On site, the FEMA contract inspector visually inspects all damages, including damages claimed for transportation assistance, and reviews the required documentation to ensure the applicant qualifies for transportation assistance. During the



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visit, the inspector completes a checklist on an electronic device indicating verification of all necessary information.

FEMA uses the National Emergency Management Information System (NEMIS) to track, evaluate, and approve disaster assistance applications, including applications for transportation assistance.

**Transportation Assistance Award Amounts**

FEMA allows the state, territorial, or tribal government to determine the amounts allowed for transportation assistance repair and replacement, for each disaster up to the IHP maximum. For FY 2017, the IHP maximum was \$33,300. The transportation award amounts varied by disaster, as detailed in table 1.

**Table 1: 2017 IHP Transportation Assistance Award Amounts**

<b>Disaster</b>	<b>Repair Range</b>	<b>Replacement Amount</b>
Hurricane Harvey (DR-4332-TX)	\$550 to \$9,000	\$9,000
Hurricane Irma (DR-4337-FL)	\$250 to \$4,000	\$4,000
Hurricane Maria (DR-4339-PR)	\$600 to \$7,000	\$7,000

Source: Office of Inspector General (OIG) analysis of Other Needs Assistance Selection Forms

**Transportation Assistance after Hurricanes Harvey, Irma, Maria**

Hurricanes Harvey, Irma and Maria left thousands of vehicles with extensive damage or destroyed, as shown in figure 2. According to FEMA, in the wake of these three disasters, the agency approved 21,500 transportation assistance applications, totaling \$64.6 million in assistance.<sup>2</sup>

<sup>2</sup> The State of Texas administered transportation assistance for Hurricane Harvey, processing applications and approving payment amounts. FEMA administered transportation assistance for Hurricanes Irma and Maria.



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Figure 2: Damage and debris from Hurricane Irma  
Source: FEMA website

We conducted this inspection to determine to what extent FEMA prevented fraud, waste, and abuse of transportation assistance in response to Hurricanes Harvey, Irma, and Maria in FY 2017.

### Results of Review

FEMA did not take sufficient actions to prevent fraud, waste, and abuse of transportation assistance funds for vehicles considered damaged or destroyed by Hurricanes Harvey, Irma, and Maria in FY 2017. Specifically, FEMA did not adequately document applicants' eligibility for transportation assistance because FEMA's policies and procedures do not require documenting comprehensive insurance and second vehicle verifications. Without this documentation, FEMA risks approving ineligible applications.

FEMA also potentially paid applicants more than the pre-disaster market value of their vehicles. According to FEMA officials, determining pre-disaster value immediately after a disaster would be unduly burdensome and would delay assistance. As a result, FEMA risks overpaying Federal funds for transportation assistance in response to future disasters.

Lastly, FEMA did not verify applicants spent transportation assistance funds to address critical transportation needs. Again, FEMA lacked a process requiring post-payment reviews to ensure survivors spent funds as required. Consequently, FEMA risked improperly spending \$64.6 million in the wake of the 2017 hurricanes.



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According to FEMA, its focus after a disaster is on distributing transportation assistance quickly. We do not dispute the importance of this focus. However, doing so without proper controls and oversight does not exemplify proper stewardship of taxpayer dollars.

### **FEMA Does Not Adequately Document Applicants' Eligibility for Transportation Assistance**

According to the IHP guidance, FEMA is required to verify an applicant's eligibility for transportation assistance through a desk review or onsite inspection. When FEMA verifies applicant eligibility, FEMA (or the state, territorial, or tribal government administering the assistance) must ensure the applicant does not have comprehensive insurance already covering disaster damage and the applicant does not own other working vehicles.<sup>3</sup> According to its procedures for processing applications, FEMA can establish a lack of comprehensive coverage in one of three ways: (1) obtaining or viewing an insurance policy or declaration page from the applicant, (2) contacting the insurance provider to obtain confirmation of insurance coverage, or (3) obtaining a signed statement from the applicant stating comprehensive insurance does not exist.<sup>4</sup> Furthermore, FEMA's procedures state the reviewer should check the insurance documents for any indication of a second vehicle. However, FEMA's procedures do not require reviewers to retain this information or document the steps taken to validate the information. Finally, the procedures do not require FEMA to collect, use, or retain unique Vehicle Identification Numbers (VIN) to assist in these reviews or to confirm the information provided by applicants.

For approximately two-thirds of the approved transportation assistance claims we judgmentally sampled and reviewed, we were unable to verify applicants' eligibility because NEMIS did not contain documentation to support applicant eligibility determinations. In fact, some applications lacked documentation for both insurance and second vehicle verification.

- For 39 of 60 applications we reviewed, NEMIS did not contain documentation on comprehensive insurance coverage. Specifically, the files did not contain comprehensive insurance documents, notes in the system regarding contact with insurance providers to confirm coverage, or signed statements from the applicants that they lacked such insurance.

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<sup>3</sup> If an applicant has a working second vehicle, he or she must provide FEMA with evidence supporting more than one vehicle is "essential for the household's daily usage, present circumstances, and explain the serious need for a second vehicle."

<sup>4</sup> FEMA's *Transportation and Second Vehicle Requests*, August 17, 2017



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- For 36 of 60 applications we reviewed, NEMIS did not contain documentation on second vehicle verification. Specifically, the files did not contain statements from applicants that they did not own second vehicles, or the second vehicles owned were integral to the daily maintenance of their households.

Documentation was missing from applications that were approved using both desk reviews and onsite inspections. Table 2 provides a breakdown by disaster of the 60 applications we reviewed.

**Table 2: Sample of Approved Transportation Assistance Applications**

Disaster	Number of Approved Applications Reviewed	Files Missing Comprehensive Insurance Verification Documentation*	Files Missing Second Vehicle Verification Documentation*
Hurricane Harvey (DR-4332-TX)	20	13	11
Hurricane Irma (DR-4337-FL)	20	11	12
Hurricane Maria (DR-4339-PR)	20	15	13
<b>Total</b>	<b>60</b>	<b>39</b>	<b>36</b>

Source: OIG analysis of NEMIS information

\*Some applications were missing documentation for both categories, so the last two columns will not total 60.

Additionally, 4 of the 60 applications contained documentation referencing second vehicles, but FEMA did not document whether it took steps to verify the second vehicles were operational or the second vehicles owned were integral to the daily maintenance of their respective households. Without supporting documentation or notes in the system, we could not confirm the applicants were eligible to receive transportation assistance.

FEMA's Internal Audits Section (which conducts audits to ensure FEMA's policies and procedures are being followed) found similar transportation assistance issues during multiple reviews of transportation payments dating back to 2014. In August 2017, internal auditors identified approximately 5 percent of the applicants receiving transportation payments may have received private insurance payments or had unreported second vehicles.<sup>5</sup> Subsequently, in April 2018, internal auditors identified a 16 percent error rate

<sup>5</sup> FEMA completed this review in response to our report, *FEMA Faces Challenges in Verifying Applicants Insurance Policies for the Individuals and Households Program*, OIG-16-01D, October 15, 2015.



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among desk-reviewed applications, which included unverified second vehicles and unacceptable registration and insurance documents among the primary reasons for improper payments.

Although the 2018 error rate of 16 percent was an improvement compared with the error rate of 44 percent auditors found in 2016 for desk-reviewed applications, FEMA continues to have difficulties ensuring transportation assistance payments are made in accordance with its own policies. Specifically, despite a 2016 recommendation from the Internal Audits Section for FEMA to update its procedures to require definitive proof of actions taken to validate applicant eligibility, FEMA still had significant documentation issues. The 2018 audit made six additional recommendations for FEMA to improve its processing of transportation assistance applications.

The documentation issues we identified occurred because FEMA's processing procedures do not require that officials retain eligibility documents, document steps taken to verify applicant information in NEMIS, or collect and use vehicle identification numbers to aid in the verification process. For instance, during onsite inspections, inspectors are not required to photograph vehicle damage or documents they visually verify. FEMA's procedures also do not require inspectors to document their observations; instead, they are only required to check off on handheld devices that they performed them. Appendix B includes an image of an onsite inspector's verification screen. In addition, FEMA's guidance does not require the collection, use, or retention of VINs during the application and approval process. Recording a vehicle's VIN would make it easier for FEMA to cross-reference national databases for insurance coverage and possibly identify applicants' second vehicles.

Further, when discussing the need for documentation with FEMA officials, they said that immediately after a disaster, FEMA's primary focus is to provide assistance quickly to survivors. They said taking steps to seek additional documentation is burdensome.

### **FEMA Potentially Paid Applicants More than the Value of Their Vehicles**

Federal assistance is intended to assist survivors with addressing basic needs rather than substitute for insurance or compensate for all losses caused by disasters. As such, FEMA policy requires that, upon approval for transportation assistance, an applicant should be paid the amount of repair costs up to the maximum replacement amount determined by the state, territorial, or tribal government. If the applicant has comprehensive insurance and receives a settlement payment, this amount is deducted from the award amount. Nonetheless, FEMA's IHP guidance does not require determination of a vehicle's value prior to a disaster before approving transportation assistance.



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For Hurricanes Harvey, Irma, and Maria, we reviewed 30 judgmentally selected transportation assistance applications involving older model vehicles for which FEMA approved to pay the maximum replacement value. For the 30 applications, FEMA awarded the maximum established replacement value for the applicants' vehicles without regard to pre-disaster market value, and thereby potentially paid approximately \$160,000 more than the combined market value of the vehicles. Appendix C provides a complete listing of the 30 vehicles reviewed and their estimated values. The following examples illustrate the largest variances identified among the vehicles we reviewed:

- In Texas, FEMA awarded an applicant the maximum \$9,000 replacement value for a 1992 Toyota Corolla. According to Kelley Blue Book, the vehicle had an estimated market value of \$1,061, which constituted a potential over-payment of \$7,939, or 748 percent.<sup>6</sup>
- In Florida, FEMA awarded an applicant the maximum \$4,000 replacement value for a 1993 Buick Park Avenue. Kelley Blue Book estimated the vehicle's market value at \$923, which meant FEMA potentially overpaid by \$3,077, or 333 percent.
- In Puerto Rico, FEMA awarded an applicant the maximum \$7,000 replacement value for a 1992 Toyota Tercel. According to Kelley Blue Book, the vehicle had an estimated market value of \$972, constituting a potential over-payment of \$6,028, or 620 percent.

According to FEMA officials, FEMA does not consider pre-disaster value because it may not be enough for an applicant to purchase a replacement vehicle and may not meet the applicant's transportation needs. Furthermore, FEMA officials said determining pre-disaster value immediately after a disaster would be unduly burdensome and would delay assistance. FEMA officials acknowledged additional state guidance for transportation assistance could be beneficial.

By not taking into account pre-disaster market value, FEMA may be wasting taxpayer dollars and increasing the risk of fraudulent claims. FEMA could pay maximum values for vehicles that may not have been in working condition at the time of disaster, or may encourage individuals to submit claims in states where reimbursement amounts are higher, regardless of where the damage occurred.<sup>7</sup>

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<sup>6</sup> We used the Kelley Blue Book Fair Market Value as of May 2018. For consistency, we deemed each vehicle was in "Good" condition for our analysis. According to Kelley Blue Book, a vehicle is in "Good" condition when it is free of any major defects; has a clean Title History; has only minor blemishes to the paint, body, and interior; and has no major mechanical problems. Kelley Blue Book notes most consumer-owned vehicles fall into this category.

<sup>7</sup> FEMA's IHP guidance allows transportation assistance for vehicle damage even if the individual does not live in a presidentially declared disaster area.



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### **FEMA Does Not Verify Funds Are Used to Address Transportation Needs**

Federal laws and regulations, including improper payments legislation, require agencies to take steps to identify and recover any disaster funds not used for the intended purposes, which, in this case, are to address disaster victims' essential transportation needs.<sup>8</sup>

However, FEMA lacks a process to verify applicants use transportation assistance funds to address transportation needs. Although FEMA's Internal Audit Section conducts audits of transportation assistance eligibility, FEMA does not collect or review repair invoices or proof of vehicle replacement after the transportation assistance is paid.

FEMA officials stated requiring post-payment reviews for use of funds on a case-by-case basis would be time consuming and burdensome. Given that FEMA already conducts internal audits by sampling transportation payments, FEMA would benefit from applying a similar process to verify the use of its transportation assistance. Lacking proper verification, FEMA could not ensure that \$64.6 million it approved in transportation assistance funds were used for the critical transportation needs of disaster survivors.

### **Recommendations**

**Recommendation 1:** We recommend the FEMA Assistant Administrator for Recovery strengthen FEMA's transportation assistance policies and procedures and coordinate with FEMA Assistant Administrator for Mission Support to:

- a) require the collection and retention of eligibility documentation or where applicable, document the steps taken to validate applicant statements in FEMA's system of record, and
- b) ensure future information technology updates support the collection, use, and retention of unique Vehicle Identification Numbers to enable FEMA to cross-reference national databases to confirm insurance coverage and identify applicants' second vehicles.

**Recommendation 2:** We recommend the FEMA Assistant Administrator for Recovery develop state, territorial, and tribal government guidance on how to set effectively transportation assistance repair and replacement amounts to better ensure consistency and reasonableness, including consideration of average repair and replacement costs in affected areas.

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<sup>8</sup> See e.g., *Debt Collection Improvement Act of 1996*, Pub. L. No. 104-34, 110 Stat. 1321-358; *Improper Payments and Information Act of 2002*, Pub. L. No. 107-300, 116 Stat. 2350; *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, 124 Stat. 2224; and *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390.



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**Recommendation 3:** We recommend the FEMA Assistant Administrator for Recovery, in accordance with the Stafford and Improper Payments Acts; develop controls to identify payments not used for critical transportation needs.

### Management Comments and OIG Analysis

FEMA concurred with one recommendation and did not concur with two of our recommendations. A copy of FEMA's response is included in appendix A. FEMA also provided technical comments and suggested revisions to our report in a separate document. We reviewed the technical comments and made changes to the report where appropriate. A summary of our analysis follows.

**FEMA's Comments to Recommendation 1: Non-concur.** According to FEMA, collecting VINs or another unique identifier to validate further comprehensive insurance coverage is not necessary because it already validates insurance through an inspection or through documents submitted by an applicant in response to a Request for Information letter. In addition, FEMA's *Processing Procedures Manual* requires documentation pertaining to eligibility, including information about insurance coverage and the lack of a second working vehicle, be either verified by an onsite inspector or submitted to FEMA.

**OIG Analysis:** FEMA told us that immediately after a disaster, its primary focus is to provide assistance quickly to survivors and taking steps to seek additional documentation is burdensome. However, we assert, with minimal changes to its processes, FEMA could significantly strengthen its internal controls to ensure proper stewardship of taxpayer dollars.

FEMA's procedures identify the documents FEMA officials need to make eligibility determinations; however, the procedures do not require officials to document decisions in NEMIS, FEMA's system of record. We observed that NEMIS did not contain documentation essential to support eligibility determinations. For example, through our review, we determined the insurance declaration pages uploaded in NEMIS did not always state whether the applicant had comprehensive insurance, contact logs did not always document FEMA's calls to the insurance provider to verify insurance coverage, and statements signed by the applicant were not always uploaded into NEMIS. Finally, FEMA does not collect or retain any documentation that is observed by inspectors who approve transportation assistance on site. As a result, for the sample we reviewed, we could not determine whether applicants were eligible for funding based on the information available in NEMIS. Without proper documentation, FEMA has no way of knowing whether eligibility decisions were accurate.



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Based on our review, FEMA's current procedures for approving transportation assistance funding are inadequate to properly document approval decisions. As a result, we consider this recommendation open and unresolved.

**FEMA's Comments to Recommendation 2: Concur.** FEMA's Office of Response and Recovery will work more closely with states, tribes, and territories to establish their repair and replacement limits for transportation assistance. The office will include guidance in its next version of *Other Needs Assistance (ONA) Standard Operating Procedure (SOP)*. This guidance will include methodologies that states, tribes, and territories may use to determine proper monetary limits. The estimated completion date for these actions is December 31, 2020.

**OIG Analysis:** FEMA's corrective actions satisfy the intent of the recommendation. The recommendation will remain open and resolved until FEMA provides documentation of its issued SOP, which includes guidance to help states, tribes, and territories determine proper monetary limits.

**FEMA's Comments to Recommendation 3: Non-concur.** Federal laws and regulations, including improper payments law, require FEMA to take steps to identify and recover any disaster funds not used for the intended purposes. FEMA's current procedures already ensure that assistance provided is based on verified documentation or onsite inspection. Accordingly, FEMA currently complies with applicable Federal laws and regulations. When FEMA is made aware of an applicant who has misused funds, it follows an established process to recover those funds. While FEMA reserves the right to conduct such follow-up, implementing this as a standard process is unduly burdensome due to the time, cost, and workload required to conduct this type of follow-up.

As transportation assistance is a one-time payment, FEMA does not require applicants to show how they spent the funds. Rather, FEMA verifies the applicant demonstrated a disaster-caused need, similar to other single payment benefits. In accordance with the *Stafford Act* Section 408(i), FEMA also notifies applicants of the amount of assistance approved, a description of the assistance being provided, and the requirement the assistance should be utilized for its intended purpose.

**OIG Analysis:** The *Stafford Act* Section 408(i)(2) states a system shall be developed that minimizes the risk of making duplicative payments or payments for fraudulent claims. Federal laws and regulations also require agencies to take steps to identify and recover disaster funds not used for the intended purposes. OIG disagrees with FEMA's assertion that ensuring applicant eligibility, which we have demonstrated FEMA has not properly documented, is sufficient for ensuring funds are spent for the intended purposes. Further,



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FEMA's current practice of recovering funds only when it becomes aware of misuse does not constitute a proactive approach to identifying fraudulent claims, and OIG does not consider this an effective means of preventing fraud, waste, and abuse. Finally, not requiring applicants to show how they spent other types of one-time payment assistance funds does not relieve FEMA of its responsibility to provide proper stewardship over taxpayer money to ensure applicants spend transportation assistance funds properly and the assistance is working as intended. As a result, we consider this recommendation open and unresolved.

### **Objective, Scope, and Methodology**

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We initiated this inspection to determine to what extent FEMA prevented fraud, waste, and abuse of transportation assistance in response to Hurricanes Harvey, Irma, and Maria in FY 2017. To answer our objectives we obtained, reviewed, and analyzed pertinent Federal laws, and component documents, including the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, *Individuals and Households Program Unified Guidance* FP-104-009-03/September 2016, *Transportation and Second Vehicles Requests*, and other guidance related to transportation assistance and disaster recovery.

We interviewed FEMA officials from its Program Management Section; Individual Assistance Audit Section; Recovery Reporting and Analytics Division, Field Services Section; Office of Chief Financial Officer; and Fraud and Internal Investigations Division. We also met with the Texas Health and Human Services Commission, which administered transportation assistance for the state. We did not meet with representatives from the State of Florida or the Territory of Puerto Rico because they relied on FEMA to administer transportation assistance.

To test the transportation assistance applications, FEMA's Recovery Reporting and Analytics Division provided a system-generated report that we used to select our judgmental sample for the disasters included in our scope (DR-4332-TX, DR-4337-FL, and DR-4339-PR). We conducted limited testing of the data provided by FEMA, and based on our testing and conversations with FEMA, determined the data was sufficiently reliable to answer our objective despite having some limitations with tracing vehicle payments back to individual awards and potential duplications. We judgmentally selected 20 transportation applications from each of the three disasters for a total of 60 transportation assistance applications. Of the 20 applications for each disaster, 10 were desk-reviewed and 10 were approved through the onsite inspection process.



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For each of the sampled applications, we reviewed documents, case notes, and other correspondence in the system to identify documented evidence of transportation assistance eligibility, including vehicle registration, mechanic estimates or receipts, comprehensive insurance and second vehicle availability.

To determine whether FEMA awarded more than vehicle pre-disaster market value, we selected and tested a judgmental sample of 10 older-model vehicles approved for maximum replacement amount per disaster in our scope. The purpose of this testing was to determine whether FEMA's current policies and procedures, or lack thereof, allowed applicants to receive assistance that exceeded their vehicle's pre-disaster worth. Because FEMA caps assistance at the maximum amount, we did not believe that newer vehicles would receive more than their intended value. We only selected vehicles built since 1992 because the Kelley Blue Book only posts values online since that date. We then compared the FEMA award amount for each vehicle to the Kelley Blue Book value for vehicles of the same make, model, and year. We used "Good" condition as set forth in the Kelley Blue Book as our baseline to assess value consistently across car makes and models. We compared estimated vehicle values to the approved award amounts from FEMA generated reports. Finally, we did not validate FEMA's numbers of approved transportation assistance awards or dollars awarded, as this figure was for context and not directly related to our findings.

We conducted this review between June 2018 and June 2019 under the authority of the *Inspector General Act of 1978*, as amended, and according to the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

The Office of Audits major contributors to this report are Yesi Starinsky, Director; Douglas Campbell, Audit Manager; Carlos Lecaro, Auditor; John Schmidt, Program Analyst; Lindsey Koch, Communications Analyst; Alejandro Jaca-Mendez, Independent Report Reviewer.



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**Appendix A**  
**FEMA Response to the Draft Report**

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



September 19, 2019

MEMORANDUM FOR: Sondra F. McCauley  
Assistant Inspector General for Audits  
Office of Inspector General

FROM: Joel Doolin  
Associate Administrator  
Office of Policy and Program Analysis

SUBJECT: Management Response to OIG Draft Report: "FEMA Did Not  
Sufficiently Safeguard Use of Transportation Assistance Funds"  
(Project No. 18-096-AUD-FEMA)

JOEL A  
DOOLIN

Digitally signed by  
JOEL A DOOLIN  
Date: 2019.09.19  
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Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

After a disaster, FEMA focuses on providing assistance quickly to disaster survivors. Certain types of assistance, such as Transportation Assistance, are provided only if an applicant does not qualify for a disaster loan from the U.S. Small Business Administration. The affected state, territorial, or tribal government uses the 'Other Needs Assistance' administrative option to establish the maximum amount of Transportation Assistance an applicant may be eligible to receive. The amount of Transportation Assistance that FEMA awards is based on the degree of damage, and the state, territorial, or tribal government's repair and replacement maximum.

FEMA understands the importance of proper document retention, insurance verification, and other controls to ensure that funds are used appropriately. FEMA has robust internal controls in place to mitigate risks of waste, fraud, and abuse, while continuing to focus on FEMA's mission of "helping people before, during, and after disasters."

The draft report contains three recommendations with which FEMA concurs with one and non-concurs with two. FEMA has determined that the implementation of Recommendations 1 and 3 would result in unnecessary burden on the applicants and/or FEMA, and would not significantly reduce fraud, waste, and abuse. For example, the resolution of applications that FEMA can process appropriately based on information gathered at registration intake (RI) and inspection would be slowed significantly if FEMA, thereafter, were required to collect and review further documentation from an applicant prior to payment. Attached find our detailed response to each recommendation. Technical comments were previously provided separately.



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Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Attachment



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### Attachment: Management Response to Recommendations Contained in 18-096-AUD-FEMA

The OIG recommended that the Assistant Administrator for Recovery, FEMA:

**Recommendation 1:** Strengthen FEMA's transportation assistance policies and procedures and coordinate with FEMA Assistant Administrator for Mission Support to:

- a) require the collection and retention of eligibility documentation or where applicable, document the steps taken to validate applicant statements in FEMA's system of record; and
- b) ensure future information technology updates support the collection, use, and retention of unique vehicle identification numbers to enable FEMA to cross-reference national databases to confirm insurance coverage and identify applicants' second vehicles.

**Response:** Non-concur. The collection of Vehicle Identification Numbers (VINs) or another unique identifier to further validate comprehensive insurance coverage is not necessary because FEMA already validates insurance through an inspection or through documents submitted by an applicant in response to a Request for Information (RFI) letter. It is unclear how a VIN would help identify information regarding second vehicles owned by an applicant. Finally, FEMA is not aware of any available national databases that capture all vehicles and their insurance coverage.

More specifically, FEMA's Processing Procedures Manual currently requires that documentation pertaining to eligibility, including information about insurance coverage and the lack of a second working vehicle, is either verified by an on-site inspector or is submitted to FEMA.

Additionally, applicant statements on damage level are validated by an inspector or a mechanic. Staff are also required to capture in comments any calls with outside entities, such as insurance agencies, made to verify information.

FEMA's current inspection requirements for Transportation Assistance require an inspector to confirm if the applicant has liability insurance. If the applicant indicates they have insurance, the inspector must view the actual, active vehicle insurance policy. Wallet cards or verbal statements by applicants are not sufficient proof of the type of insurance. While reviewing the policy, if the inspector validates that the damaged vehicle is covered by comprehensive insurance, the inspector does not record any information in the Automated Construction Estimator tool. In these circumstances, the applicant will not receive assistance. An inspector's validation that the applicant's liability insurance is up-to-date, supports a conclusion that the vehicle was legal per state requirements. The inspector's validation of insurance information allows the National Emergency Management Information System to auto-generate a financial award.

If an applicant indicates at RI that they have a need for transportation only, FEMA does not conduct an on-site inspection. Rather, FEMA sends an RFI letter to the applicant requiring the applicant to provide proof of insurance (including the type of coverage) or verification that the



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vehicle meets the minimum insurance requirements of the state, territorial, or tribal government. In addition, FEMA requires the applicant to submit a comprehensive insurance settlement, denial, or statement that insurance coverage does not exist.

FEMA requests that the OIG consider this recommendation resolved and closed.

**Recommendation 2:** Develop state, territorial, and tribal government guidance on how to effectively set transportation assistance repair and replacement amounts to better ensure consistency and reasonableness, including consideration of average repair and replace costs in affected areas.

**Response:** Concur. FEMA’s Office of Response and Recovery will work more closely with states, tribes, and territories on establishing their repair and replacement limits for Transportation Assistance. FEMA’s Office of Response and Recovery recently published an *Other Needs Assistance (ONA) Standard Operating Procedure (SOP)* that outlines the process for FEMA regional offices to submit to FEMA Headquarters the Individuals and Households Program ONA State Administrative Plan and the Administrative Option Selection package. Within the next version of FEMA’s ONA SOP, FEMA will include guidance on methodologies that states, tribes, and territories may use to determine proper monetary limits. Such guidance will be beneficial and may decrease the state-to-state variability of the monetary limits.

Milestone	Estimated Completion Date (ECD)
#1 Draft ONA SOP for Review	October 31, 2020
#2 Issue updated version of SOP	December 31, 2020

ECD: December 31, 2020.

**Recommendation 3:** In accordance with the Stafford and Improper Payments Acts, develop controls to identify payments not used for critical transportation needs.

**Response:** Non-concur. Federal laws and regulations, including the Improper Payments law, require FEMA to take steps to identify and recover any disaster funds not used for the intended purpose. FEMA’s current procedures already ensure that assistance provided is based on verified documentation or on-site inspection. Accordingly, FEMA currently complies with applicable federal laws and regulations. When FEMA is made aware of an applicant that misused funds, FEMA follows an established process to recover those funds. While FEMA reserves the right to conduct such follow-up, implementing this procedure as a standard process is unduly burdensome due to the time, cost, and workload required to conduct this type of follow-up.

As Transportation Assistance is a one-time payment, FEMA implements Transportation Assistance consistently with its implementation of other types of assistance that result in a one-time payment, such as Repair Assistance. In these cases, FEMA does not require applicants to show how they spent the funds. Rather FEMA verifies that the applicant demonstrated a disaster-caused need.



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In accordance with the Stafford Act Section 408(i), FEMA notifies applicants via correspondence of the amount of assistance approved, a description of what the assistance is being provided for, and that the assistance should be utilized for its intended purpose.

FEMA requests that the OIG consider this recommendation resolved and closed as implemented.



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**Appendix B**  
**Image of Inspector's Vehicle Verification Screen**

Wrap Up - Vehicle Damage

Year  Make  Model

<b>Level of Damage ?</b> <input type="button" value="Not Available/ Not Verified"/> <input type="button" value="Repairable"/> <input checked="" type="button" value="Destroyed"/>	<b>Type of Damage ?</b> <input checked="" type="button" value="WATER OVER ENGINE"/> <input type="button" value="MAJOR BODY DAMAGE"/> <input type="button" value="OTHER"/>	<b>Cause of Damage ?</b> <input type="button" value="Earthquake"/> <input type="button" value="Fire"/> <input checked="" type="button" value="Flood"/> <input type="button" value="Hail/Rain/ Wind Driven Rain"/> <input type="button" value="Ice/Snow"/> <input type="button" value="Other"/> <input type="button" value="Power Surge/ Lightning"/> <input type="button" value="Seepage"/> <input type="button" value="Sewer Backup"/> <input type="button" value="Tornado/ Wind"/>	<b>Registered ?</b> <input checked="" type="button" value="Yes"/> <input type="button" value="No"/> <b>Liability Insurance</b> <input checked="" type="button" value="Yes"/> <input type="button" value="No"/> <b>Liability Insurance Policy Viewed ?</b> <input checked="" type="button" value="Yes"/> <input type="button" value="No"/>
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Source: FEMA inspectors' training materials



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**Appendix C**  
**Comparison of FEMA Approved Transportation Assistance to**  
**Vehicle Fair Market Value**

Vehicle			Approved Amount	Kelley Blue Book Value <sup>9</sup>	Amount Over Estimated Fair Market Value
1992	TOYOTA	COROLLA	\$9,000	\$1,061	\$7,939
1992	FORD	EXPLORER	\$9,000	\$1,097	\$7,903
1992	HONDA	ACCORD	\$9,000	\$1,179	\$7,821
1992	CHEVROLET	SUBURBAN	\$9,000	\$1,210	\$7,790
1992	DODGE	SPIRIT	\$9,000	\$1,212	\$7,788
1992	TOYOTA	CAMRY	\$9,000	\$1,214	\$7,786
1992	TOYOTA	TERCEL	\$7,000	\$972	\$6,028
1992	CHEVY	S10	\$9,000	\$1,251	\$7,749
1992	CHEVROLET	LUMINA	\$7,000	\$1,023	\$5,977
1992	BUICK	ROADMASTER	\$9,000	\$1,331	\$7,669
1992	MITSUBISHI	MIRAGE	\$7,000	\$1,051	\$5,949
1992	TOYOTA	COROLLA	\$7,000	\$1,079	\$5,921
1992	TOYOTA	COROLLA	\$7,000	\$1,079	\$5,921
1992	TOYOTA	COROLLA	\$7,000	\$1,079	\$5,921
1992	MAZDA	B2200/B2600I	\$7,000	\$1,252	\$5,748
1992	FORD	F-150	\$9,000	\$1,681	\$7,319
1992	MITSUBISHI	EXPO	\$7,000	\$1,332	\$5,668
1992	HYUNDAI	EXCEL	\$7,000	\$1,380	\$5,620
1993	BMW	325I	\$9,000	\$1,803	\$7,197
1993	BUICK	PARK AVENUE	\$4,000	\$923	\$3,077
1993	MAZDA	PROTEGE	\$4,000	\$960	\$3,040
1992	TOYOTA	4RUNNER	\$7,000	\$1,727	\$5,273
1992	TOYOTA	COROLLA	\$4,000	\$1,049	\$2,951
1993	MERCEDES-BENZ	300E	\$4,000	\$1,110	\$2,890
1993	FORD	EXPLORER 4WD	\$4,000	\$1,155	\$2,845
1993	FORD	EXPLORER	\$4,000	\$1,155	\$2,845
1992	HONDA	ACCORD WAGON	\$4,000	\$1,171	\$2,829
1992	JEEP	CHEROKEE	\$4,000	\$1,420	\$2,580
1993	FORD	F150	\$4,000	\$1,844	\$2,156
1993	MERCEDES-BENZ	300SL	\$4,000	\$3,576	\$424
				<b>Total</b>	<b>\$160,624</b>

Source: DHS-OIG analysis of NEMIS Information

<sup>9</sup> We used the Kelley Blue Book Fair Market Value as of May 2018. For consistency, we deemed each vehicle was in “Good” condition for our analysis. According to Kelley Blue Book, a vehicle is in “Good” condition when it is free of any major defects; has a clean Title History; has only minor blemishes to the paint, body, and interior; and has no major mechanical problems. Kelley Blue Book notes most consumer-owned vehicles fall into this category.



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**Appendix D**  
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