
STATEMENT FOR THE RECORD

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Good morning, Mr. Chairman and Members of the Subcommittees.

My name is Matt Jadacki. I am the Deputy Inspector General for Disaster Assistance Oversight in the Office of Inspector General for the Department of Homeland Security (DHS). Thank you for the opportunity to discuss the major management challenges facing the reform of the Federal Emergency Management Agency (FEMA).

With the creation of DHS in 2003, FEMA was absorbed and became part of the Emergency Preparedness and Response Directorate. In the aftermath of the 2005 Gulf Coast Hurricanes, FEMA received much criticism for its handling of the disaster. To address perceived deficiencies, Congress passed the Post-Katrina Emergency Management Reform Act of 2006 as Title VI of the FY 2007 Homeland Security Appropriations Act. These management reforms enhanced FEMA's mission and role as the federal government's disaster coordinator.

The legislation transfers most Preparedness functions and programs to FEMA. Preparedness is one of the cornerstones of emergency management at the federal, state, and local level. The new legislation enables FEMA to restore the nexus between emergency preparedness functions and response, recovery, and mitigation efforts. Together with this reorganization, a renewed focus on an all-hazard approach to disaster management will strengthen FEMA's ability to effectively prepare and respond to future natural or man-made disasters.

DHS, including FEMA, has learned many lessons from Katrina and has taken steps to improve their ability to respond to catastrophic disasters in the future. For example, DHS and its federal partners revised the Catastrophic Incident Supplement to the National Response Plan to establish a better-coordinated strategy for a federal response to a catastrophic disaster. In addition, FEMA is working to improve its ability to house large numbers of evacuees and supply commodities to disaster victims more quickly. My testimony today will focus on disaster housing and fraud detection and prevention.

Disaster Housing

One of the most significant problems FEMA faced in the aftermath of Katrina was assisting, sheltering, and housing evacuees. Never before had so many people been displaced for such an extended period of time. Added to this was the devastating damage caused by the hurricane, which resulted in little to no housing options remaining in the affected areas. In order to house evacuees, FEMA almost immediately initiated the use of mobile homes and travel trailers. However, in the case of catastrophic incidents, permanent housing alternatives may be a more cost effective and efficient way of responding to the needs of those affected by the catastrophic event. Examples include construction of permanent housing, repairs to existing homes and apartments, and greater use of federal housing stock and programs, including the U.S. Department of Housing and Urban Development properties.

Traditional Housing Solutions

In the event of a Presidentially declared disaster, the FEMA-managed Temporary Housing Program may be authorized in order to meet the housing needs of disaster victims. The program is designed to help people with short-term housing (usually about 18 months) while they work to solve their permanent, long-term needs. Given the scale of the devastation caused by Katrina, FEMA almost immediately initiated the use of the mobile homes and travel trailers of the Temporary Housing Program. Through our ongoing reviews, we determined that FEMA's housing program was inadequate, and efforts to house victims in travel trailers and mobile homes was not well managed.

As of February 2007, in response to Hurricane Katrina, FEMA purchased a total of 145,699 travel trailers and mobile homes at a cost of approximately \$2.7 billion. FEMA is also paying to store and maintain manufactured homes at 13 staging areas. The estimated expense to maintain these Emergency Housing Sites is \$36 million.

However, this number does not include the cost to set up the staging site. For example, to set up the staging site in Hope, Arkansas, FEMA paid \$272,000 to construct an access road to the site and pays \$58,000 every 3 months to maintain the road.

As of March 2, 2007, the inventory of manufactured homes in Hope, Arkansas, alone was 20,475. Currently, there are 63,447 mobile homes and travel trailers being stored at FEMA's 13 staging sites across the country:

Table 1 – Total number of manufactured homes per FEMA Emergency Housing Site

Location	Mobile Homes	Travel Trailers	Sub-Total
Baton Rouge, LA	973	6,177	7,150
Carnes, MS	669	2,580	3,249
Cumberland, MD	395	1,009	1,404
Edison, NJ	165	358	523
Fort Pickett, VA		5,288	5,288
Frostburg, MD	1,290	403	1,693
Hope, AR	8,430	12,045	20,475
Jasper, TX	7	743	750
Madison, IN	898	2,836	3,734
Purvis, MS	1	7,564	7,565
Selma, AL	1,048	6,400	7,448
Texarkana, TX	1,107		1,107
Florida	698	2,363	3,061
Total	15,681	47,766	63,447

[Source: FEMA as of March 2, 2007]

Redefining the Federal Government's Housing Strategy

The management reforms and amendments included in the FY 2007 Homeland Security Appropriations Act enhanced FEMA's mission and role as the federal government's disaster coordinator and improved the nation's ability to respond to catastrophic events. The legislation introduced a number of amendments to the Stafford Act to include Section 682, National Disaster Recovery Strategy. The amendment directs the administrator, in coordination with the Secretary of Housing and Urban Development; the Administrator of the Environmental Protection Agency; the Secretary of Agriculture; the Secretary of Commerce; the Secretary of the Treasury; the Secretary of Transportation; the Administrator of the Small Business Administration; the Assistant Secretary for Indian Affairs of the Department of the Interior; and the heads of other appropriate Federal agencies, state, local, and tribal government officials (including through the National Advisory Council); and representatives of appropriate nongovernmental organizations to develop, coordinate, and maintain a National Disaster Recovery Strategy to serve as a guide to recovery efforts after major disasters and emergencies. The strategy takes into consideration the most efficient and cost effective federal programs that best meet short- and long-term housing needs of individuals affected by major disasters.

In order for the strategy to be effective, it must clearly define the roles, programs, and responsibilities of those tasked with providing housing for disaster victims, to include the Department of Housing and Urban Development, the Department of Veterans Affairs, the Department of Agriculture, the Department of Health and Human Services, and any other federal agency that may provide housing assistance as a result of a major disaster. The strategy also must include the roles, programs, and responsibilities of the American Red Cross, and state and local governments. It also should outline funding issues, detail how responsibilities under the National Disaster Housing Strategy will be shared, and address other matters concerning the cooperative effort to provide housing assistance needed as a result of a major disaster. For example, the strategy should consider: (1) mechanisms to ensure that housing is provided where employment and other support resources are available, (2) needs of low income victims, (3) planning for operation of clusters of housing, and (4) delineating what additional authorities may be needed to effectively fulfill the housing mission.

Permanent Housing Options

The traditional use of the travel trailer and mobile home program may not be the most efficient means to provide temporary housing for catastrophic disasters victims, nor is it the best method to expeditiously facilitate their recovery from a disaster. In the aftermath of Hurricane Katrina, the combination of travel trailers and mobile homes were used by FEMA to immediately address disaster-related housing requirements. Travel trailers were used for shorter-term housing needs and mobile homes have been used primarily to meet longer-term needs. The use of alternatives, such as existing federal housing stock, may be a more viable method of helping the victims of disasters in their recovery process.

A Stafford Act amendment included in the FY 2007 Homeland Security Appropriations authorizes FEMA to fund both “semi-permanent, or permanent housing” construction. Prior to the amendment, FEMA was precluded from funding permanent construction with a few exceptions. This amendment allows FEMA to provide funding to repair apartments or other facilities. This cost effective solution may be preferable to the high cost of travel trailers and mobile homes. The estimated cost for the life cycle of a mobile home in a group site is \$105,770; a breakdown of the cost follows:

Table 2 – Estimated cost for the life cycle of a mobile home in a group site.

Item	Description	~Cost
Purchase Price	Purchase from Manufacturer = \$27,000. If purchased from a lot, they can cost from \$35,000	\$ 27,000.00
Site inspection	Average cost of site inspection	\$ 1,200.00
Site assessment	Average cost of site assessment	\$ 1,000.00
Group site development	Average cost per unit to develop a group site	\$ 50,000.00
Set up	Average cost to set up	\$ 11,280.00
Maintenance	Average cost to maintain	\$ 9,875.00
Site maintenance	Average cost to maintain site	\$ 1,440.00
Deactivation	Average cost to deactivate	\$ 3,975.00
Total:		\$ 105,770.00

[Source: FEMA]

Moreover, recent innovations in the building industry allow builders to quickly build permanent housing following local codes, including construction in mobile home parks. This includes floodplain areas, which would require a waiver or amendment of restrictions, where the housing may have to be placed on stilts or raised above the flood level. Since these units are permanent, refinancing can be sought by the victims to make them their permanent residences. This could expedite their recovery and reduce the long periods of time some victims have had to cope with inadequate housing. These structures may be put into place in approximately the same time it takes to purchase, transport, and set up a trailer or mobile home.

Alternative Housing Pilot Program

Additionally, recognizing the extensive housing challenges and the need for alternative sources for emergency housing, the Alternative Housing Pilot Program (AHPP) was authorized by Congress in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (PL 209-234, June 15, 2006). The legislation appropriated \$400 million for “alternative housing pilot programs in the

areas hardest hit by Hurricane Katrina and the other hurricanes of the 2005 season.” The Senate Committee on Appropriations noted in a June 8, 2006, press release that the \$400 million in appropriated funding was to fund a pilot study to determine “alternative sources of emergency housing” that would be evaluated for providing a “better, safer, and more cost-effective housing solution than the exclusive use of travel trailers” and serve as an “intermediate term housing solution for the Gulf Coast Region.” We conclude from these limited terms that the Congressional intent in funding the AHPP program was to develop a range of alternatives to the existing FEMA disaster housing program, which consists primarily of travel trailers and mobile homes. Furthermore, the occupants of the housing developed with these funds are to be the victims of those areas hardest hit by the 2005 hurricanes.

To carry out the intent of Congress, FEMA officials developed and implemented a grant competition to “identify, develop, and evaluate alternatives to and alternative forms of disaster housing.” The competition was limited to the state-designated agencies of the Gulf Coast states of Alabama, Florida, Louisiana, Mississippi, and Texas. By having a competitive grant process, FEMA officials sought to identify new alternatives for housing disaster victims in the aftermath of a disaster. By restricting the competition to the five Gulf Coast states, FEMA officials sought to comply with the Congressional intent that those areas hardest hit by Hurricane Katrina and the 2005 hurricanes might receive the housing developed under these grants.

Additional Housing Options

The Hazard Mitigation Grant Program provides funding to states in the aftermath of a disaster. Funds can be used for a variety of purposes including buying properties in floodplains or combined with other federal assistance programs, such as the Road Home program in Louisiana. Buyouts were successfully used after the Midwest floods and Hurricane Floyd.

States also need to take a more proactive role in disaster housing. A lesson learned from the federal response to Katrina indicated that FEMA’s temporary and long-term housing efforts suffered from a failure to pre-identify available sites and available land, as well as the inability to take advantage of housing units available within the states and with other federal agencies.

Grants Management

FEMA faces a significant challenge in management/oversight of its disaster assistance grant program, as well as the DHS grant programs that will become a part of FEMA on April 1, 2007. Compounding the challenge are the grant programs of other federal agencies that assist states and local governments in improving their abilities to prepare for, respond to, and recover from acts of terrorism or natural disasters. Congress continues to appropriate and authorize funding for grant programs within and outside of

DHS for similar, if not identical, purposes. We have identified at least 36 federal assistance programs that may duplicate FEMA grant programs. As part of its expanded role and responsibility for grants management, FEMA must coordinate and manage grants that are stovepiped for specific, but often related, purposes to ensure that these grants are contributing to our national preparedness goals and recovery from disasters, rather than duplicating one another or being wasted on low-priority capabilities.

Given the billions of dollars appropriated annually for disaster and non-disaster grant programs, FEMA needs to ensure that grants management internal controls are in place and adhered to, and that grants are sufficiently monitored to achieve successful outcomes. FEMA also needs to ensure that, to the maximum extent possible, disaster and homeland security assistance goes to those states, local governments, private organizations, or individuals eligible to receive such assistance and that grantees adhere to the terms and conditions of the grants awards. Regarding its management of first responder grants, FEMA will need to build upon the Preparedness Directorate's efforts to refine risk-based approaches to awarding these grants to ensure that areas and assets representing the greatest vulnerability to the public are as secure as possible. FEMA must incorporate sound risk management principles and methodologies to successfully prepare for, respond to, recover from, and mitigate acts of terrorism and natural disasters.

Acquisition Management

Acquisition management involves more than just awarding a contract. It is critical to fulfilling a mission need through a thoughtful, balanced approach that considers cost, schedule, and performance. The urgency of FEMA's mission will continue to place demands on its ability to effectively manage acquisitions. In 2006, FEMA spent a large percentage of its budget on contracts. We have focused substantial effort on FEMA's contracting and have identified numerous problems. FEMA is not well prepared to provide the kind of acquisition support needed for a catastrophic disaster. FEMA's overall response efforts suffer from:

- Inadequate acquisition planning and preparation for many crucial needs;
- Lack of clearly communicated acquisition responsibilities among FEMA, other federal agencies, and state and local governments; and
- Insufficient numbers of acquisition personnel to manage and oversee contracts.

FEMA is making progress establishing predisaster or standby contracts for goods and services required in the aftermath of a major disaster. When the federal government procures goods and services after such an event, opportunities for open competition are limited, as is all too often its ability to get the best possible prices. There were numerous and widely publicized sole source and limited competition contracts after Hurricane Katrina. While FEMA eventually recompeted most of the major contracts, it needs to continue its efforts to establish competitive contracts for the next catastrophic event.

We recently reported that FEMA hastily awarded a \$100 million contract to establish base camps in the gulf area to house and feed response workers. Because of a shortage of trained and experienced contracting staff, unclear contract terms and conditions, and other problems with the contract, there were contractual deficiencies, excessive billings, and questionable costs of \$16.4 million.

FEMA did not place enough contracting staff in the field offices to handle the enormous workload necessitated by Hurricanes Katrina and Rita. Contracting officials were responsible for the administration and oversight of numerous large-dollar contracts over a wide geographical area. Contracting staff rotated in and out of field offices, resulting in inconsistent instructions to contractors and haphazard contract administration. Contracting personnel were often inexperienced, and their performance reflected the lack of proper training to perform assigned responsibilities, especially in a high-volume, emergency environment. Some contracting officers were not experienced in writing the types of contracts needed and were unable to analyze proposed contract costs to ensure reasonableness. Many Contracting Officer's Technical Representative, or COTRs, were too inexperienced to recognize unauthorized and excessive billings, and poor or unauthorized contract performance.

FEMA has already made improvements to their contracting capability, such as increasing the number of standby contracts in place and ready to be executed when disaster strikes. DHS has also created a Disaster Response/Recovery Internal Control Oversight Board to address many of the problems. In addition, FEMA has begun a hiring initiative aimed at restoring staff levels to 90 percent of capacity. FEMA recently reported that it plans on hiring 41 new employees for its procurement division.

National Flood Insurance Program

Floods are among the most frequent and costly of all natural disasters. They result in the loss of many lives and much property each year. FEMA is now faced with National Flood Insurance Program (NFIP) issues ranging from outdated flood maps to the question of whether damages are the result of flooding from storm surge or hurricane winds. Many NFIP-related questions need to be addressed before the next catastrophic flood.

As a result of Hurricanes Katrina, Rita, and Wilma, the NFIP paid claims in excess of \$20 billion, most of which was borrowed from the Treasury. Heavy borrowing, uncertain financial solvency, outdated flood maps, and other problems continue to plague the program. In addition, the NFIP is now on the Government Accountability Office's (GAO) high-risk list. We have several ongoing or planned NFIP reviews and will continue to monitor activities under this program.

Fraud Detection and Prevention

In the wake of Hurricane Katrina, information-sharing was poor to nonexistent. There is a need for data-sharing in three areas:

- Real-time data exchange among agencies to simplify the application process for victims and to help verify eligibility of applicants for disaster assistance;
- Direct access to FEMA data by law enforcement agencies to identify and track convicted sex offenders and suspected felons, and help locate missing children; and,
- Computer data matching to help prevent duplicative payments and identify fraud.

FEMA is moving in the right directions on these issues. For example, FEMA has granted direct access to its data to the Hurricane Katrina Fraud Task Force for the purpose of investigating fraud. However, progress is slow and much remains to be done. FEMA and the federal community are not yet ready to meet the data sharing requirements of the next catastrophic disaster.

Congress provided approximately \$85 billion dollars to multiple federal agencies for Gulf Coast disaster response and recovery. In the area of housing, there were four primary agencies that provided housing assistance: DHS, U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture (USDA), and U.S. Department of Health and Human Services (HHS). A recent USDA audit revealed that more than 44% of disaster victims received housing assistance from more than one federal agency. GAO estimated that DHS improperly disbursed between \$600 million and \$1.4 billion in disaster assistance after Hurricanes Katrina and Rita.

The Computer Matching and Privacy Protection Act, which establishes procedural safeguards for computerized matching of Privacy Act-protected information, impeded federal Inspectors General from immediately performing computer matching to identify Hurricane Katrina disaster assistance fraud because of the review and approval process. Computer matching is the automated comparison of two computerized databases. Computer Matching can be used to identify relationships that indicate possible instances of fraud. In contrast to manual searches, computer matching allows auditors to quickly and inexpensively analyze massive volumes of data. If Inspectors General had been empowered to match their agency's respective disaster assistance files with those of others providing assistance in the aftermath of Hurricane Katrina, they could have helped mitigate improper payments and identify and recover erroneous payments in a timely manner.

The President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency reported to Congress that the requirements of the Computer Matching and Privacy Protection Act hindered several proactive fraud investigations relating to Hurricane Katrina from being initiated. A computer matching agreement generally takes several months to execute, thereby forcing law enforcement, including the Hurricane

Katrina Fraud Task Force, to rely on manual searches within numerous disaster assistance databases to help detect fraud.

An exemption for federal law enforcement agencies, including Inspectors General, from the Computer Matching and Privacy Protection Act to support efforts to identify and prevent fraud, waste, and abuse following a disaster should be considered by Congress. Such an exemption would greatly facilitate the efforts of the federal law enforcement community to obtain and analyze federal disaster assistance records for the purpose of promoting integrity in federal disaster assistance programs and facilitate the detection, prevention, and prosecution of disaster benefit fraud.

Conclusion

The management challenges I have described above are not all inclusive. Integrating Preparedness programs, meeting the reporting requirements of Congress, improving accountability, increasing transparency, and building a solid logistics capability are also critical improvements that will require significant resources and effort. FEMA leadership is making progress in resolving these challenges. We will continue to review FEMA's progress, help it focus on critical issues, and facilitate solutions to significantly improve its ability to carry out its mission to coordinate disaster response and recovery efforts.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the Members may have.