



UNITED STATES GENERAL ACCOUNTING OFFICE

REGIONAL OFFICE

Room 1992, Federal Building
Seattle, Washington 98174

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CEO
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Mr. William H. Mayer
Regional Director
Federal Emergency Management Agency
Region X
Bothell, Washington 98011



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Dear Mr. Mayer:

We recently reviewed Washington State's administration of the medical relocation program, part of the Federal Emergency Management Agency's (FEMA's) Individual and Family Grant program. We conducted this review as part of an overall examination of Federal funding after the Mount St. Helens disaster.

Our review of program guidelines and medical relocation files in Olympia and our discussions with Federal and State program officials, grantees, and commercial moving company representatives disclosed several management weaknesses and questionable practices. We found that grant recipients did not always repay excess grant funds as required; that the State relocated individuals to areas far in excess of distance guidelines without placing satisfactory explanations in the files; and that the State relocated some individuals to areas from which it had moved others, again without placing adequate justifications in the files. We found these problems in a high proportion of the grants we examined.

While we are not in a position to evaluate the medical necessity for or appropriateness of the grants, we believe that the lack of evidence in the files raises questions as to whether the State has adequate safeguards and controls to assure that medical judgments are well documented and that Federal funds are appropriately and effectively used.

INTRODUCTION--INDIVIDUAL AND FAMILY GRANT PROGRAM

Section 408 of Public Law 93-288, the Disaster Relief Act of 1974, authorizes the President to make grants to States to meet disaster-related necessary expenses or serious needs of individuals or families adversely affected by a major disaster who are unable to meet such expenses through other means. Under the program, an individual or family can receive a grant of up to \$5,000. The Federal share of the program is 75 percent; the State pays the remaining 25 percent. The Governor of the affected State requests grant assistance from the appropriate FEMA Regional

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Director and administers the program. FEMA has an advisory and monitoring role in the Individual and Family Grant program, but once FEMA approves a program its administration is essentially the State's responsibility. However, FEMA must approve the State's administrative procedures, provide technical assistance during the program, conduct a midpoint review, and obtain a final program audit from the State.

In Washington, responsibility for administering the Individual and Family Grant program has been delegated to the Department of Emergency Services and further delegated to the Department of Social and Health Services (DSHS). DSHS procedures require grant recipients to (1) spend grant funds only for those items listed in the grant award; (2) keep receipts to show proof of purchase of items or services listed in the grant award; and (3) refund to the State any part of the money not spent for items listed in the grant award. The State may impose specific and severe penalties, including fines and imprisonment, if recipients willfully misstate any fact when requesting assistance, knowingly violate any order or regulation, or knowingly spend grant funds for items not listed on the grant award.

Medical relocation program

FEMA developed the medical relocation program to assist individuals or families who experienced medically incapacitating conditions due to the Mount St. Helens eruption or subsequent ash fallout. This was the first time FEMA had authorized a medical relocation program. To qualify, an applicant was required to submit a written statement from a physician to the American Red Cross stating that the volcanic ash or eruption had created or exacerbated a medical condition which became incapacitating. The Red Cross interviewed the applicant and forwarded interview notes and physician statements to DSHS to review, determine eligibility, and disburse funds.

After establishing eligibility, DSHS could award the applicant a grant to relocate to an area without significant ash fallout within 400 miles of the predisaster residence, unless substantial evidence existed that a longer-distance move was required to satisfy a disaster-related serious need or necessary expense. Relocation assistance could be given only for a one-way move, although applicants could return at their own expense.

EXCESS GRANT FUNDS NOT ALWAYS REPAID AS REQUIRED

Our review showed that DSHS procedures did not always assure that grantees refunded to the State that part of a grant award which exceeded actual expenses. For example, of the three medical relocation grants in which commercial movers were to be used to relocate the grantees, at least two of the three grantees received significantly

more funds from the State than the movers charged. (For the reason noted below, we were unable to determine actual expenses for the third grant.)

Case A DSHS awarded the grantee \$1,653.85, compared with actual moving expenses of \$1,030.64, or an overpayment of about \$600.

Case B DSHS paid the grantee \$1,469.62, but actual moving expenses were \$973.06, or an overpayment of about \$500.

Case C DSHS paid the grantee \$1,274.55. Although the grantee claimed that the cost of his move was "about \$1,200," we could not readily verify actual moving expenses because, according to the grantee, he rented a truck and hired three individuals to help him move.

Our examination of the case files revealed that at least two of the three recipients (cases A and B) did not refund the overpayments as required by DSHS procedures and by the Disaster Relief Act of 1974, which prohibit recipients from misapplying the proceeds of a grant award.

In each of the three cases the amount of the grant corresponded to the highest-bidding moving company's estimate. DSHS officials told us they approved the higher estimates to ensure that the recipients had enough funds to pay the moving companies when their household items arrived. If this is an important concern, DSHS should either contract directly with the moving company or require that grant recipients submit receipts for actual moving expenses to eliminate overpayments. As it now stands, DSHS does not require recipients to submit receipts or other documentation unless it selects them for audit; furthermore, DSHS does not routinely enforce its repayment requirements. Grant recipients are required to keep receipts for 3 years and DSHS is required to audit only 5 percent of the grantees.

INDIVIDUALS RELOCATED TO DISTANT AREAS WITHOUT EVIDENCE OF NEED

DSHS approved grants to relocate several applicants to areas far in excess of FEMA's 400-mile guideline. The guideline states that when eligibility is established, the applicant may be assisted to relocate to an area without significant ash fallout within 400 miles of the preeruption residence--unless substantial evidence exists that a longer distance move is required to satisfy a volcano-related serious need or necessary expense. While DSHS is not bound by the 400-mile limitation, according to FEMA personnel, it is responsible for setting reasonable standards and maximums. We found, however, that DSHS had not formally established such standards or maximums.

Our review of the 53 medical relocation program grants showed that DSHS had relocated at least 14 individuals to areas far beyond 400 miles. Specifically, DSHS paid relocation costs to move individuals from areas in Washington to: Tucson, Arizona; Fresno, Hanford, Magalia, and Sacramento, California; Starke, Florida; Des Moines, Iowa; Netuchen, New Jersey; Brooklyn, New York; Miami and Oklahoma City, Oklahoma; Philadelphia, Pennsylvania; Lubbock, Texas; and Riverton, Wyoming. Our examination of selected case files revealed limited, if any, justification for approving moves to locations beyond 400 miles. According to DSHS officials, they generally approved these moves because of "special circumstances." For example, they approved some moves because family members lived at the new location, including one grantee who was returned to a cross-country location because he had, just before the eruption, moved from that location and wished to return to "friends and family."

INDIVIDUALS RELOCATED TO AND FROM THE SAME AREA

Our examination also disclosed several instances in which DSHS relocated individuals to areas from which it had moved others to escape ash fallout. FEMA guidelines provided that an applicant was to be relocated to an area without significant ash fallout. However, we found that while DSHS gave three individuals grants to move away from the Kelso-Longview, Washington, area to escape ash fallout problems it gave three other persons similar grants to relocate to the Kelso-Longview area. Also, DSHS moved one individual from Spokane, Washington, to escape ash fallout while moving two others to Spokane. In each case, individuals had to move to escape the "incapacitating" conditions caused by ash fallout, as documented by a physician's statement.

Our review of selected case files showed little evidence that DSHS had examined the ash conditions of the location to which the recipients moved, nor did we find any other documentation explaining or justifying the unusual circumstances. Each case file did have, however, the obligatory doctor's statement attesting to the "need" for a move because of the ash.

CONCLUSIONS AND RECOMMENDATIONS

As we discussed in a meeting with your Regional Inspector General for Audit in early May 1982, we believe that DSHS procedures and controls for approving medical relocation program grants have resulted in excess or questionable grant payments. We found these problems in a large proportion of the cases reviewed. Therefore, to improve controls and reduce program costs, we recommend that you require the State to

- audit or require receipts in all cases in which DSHS awards grants on the basis of the highest of competing bids;
- consider requiring all grantees to submit a "voucher" and receipts to support actual costs;

--establish and adhere to criteria for approving moves in excess of 400 miles; and

--include justifications in the files to explain unusual or seemingly conflicting circumstances.

These controls are especially important because the benefits are provided as grants which do not have to be repaid.

In addition, because of the high percentage of excess and questionable grants, we recommend that you direct your Regional Inspector General for Audit to review the benefits provided by DSHS under the medical relocation program to identify those persons who received improper payments or submitted fraudulent claims. We also recommend that FEMA try to recover excess or improper benefits and that FEMA and the Department of Justice pursue criminal or civil actions when they deem that to be appropriate. If you wish, we shall be glad to share the details of our review with you or your representatives.


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We would like to express our thanks to you and your staff for the courtesies and cooperation extended to us during our review. We would appreciate receiving your comments on the matters discussed in this report and on the corrective actions you intend to take.

A copy of this report is being sent to the Director, Federal Emergency Management Agency.

Sincerely yours,

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Walter H. Henson
Regional Manager

cc: Director, FEMA - General Louis O. Giuffrida