United States General Accounting Office

GAO

Report to the Chairman, Committee on Commerce, Science, and Transportation, U. S. Senate

October 1997

DISASTER ASSISTANCE

Guidance Needed for FEMA's "Fast Track" Housing Assistance Process

GAO/RCED-98-1

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-276359

October 17, 1997

The Honorable John McCain
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate

Dear Mr. Chairman:

On January 17, 1994, an earthquake that became the nation's costliest natural disaster struck the Northridge area of metropolitan Los Angeles, California. The estimated cost of the disaster is approximately $30 billion and rising, of which over $7 billion will be borne by the Federal Emergency Management Agency (FEMA). Approximately 12 percent, or about $143 million, of FEMA's temporary housing assistance to about 400,000 households was distributed through an expedited process known as "Fast Track." The Fast Track process differed from the regular temporary housing assistance process in that for applications from certain designated zone improvement plan (ZIP) code areas, FEMA issued checks to the applicants before conducting physical inspections of the applicants' residences to verify their eligibility. Fast Track recipients were advised that in cashing the check, they were confirming that their application was correct and that they would use the money only for disaster-related emergency housing needs, rent for alternative housing, or repairs. FEMA spent another $32 million to provide crisis-counseling services for persons suffering earthquake-related mental stresses.

In response to your February 14, 1997 request, we examined several issues pertaining to FEMA's use of the Fast Track process and FEMA's crisis-counseling assistance to victims of the Northridge earthquake. Specifically, we agreed to examine

- the authority and rationale for the Fast Track process;
- what FEMA's experience with the Fast Track process in Northridge was and whether the process was influenced by the Office of Inspector General's (OIG) recommendations;
- the advantages and disadvantages of the Fast Track process, including the amounts of payments that FEMA designated for recovery and subsequently recovered and the reasons for ineligibility; and
- FEMA's criteria and process for providing crisis-counseling funds and ensuring their use for authorized purposes.

In addition, you asked us to provide information on other federal disaster assistance programs that assist victims prior to determining an applicant's eligibility. Appendix I provides information on the programs we identified.

Results in Brief

The legislation authorizing FEMA's temporary housing assistance—the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288), as amended—has no explicit provision for a process such as Fast Track. However, as FEMA concluded, the act gives the agency wide latitude in providing expeditious assistance for disaster victims. We agree that FEMA is authorized to use the process. FEMA's rationale in implementing the Fast Track process following the Northridge earthquake was to assist the largest number of disaster victims in the shortest possible amount of time. Within the first week of the earthquake, over 27,000 disaster victims were living in or outside of shelters, and FEMA's application centers were overwhelmed by crowds of applicants.

In implementing the process, FEMA experienced operational difficulties including the inconsistent application of criteria when designating ZIP codes; some ZIP code areas that met FEMA's criteria were omitted (i.e., applications from residents of those areas were not processed under Fast Track) while some ZIP code areas that did not meet the criteria were included. Because of these errors, not all Northridge victims in similar circumstances were treated the same. FEMA also experienced constraints with the computer software used to process applications. These difficulties, combined with an enormous volume of applications for assistance and FEMA's decisions on applicants' eligibility for payments made under both the regular and Fast Track processes, may have contributed to FEMA's provision of housing assistance beyond actual needs. FEMA has not developed written guidance for implementing the Fast Track process, even though FEMA's Inspector General recommended establishing formal procedures after the Fast Track process's first (and only other) use in 1992. FEMA officials could not explain why the agency had not implemented the Inspector General's recommendation but observed that there had been uncertainty about whether the process would ever be used again. Well-planned and well-documented guidance could help FEMA avoid operational difficulties in implementing a future Fast Track process and help avoid ineligible payments.

A principal advantage of the Fast Track process is that it provides temporary housing assistance grants for some applicants more quickly

than would the regular process (which requires an on-site inspection prior to the receipt of assistance). Also, according to FEMA officials involved in the response to the Northridge earthquake, Fast Track provided an intangible benefit by demonstrating to the victims and the general public that help was actually on the way. A principal disadvantage to Fast Track is the relative loss of control over the disbursement of federal funds and the subsequent need to recover ineligible payments. FEMA ultimately designated for recovery 6.7 percent ($9.6 million of $143 million) of the temporary housing assistance provided under the Fast Track process for 3,856 Northridge earthquake applicants, primarily because (1) the damage to the applicants' primary residence was not sufficient to qualify the applicants for the assistance, (2) the applicants received insurance payments for the damage, or (3) the damaged residence was not the applicants' primary residence. As of September 1997, FEMA had recovered about $4 million, and recovery efforts were underway for most of the rest.

FEMA provides crisis-counseling funding for screening and diagnosing individuals, short-term crisis counseling, community outreach, consultation, and education services. To receive grants, states must demonstrate that existing state and local resources are inadequate and provide estimates of the number of individuals affected, the types of assistance needed, and the estimated cost of assistance. For approved applications for the immediate services program, which generally covers the first 60 days after a disaster, the FEMA Regional Director or designee makes funds available to the state for disbursement to its department of mental health. Under the regular program, FEMA's headquarters transfers funds to the Department of Health and Human Services' Center for Mental Health Services for distribution through the grants management process. FEMA, the Center for Mental Health Services, and the state's department of mental health all participate in site visits and monitor programmatic, accounting, and financial management of the programs. Detailed periodic and final reports on activities and costs are submitted to the Center and to FEMA. For funds provided after the Northridge earthquake, FEMA officials said that they visited all service providers and that Center officials evaluated their accounting procedures and controls and found them to be satisfactory.

Background

FEMA assists with providing a large range of services for disaster victims, including mass care (such as food and emergency medical care) in the

immediate aftermath of disasters. FEMA also pays for temporary housing and crisis counseling for eligible victims.[1]

Temporary Housing Assistance

Authorized by section 408 of the Stafford Act, as amended, FEMA's temporary housing grants cover the costs of renting alternate housing when victims' primary predisaster residence is rendered uninhabitable or inaccessible, and/or quickly repairing damages to make the residence habitable. Until they receive such assistance, disaster victims may be forced to stay with friends or relatives or in temporary mass care shelters. The intent of the assistance is to get victims out of mass care shelters or other temporary dwellings—not to restore their residence to its predisaster condition. (Federal assistance for permanent restoration generally comes in the form of a Small Business Administration disaster loan.)

A FEMA inspector typically visits each applicant's residence, confirms whether or not it is uninhabitable or inaccessible, and obtains insurance information and documentation verifying that the dwelling is the applicant's primary residence.[2] Applicants whose residence is in need of repairs costing less than $100 are not eligible; the maximum grant amount is $10,000.

The Fast Track Process

The Fast Track process differed from the regular temporary housing assistance process in that for applications from certain designated ZIP code areas, the physical inspection of the applicant's residence and the determination of eligibility were made after FEMA issued a check to the applicant.

For the Northridge earthquake, FEMA utilized earthquake shaking intensities as criteria for designating certain geographic areas as eligible for Fast Track housing assistance. FEMA used the "Modified Mercalli Intensity" (MMI) scale, which measures the intensity of earthquake shaking on a scale of 1 to 12—the more severe the shaking, the higher the number. The most severe shaking in Northridge was at level 10; FEMA decided to use the Fast Track process for applicants residing in each ZIP code area with

[1]In addition, FEMA's public assistance program funds the repair of eligible public and private nonprofit facilities, such as roads, government buildings, utilities, and hospitals that are damaged in natural disasters. See Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance (GAO/RCED-96-113, May 23, 1996).

[2]FEMA's program guidance provides for exceptions to the inspection requirement when a blanket eligibility determination can be made, such as when a tornado destroys an entire block of houses.

an MMI level of 8 or above. The degree of damage associated with this level includes the partial collapse of ordinary-quality masonry; the fall of chimneys, factory stacks, monuments, towers, and elevated tanks; and the movement of frame houses on their foundation if not bolted down. (A description of MMI intensity levels is in app. II.)

FEMA officials selected a total of 68 ZIP codes to designate as eligible geographic areas with MMI readings of level 8 or higher. This designation covered an approximately 40-by-40 mile area from Santa Monica and Burbank westward into Simi Valley. FEMA initiated the Fast Track process for Northridge victims in the 68 designated ZIP code areas on January 23, 1994; limited it to applicants in only three ZIP code areas on February 3, on the basis of an analysis of the degree of damage reported by field inspectors and the temporary housing applications received; and discontinued it altogether on April 7. About 47,000 housing assistance applicants—out of about 409,000—received a check under the Fast Track process.

Prior to the Northridge earthquake, FEMA used the Fast Track process for only one disaster—Hurricane Andrew in 1992. As with Northridge, FEMA used the Fast Track process for applicants in ZIP code areas believed to have sustained the greatest damage.

Crisis-Counseling Assistance

As authorized by section 416 of the Stafford Act, FEMA provides funding for professional counseling services for disaster workers and victims. Individuals are eligible for crisis-counseling services if they were residents of the designated disaster area or were located in the area at the time of the disaster and are experiencing mental health problems caused or aggravated by the disaster. States must apply for crisis-counseling funds. The magnitude of need is based primarily on a formula that takes into account such factors as the numbers of fatalities, injuries, homes destroyed or damaged, and unemployment resulting from the disaster. FEMA makes the funds available to the Center for Mental Health Services (CMHS), which awards grants to applicant states (typically to the state's department of mental health). The state, in turn, disburses funds to local governments, which fund the activities of private organizations actually providing the counseling services. In the case of the Northridge earthquake, California's Department of Mental Health was the grantee, while Los Angeles and Ventura counties contracted with 51 service providers and oversaw their day-to-day activity. Crisis-counseling grants totaled $36 million, of which $32 million was actually expended.

FEMA Has the Legal Authority to Implement Fast Track

The Fast Track process is not specifically authorized in the Stafford Act. In a letter to us setting forth FEMA's determination of the legality of the process, FEMA's Acting General Counsel stated that FEMA believes that the legal authority to process temporary housing assistance in this manner is implicit in the Stafford Act and its implementing regulations. (The letter appears in app. III). Sections 302(a) and 302(b) of the Stafford Act, 42 U.S.C. § 5143, state that the President shall, immediately upon his major disaster declaration, appoint a Federal Coordinating Officer to operate in the affected area and

> "take such other action, consistent with authority delegated to him by the President, and consistent with the provision of this Act, as he may deem necessary to assist local citizens and public officials in promptly obtaining assistance . . . ."

The statute describes those persons eligible and the circumstances under which they are eligible to receive temporary housing aid. Under section 408(a), FEMA may help those "persons who, as a result of a major disaster, require temporary housing." (42 U.S.C. § 5174(a)(1)(A)). Assistance can be provided for up to 18 months from the time of the disaster declaration unless an extension is granted because of extraordinary circumstances. (42 U.S.C § 5174(a)(3)). No statutory provision, however, requires that FEMA verify that the applicants have met all relevant conditions of eligibility prior to providing temporary housing assistance. FEMA has the discretion under the Stafford Act to set the methods it will use to verify eligibility. Thus, we agree with FEMA that it has the authority under the Stafford Act to implement the Fast Track process.

FEMA also noted that the purpose of the temporary housing regulations is to assist "the greatest number of people in the shortest possible time." (44 C.F.R. § 206.101(b)). In the case of Northridge, FEMA concluded that the Fast Track process was essential to meet the needs of disaster victims expeditiously. The enormous number of disaster victims and their psychological and physical need for immediate assistance provided the rationale for implementing the Fast Track process. After the earthquake, FEMA's on-site disaster application centers and teleregistration center were overwhelmed by the unprecedented number of applicants. Because the application centers received more applicants than could be accommodated, FEMA gave applicants appointments to come back at a later date. Even so, by the end of the first month after the disaster, nearly

360,000 applications had been filed, and the backlog of housing inspections had grown to about 189,000 residences.[3]

Within the first week of the January 17, 1994 disaster, over 27,000 disaster victims were living in or outside of shelters, and appointments to submit applications for assistance were not available until mid-March. Police intervention was required at application centers to help contain unruly crowds. On January 21, 4 days after the disaster, the President visited the disaster scene and, noting the long lines of applicants, decided that the situation was unacceptable. As a result, FEMA instituted the Fast Track process to provide residents with checks quickly so they could find better accommodations.

Northridge Experience Suggests Need for Fast Track Guidance

In implementing the Fast Track process following the Northridge earthquake, FEMA experienced operational difficulties, including the inconsistent application of criteria when designating areas with the greatest estimated damage and constraints in its application processing software. These difficulties, combined with the logistical challenge of processing an enormous volume of applications for assistance, as well as FEMA's decisions on the eligibility of housing assistance under both the regular and Fast Track processes, may have contributed to FEMA's providing housing assistance in excess of actual needs.

The decision to use the Fast Track process is ultimately a subjective judgment—specifically, that the benefit of rushing aid to certain disaster victims outweighs the risk of disbursing funds to ineligible recipients or in excess of recipients' needs. Hence, a large-scale future disaster could lead FEMA to use a Fast Track approach again. FEMA has not developed written guidance for implementing the Fast Track process, even though FEMA's Inspector General recommended establishing formal procedures after its first use in 1992. Furthermore, FEMA officials acknowledge that the guidance for the temporary housing assistance program needs revision. Well-planned and well-documented guidance could help FEMA avoid operational difficulties in implementing a future Fast Track process and help avoid ineligible payments.

[3]After the Northridge earthquake, 681,765 total disaster assistance applications were filed, while 304,369 and 219,825 total applications were filed after Hurricanes Hugo and Andrew (two other "catastrophic" disasters), respectively.

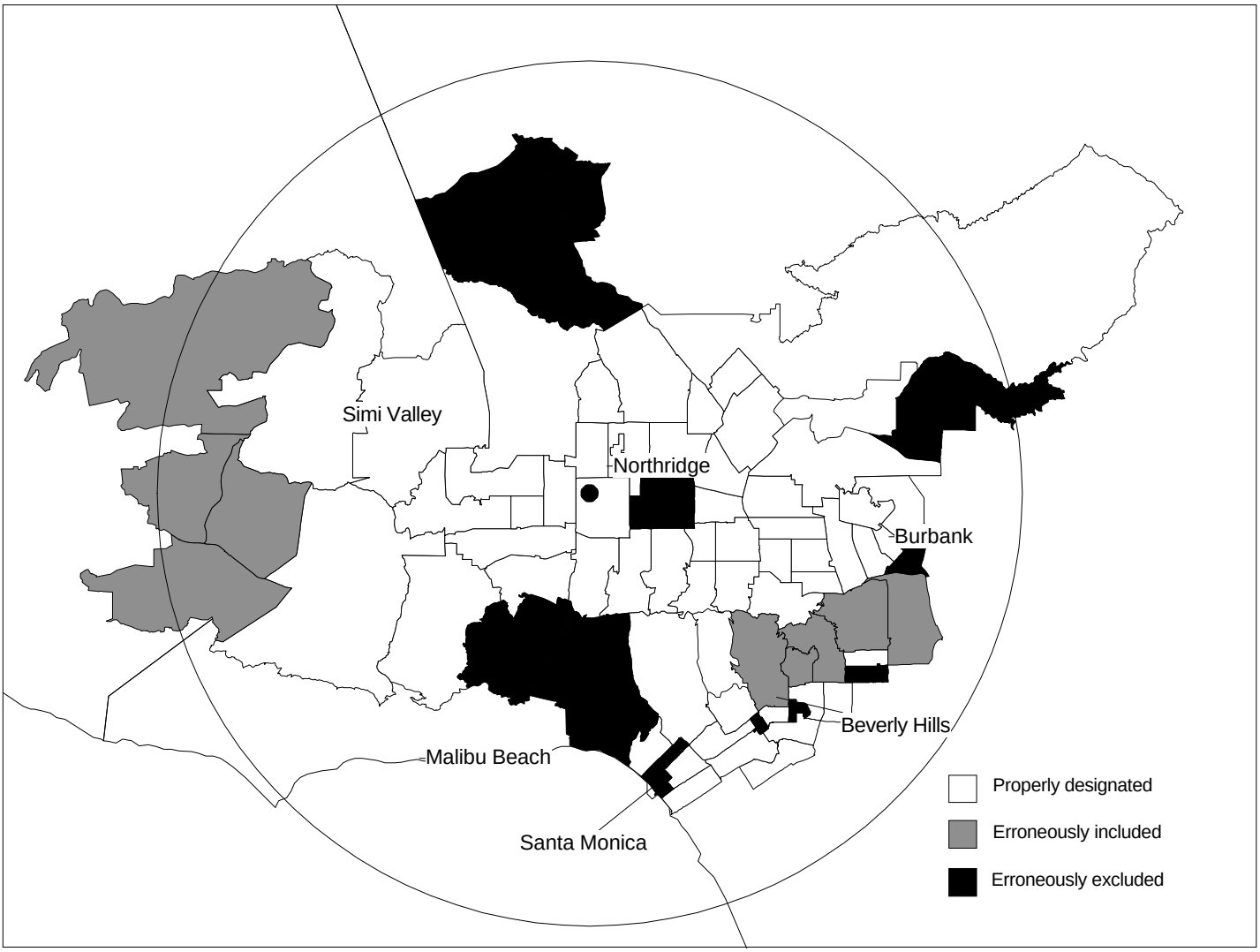
FEMA Experienced Errors in Designating ZIP Code Areas

One of the first implementation tasks facing FEMA was designating the areas whose inhabitants would be "Fast Tracked." There were no preexisting criteria for FEMA to draw on. FEMA worked with the state of California and California Institute of Technology seismologists to develop MMI maps of the Northridge area. According to a FEMA official involved in identifying ZIP code areas, the process was undertaken on a "crash" basis, possibly resulting in some errors in the selection of ZIP codes. Our analysis shows that some ZIP code areas that met FEMA's criteria were omitted (i.e., applications from residents of those areas were not processed under Fast Track) and vice versa. Because of these errors, not all Northridge victims in similar circumstances were treated the same.

According to a FEMA official who was involved in the process, FEMA ultimately designated 68 ZIP code areas whose inhabitants' applications for temporary housing assistance would be processed under Fast Track. We traced the 68 ZIP codes—which designated eligible geographic areas with MMI readings of 8 or higher—to an MMI map identical to the one used by FEMA officials. We found that 56 of the 68 ZIP codes met FEMA's announced criteria—they were located in areas that had experienced earthquake shaking intensities of 8, 9, or 10 on the MMI scale. As shown on the map in figure 1, we also found the following:

- Nine of the 68 ZIP codes did not meet the criteria because they were located in areas that had experienced earthquake shaking intensities of less than 8 on the MMI scale. (These nine ZIP codes account for about 4 percent of the payments that FEMA designated for recovery.)
- Three of the designated ZIP codes did not appear on the map.
- Twelve ZIP codes that met FEMA's criteria were not designated for the Fast Track process.

Figure 1: ZIP Code Areas Designated for the Fast Track Process



Note: Circle is 20 miles from epicenter of the earthquake.

Including ZIP codes that did not meet the criteria means that residents within those ZIP code areas inappropriately received Fast Track funding, and the reverse was likely true. Because we were unable to locate three of

the designated ZIP codes on the map, we do not know whether they met the selection criteria. However, according to data compiled by FEMA's OIG, no temporary housing assistance payments were made under the Fast Track process to applicants from these three ZIP code areas.

According to a FEMA official who participated in the process, his notes suggest that the officials debated which MMI shaking intensities should be included— specifically, whether to include areas with an MMI level of 7. The official noted that some of the designation errors might have occurred because the final list of ZIP codes that was distributed to the federal certifying officers handling applications from Northridge victims was hand-written and therefore difficult to read.

Data developed by FEMA's Inspector General indicated that Fast Track payments were made to 110 ZIP code areas, as opposed to the 68 that FEMA designated.[4] FEMA officials reviewed their records for a few of the ZIP codes and found that some of the discrepancy may be due to errors made in entering addresses into the database or that some recipients' post-disaster mailing address was different from the address of the damaged residence.

We analyzed the payments that FEMA made to ineligible disaster victims to determine the extent to which they might be attributable to the inclusion of ZIP codes that did not meet FEMA's Fast Track criteria. We found that payments made to those ZIP code areas had a negligible effect on the ineligible payments, accounting for about 4 percent of the total amount. (App. IV provides a more detailed explanation of our analysis.)

Computer Software Required Modification

In accordance with the sequence of events under the regular temporary housing assistance program, FEMA's automated system for processing applications required FEMA to enter the date of the inspection of an applicant's residence. The date was required before the system would process the application further for the issuance of a check. Because FEMA intended that applicants under the Fast Track process receive a check before an inspection occurred, FEMA officials had to develop a way of overriding the automated system. While FEMA was able to accomplish this, the resulting records are not entirely reliable because of inconsistent data. Fictitious inspection dates were initially entered to circumvent the control, but the computer program was subsequently modified. Also, according to FEMA officials, personnel handled data entries in different

[4]Letter dated March 27, 1997, from FEMA's Inspector General to Senator John McCain. The Inspector General analyzed a list of all Fast Track recipients.

ways; some made adjusting entries while others eliminated the initial entry.

FEMA was able to overcome this operational problem in order to distribute checks to recipients. However, through improved planning in designing a system to accommodate the Fast Track process, such operational difficulties might be avoided without creating unreliable records. In commenting on a draft of this report, FEMA stated that the agency has been developing a new automated processing system that would include the ability to handle a Fast Track procedure.

FEMA Allowed More Than One Payment Per Household

FEMA normally limits housing assistance to one application and grant per household. In its efforts to expedite assistance to disaster victims at Northridge, FEMA lacked the normal controls used to verify duplication among applicants and/or households. Because of this, FEMA provided more than one payment for some households. FEMA decided that, to treat all Northridge disaster victims equitably, it would allow this exception to its normal policy. An April 19, 1994, memorandum from FEMA's headquarters clarifying the policy for the Northridge earthquake stated that

> "largely because of the fast track system, multiple housing checks have been provided to individual household members. . . . In dealing with this situation, the following policies should apply: 1. The initial increment of assistance should be provided to all applicants without regard to their membership in a household. This decision is based on the need to treat all applicants in like situations similarly."

According to some FEMA officials involved in processing Northridge applications, the large volume of applications, combined with limitations in the capability of FEMA's application-processing computer system, made it difficult, if not impossible, to search the applicant database for potential duplicate names and/or addresses. This may have contributed to situations in which more than one applicant per household received a check. While physical inspections may have identified—and thus prevented—duplication for applicants under the regular program, the inspections would not have done so for Fast Track applicants because inspections of their residences were performed after they received checks. A memorandum laying out general procedures for the Fast Track process from the Northridge Human Services Officer to all certifying officers stated that disbursements would be based on the applicant's letter and ZIP code and that as a result, items such as proper name spelling, address, fair

market rent, and ownership could not be determined until the inspection was completed.

FEMA Did Not Attempt Recovery of Payments Exceeding Repair Costs

FEMA's temporary housing grantees generally receive funds to cover either the cost of renting alternate housing or to cover the estimated cost of minor repairs needed to quickly make the residence habitable. The decision of whether a residence can be made quickly habitable and the estimated cost is based on a physical inspection. For Fast Track applicants, FEMA was unable to make this distinction because payment preceded the physical inspection. Therefore, FEMA provided all Fast Track applicants with rental assistance funds—2 months' rental assistance to renters and 3 months' rental assistance to owners. For owners, the amount averaged about $3,400, on the basis of the average fair market rental of a residence for 3 months. Along with the check, FEMA included an insert stating that

> "This is in response to your application for FEMA disaster housing assistance. By cashing the enclosed check, you are confirming that the information is true and correct and are agreeing to use these funds only to meet your disaster-related emergency housing needs, rent for alternative housing, or repairs to your home. You will soon receive a letter from FEMA with more specific information concerning this assistance."

The physical inspection of a Fast Track applicant's residence could have indicated that repairs costing less than $3,400 could have made the residence habitable. According to FEMA officials, such applicants were allowed to keep the full amount even if it was more than the cost of repairs. Because it did not seek the recovery of amounts exceeding the estimated costs of repairs needed to make a residence habitable, FEMA potentially provided some Fast Track applicants with payments in excess of their needs.

FEMA Did Not Limit Assistance to Applicants With Uninhabitable Residences

FEMA's Instruction 8620.11, Policies and Guidance for the Administration of the Temporary Housing Assistance Program, and current regulations on the housing program, 44 C.F.R. 206.101, provide that an applicant's residence must be uninhabitable or inaccessible in order for the applicant to be eligible for temporary housing assistance. However, FEMA provided assistance for Northridge earthquake applicants whose residences were not uninhabitable or inaccessible. A February 4, 1994, joint state/FEMA news release stated that

"some people receiving housing checks mistakenly believe that they are not eligible for housing assistance because they're still able to live in their homes. 'In many cases the housing checks which applicants receive can be used to repair quake damage, including damage to chimneys, windows, doors and walls, even though the applicants weren't forced to move out of the home . . . .'"

In a 1996 report on FEMA's housing program, the Inspector General reported that FEMA had also not limited temporary housing assistance to applicants with uninhabitable residences in other disasters. The Inspector General concluded that FEMA was using the temporary housing assistance program in a manner inconsistent with the Stafford Act.[5] Specifically, the Inspector General found that rather than make a habitability determination for damaged residences, FEMA "accepts damages over $100 as evidence of an uninhabitable house," and that FEMA was also paying for repairs apparently not related to making the residence habitable, such as carpet replacement, rain gutters, drywall finishing, wall tiles, and paint. The Inspector General recommended that in the future, FEMA limit grants to uninhabitable housing and for only those repairs necessary to make the housing habitable. According to a FEMA official, the agency has adopted this recommendation.

Payments Exceeding Actual Needs May Have Been Significant

In the case of the Northridge earthquake, FEMA provided 408,663 applicants with $1.2 billion in housing assistance. In applying for federal assistance shortly after the earthquake, Los Angeles and Ventura counties reported a combined total of 9,919 housing units destroyed, 15,096 suffering major damage, and 29,927 suffering minor damage, for a total of 54,968 residences suffering minor damage or worse. These numbers were based on preliminary assessments. However, in a January 1995 report, the Department of Housing and Urban Development (HUD) stated that a total of 308,900 units of housing were damaged by the Northridge earthquake; presumably, the damage in many cases did not render the residences uninhabitable.

Because of limitations in FEMA's computerized database, we were unable to determine the frequency of the various deviations from normal policy discussed above or the role they played in the apparent discrepancy between housing grants and damaged housing units. FEMA program officials explained that it is difficult to determine when a residence has sustained enough damage to be uninhabitable and that the decisions are

[5]Audit of Home Repair Grants Provided Through FEMA's Disaster Housing Program, Office of Inspector General, FEMA, H-07-96 (Sept. 20, 1996).

subjective. They suggested that FEMA probably tended to err on the liberal side, rather than risk denying aid to someone who needed it, when damages of as little as $100 can be eligible under current policy.

Guidance for Fast Track Could Help Avoid Implementation Difficulties and Ineligible Payments

FEMA's basic policy and procedures guidance for the regular temporary housing assistance program—FEMA Instruction 8620.11—does not address the Fast Track process. FEMA's Inspector General recommended establishing formal procedures for Fast Track after its first use in 1992. Additionally, FEMA officials acknowledge that the May 12, 1987, guidance needs revision and is sometimes modified in actual practice. Well-planned and well-documented guidance could help FEMA avoid operational difficulties in implementing a future Fast Track process and help avoid ineligible payments.

FEMA's Office of Inspector General reviewed FEMA's experience with Fast Track after Hurricane Andrew.[6] At that time, the Inspector General recommended that FEMA develop formal procedures for the Fast Track process. The recommendations included actions that would help implement the Fast Track process and minimize the loss of federal funds through overpayments. Specifically, the Inspector General recommended that FEMA develop a Fast Track method with appropriate controls and limit grants to 1 month's rental assistance. (In the wake of Hurricane Andrew, owners had received 4 months' assistance under Fast Track, and renters received 3 months' assistance.)

FEMA officials could not explain why the Inspector General's recommendations were not implemented. We note that because of major reorganizations and personnel reassignments that took place between Hurricane Andrew and the Northridge earthquake, many of FEMA's program staff who worked on Fast Track at Northridge were not involved in the housing program at the time of Hurricane Andrew and were likely unaware of the Inspector General's recommendations. Also, several FEMA officials had concerns about Fast Track's vulnerability to fraud, waste, and abuse; hence, formalizing guidance for the process may not have been a priority because of the uncertainty about its future use. Several FEMA program officials expressed concern that reducing Fast Track payments to increments of 1 month's rental assistance—as recommended by the Inspector General—could increase FEMA's administrative burden and

[6] FEMA's Disaster Management Process: A Performance Audit After Hurricane Andrew, Office of Inspector General, FEMA, H-01-93 (Jan. 14, 1993).

congestion at the Disaster Application Centers, a major concern at Northridge.

In the absence of preexisting guidance, officials implementing the Fast Track process after the Northridge earthquake developed guidance on an ad hoc basis, issuing several memorandums detailing how the process would be implemented. Memorandums included information on the amount of rental assistance to be provided, the designated ZIP code areas, the modification of the computerized database to accommodate Fast Track, and the handling of appeals and recertifications (the provision of additional assistance to applicants beyond the initial time period).

We believe that if FEMA had followed the Inspector General's recommendations and developed written guidance for the Fast Track process, some of the operational difficulties experienced following the Northridge earthquake may have been avoided. For example, FEMA might have identified and mitigated limitations in its application-processing software or developed criteria for designating the areas for which the Fast Track process might be used following different kinds of large-scale disasters. Preexisting guidance would avoid the need to develop ad hoc guidance in the crisis atmosphere that inevitably follows a large-scale disaster.

Fast Track Represents Trade-Off Between Expedited Assistance and Control of Federal Funds

A principal advantage of the Fast Track process is that it hastens the distribution of temporary housing assistance grants to some applicants, facilitating a move into alternate housing more quickly than would the regular process. Also, according to FEMA officials involved in the response to the Northridge earthquake, Fast Track provided an intangible benefit by demonstrating to the victims and the general public that help was actually on the way. A principal disadvantage is the relative loss of control over the disbursement of federal funds and the subsequent need to recover ineligible payments. FEMA determined that it should recover about $9.6 million in Fast Track payments made to 3,856 Northridge earthquake recipients. As of September 1997, FEMA had recovered $4 million, and recovery efforts were under way for most of the rest.

Fast Track Expedited Assistance

The obvious benefit of implementing Fast Track is its potential to provide assistance for those victims most in need as quickly as possible—more quickly than would be the case under the regular process. While it is difficult, 3 years after the event, to assess how much Fast Track helped

disaster victims, FEMA program officials estimate that because of the catastrophic nature of the Northridge disaster, applicants would have received their checks several months later without the Fast Track process. A primary bottleneck in the regular housing assistance process was physical inspections. As of mid-February 1994, nearly 1,400 inspectors were inspecting approximately 8,000 residences a day; in spite of this, the backlog of inspections grew steadily, from 94,000 on February 7 to a peak of 189,000 on February 13. Fast Track applicants did not have to wait for FEMA to inspect their residences prior to receiving housing assistance checks.

We were unable to determine—and therefore to compare—the average lengths of time actually taken to provide Northridge applicants with temporary housing assistance under either the Fast Track or regular process, because FEMA's data systems cannot readily provide information on the average length of time taken to provide temporary housing assistance and because, according to FEMA officials, the accuracy of the database is questionable. According to a FEMA analysis of past large disasters—in which the regular process was used exclusively—the average time between a disaster victim's application and the Treasury's mailing of a temporary housing assistance check was 21 days, as follows:

- Application taken and mailed to FEMA's processing center for processing—2 days.
- Application electronically transmitted to inspector and inspection made—9 days.
- Processing center makes eligibility determination—2 days.
- FEMA requests check issuance from Treasury Department; check is prepared and mailed—8 days.

According to FEMA's analysis, this time could be reduced to an average of 10 days for Fast Track applicants because the inspection (usually requiring an average of 9 days) and the normal eligibility determination (usually requiring 2 days) would be performed after the check was issued—thus saving 11 of the 21 days. However, this analysis may not be comparable to the Northridge earthquake or other extraordinarily large disasters. The sheer volume of temporary housing assistance applications resulting from the Northridge earthquake dramatically exceeded any previous disaster. In the absence of the Fast Track process, this large volume could have caused the average time period for Northridge applicants to take more than 21 days; if so, then the time savings attributable to Fast Track would be even larger.

When scheduling inspections, FEMA did not distinguish between applications from victims that had already received a check under the Fast Track process and victims who had not. Because the non-Fast Track applicants had to wait for the inspections of their residences before receiving assistance, the Fast Track process did not shorten (or lengthen) the time between the application and receipt of funds for these applicants.

Fast Track Provided Intangible Benefits

Most of the FEMA officials contacted for this review stated that expedited check issuance was not the primary benefit of Fast Track. Rather, they cited the intangible benefits of assuring shaken disaster victims that help was forthcoming and helping dissipate the threat of unruly crowds at disaster application centers. According to the officials, the Fast Track process enabled FEMA to tell victims and the media that checks were being issued and sent—not that applications were simply being processed by a government bureaucracy.

We did not talk directly to any of the Northridge earthquake victims to identify the process's advantages and disadvantages partly because of the time lapse since they received assistance and their potential inability to know whether they had been "Fast Tracked." However, a FEMA customer survey after the earthquake found a general sense of satisfaction with the agency's overall disaster response. Most respondents (63 percent) felt that FEMA should have been able to get a check to them within 2 weeks, but two-thirds of those felt that a check received during the second week was sufficient. Seventy-four percent expressed satisfaction with how quickly they received assistance. Slightly over half the respondents (56 percent) felt that the amount of housing assistance they received was insufficient, 40 percent thought it was just right, and 4 percent said it was more than enough.

Fast Track Provides Less Control Over Disbursement of Federal Funds

The primary concern with the Fast Track process cited by FEMA officials is the knowledge that some funding will be disbursed to ineligible recipients, thus requiring subsequent recovery efforts. FEMA's follow-up report on the Northridge earthquake noted the trade-off between the cost of debt collection and the benefits of expedited assistance.

FEMA ultimately designated for recovery 6.7 percent ($9.6 million of $143 million) of the temporary housing assistance provided under the Fast Track process for 3,856 Northridge earthquake applicants. This figure excludes some ineligible payments made to disaster victims who

voluntarily returned the funds. (Because of limitations in its information systems, FEMA could not readily provide the amount of payments voluntarily returned.) However, as noted above, the Fast Track process contributed to FEMA's decision not to seek recovery of some payments that normally would have been recovered. Therefore, a smaller proportion of Northridge temporary housing assistance payments—including Fast Track payments—were designated for recovery than otherwise.

Northridge Payments Were Designated for Recovery for Three Primary Reasons

FEMA identified three major reasons for recovering payments to ineligible recipients: (1) damage to residences was insufficient to qualify them for assistance, (2) the payee received duplicate damage reimbursements from insurance payments, and (3) the damaged residence was not the recipient's primary residence.

The extent to which an applicant is found to be ineligible generally appears as narrative from the inspector on the inspection form, such as a comment that the damage was insufficient to make the residence uninhabitable or that the applicant's damages were covered by insurance. Other ineligible applicants may be found during the processing of the application, such as duplicate applications from the same individual or duplicate applications for the same residence.

FEMA Has Recovered About 40 Percent of the $9.6 Million Designated

FEMA's National Processing Services Center, which handles assistance to applicants, begins the recovery process by sending an ineligible recipient three letters—one every 30 days—requesting the return of disaster funding. If there is no response from the recipient, the case is referred to FEMA's Disaster Finance Center, where penalties and interest begin to accrue on the debt and three additional letters are sent over a period of 4 months. Subsequently, the cases are turned over to a collection agency and the Treasury Department. Nearly all currently overdue Fast Track payments from the Northridge disaster designated for recovery have reached this point. The Treasury Department then begins garnishing the debt from the recipient's federal payments (e.g., social security checks, income tax refunds, etc.). Table 1 shows the status of FEMA's efforts to recover the funds as of September 11, 1997.

Table 1: Status of Fast Track Payments Designated for Recovery

Description	Amount
Recovered	
Paid in full to Disaster Finance Center	$2,305,255
Payments received on payment plans	667,803
Other collections[a]	1,006,549
Subtotal	3,979,607
Under review	122,292
Written off as uncollectible	116,301
Remainder	
Unpaid amounts on payment plans and partial recoveries	500,311
In default	4,826,324
Bankruptcies	36,207
Subtotal	5,362,842
Total	**$9,581,042**

[a]Includes partial collections from grantees found eligible for a portion of their grant, partial collections on bankruptcies, partial collections on hardship and other forgiveness requests, etc. FEMA estimates that a small percentage, perhaps 5 percent, represents a determination that the recipient was eligible, rather than a recovery of funds.

Source: GAO's analysis of FEMA's Disaster Finance Center data.

It should be noted that while the data in table 1 reflect only those payments made under the Fast Track process, the status of the funds may not reflect the fact that they were made under the Fast Track process. For example, the table includes some payments designated for recovery because the recipient later received insurance proceeds for the same needs. Such payments were made under both the regular housing assistance and Fast Track processes and designated for recovery regardless of whether they were made under the Fast Track process. Furthermore, the above figures represent only those recoveries made after the cases were turned over to the Disaster Finance Center for collection. As noted above, some recipients voluntarily returned payments; hence, there was no need for the Disaster Finance Center's involvement. FEMA advised us that because the payment data in its database are unreliable, it could not provide reliable information on the amounts returned voluntarily.

FEMA officials were reluctant to estimate the likelihood of additional recoveries because they have so little experience with the newly revised federal recovery process. Prior to Northridge, each FEMA region handled its

own recovery efforts. At about the same time as Northridge, the recovery process was centralized at FEMA's Disaster Finance Center near Berryville, Virginia. Also, until recently, FEMA referred its uncollectible debts to the Internal Revenue Service only. Now they are referred to both the Department of the Treasury for offset and the Department of Justice for possible prosecution. FEMA officials said they do not yet have enough experience on the Treasury Department's success rate under the new procedures and are also still in the process of learning what type of information the Justice Department needs before it feels it has a prosecutable case.

FEMA officials pointed out that it takes some time before the Processing Center concludes that payments designated for recovery are bad debts and turns them over to the Finance Center. Additionally, some time was probably lost in transferring the collection responsibility from FEMA's regional offices to the Finance Center. Also, until recently, cases were referred to the Internal Revenue Service only once a year, and it would take upwards of another year before there was a tax return to apply the debt against.

FEMA Relies on States to Ensure That Crisis-Counseling Funds Are Used Appropriately

FEMA provides crisis-counseling funding for screening and diagnosing individuals, short-term crisis counseling, community outreach, consultation, and education services. To receive grants, states must demonstrate that existing state and local resources are inadequate and provide estimates of the number of individuals affected, the types of assistance needed, and their estimated costs. There are two crisis-counseling programs—the immediate services program and the regular program. For approved applications under the immediate services program, the FEMA Regional Director or designee makes funds available to the state for disbursement to its department of mental health. Under the regular program, after approval, funds are transferred from FEMA's headquarters to CMHS for distribution through the grants management process. While FEMA participates in site visits to service providers, agency officials said that FEMA relies largely on CMHS and the states (the grantees) to ensure that crisis-counseling funds are used and accounted for appropriately. Detailed periodic and final reports on activities and costs are submitted to CMHS and FEMA. For the distribution of funds provided after the Northridge earthquake, FEMA officials said that they visited all service providers, and CMHS officials evaluated the providers' accounting procedures and controls and found them to be satisfactory.

Eligible Crisis-Counseling Activities

FEMA's crisis-counseling program is specifically authorized by section 416 of the Stafford Act (42 U.S.C. 5183), which states that

> "The President is authorized to provide professional counseling services, including financial assistance to State or local agencies or private mental health organizations to provide such services or training of disaster workers, to victims of major disasters in order to relieve mental health problems caused or aggravated by such major disaster or its aftermath."

According to CMHS officials, much of the services provided are of an outreach nature, such as visiting homes, schools, disaster application centers, and senior citizens homes.

FEMA's draft crisis-counseling program handbook, prepared as a reference for state and local government, states that eligible activities under the immediate services program include screening, diagnostic, and crisis-counseling techniques, as well as outreach services, such as public information and community networking, which can be applied to meet mental health needs immediately after a major disaster. The immediate services program runs for 60 days, but extensions, generally of 30 days, may be granted if requested by the state. The regular program funds further screening and diagnostic techniques, short-term crisis counseling, community outreach, consultation, and education services that can be applied to meet mental health needs precipitated by the disaster. Prolonged psychotherapy measures are not eligible for program funding. The regular program generally runs for up to 9 months following the disaster.

Individuals are eligible for crisis-counseling services if they were residents of the designated disaster area or were located in the area at the time of the disaster and if they have problems of a psychological or emotional nature caused or aggravated by the disaster. A state's application for crisis-counseling funds must certify that existing state and local resources are inadequate and identify what the mental health needs are. Although it can be adjusted upward or downward on the basis of specific information, a formula has been developed to estimate the number of persons in need of crisis-counseling assistance on the basis of past experience. The formula takes into account the number of fatalities, injuries, homes destroyed or damaged, and unemployment resulting from the disaster.

CMHS Awards and Oversees Grants

As provided in FEMA's instructions, FEMA makes the funds available to CMHS, which awards crisis-counseling grants to states—normally to the state's

department of mental health. The states, in turn, disburse funds to the service providers and local government. CMHS provides the primary federal oversight by reviewing and evaluating the application and reports submitted by state agencies.

Both the application and periodic reporting processes for the regular program are detailed and comprehensive. The application provides estimates of the nature of the need, the number of people needing assistance, and detailed cost estimates. The reports provide information on, among other things, the numbers of people that received assistance, the types of problems that victims experienced, and the actual program costs incurred. In addition, FEMA's instructions for the program provide that CMHS and FEMA are to make a joint site visit early in the project to ensure that the program is being administered according to the approved application.

According to FEMA officials, other program controls include possible audits performed under the Single Audit Act or by the Inspector General.

Crisis Counseling at Northridge

Following the Northridge earthquake, the state of California applied for $12.8 million in immediate-services-program funding for Los Angeles and Ventura counties on January 31, 1994; FEMA approved the funding on February 1. (In March, the state requested a funding increase to $13.6 million, which FEMA approved.) The regular 9-month program was approved for an additional $22.4 million. Together, the approved funding totaled $36 million. Not all of the approved funds were used, however; actual expenditures totaled about $32 million.

According to CMHS officials, they made more visits to Northridge than is normally the case because of the relatively large amount of money involved. CMHS and FEMA personnel both considered state and local handling of the program to be exemplary. CMHS' records indicate at least four visits to state and local agencies and service providers by CMHS and FEMA personnel, plus an additional visit by CMHS' Acting Grants Management Officer specifically to review the control and use of the funds. The report on that particular visit stated in part that

"There did not appear to be any weaknesses in the relationship and flow of funds to and from providers."

"At the Ventura County site, accounting records were reviewed to ensure compliance with [federal] policies and procedures and allowability of expenditures. . . . No deficiencies were observed in the accounting system or records reviewed."

Similar comments were made regarding Los Angeles County.

Conclusions

The nature of the Fast Track process—providing disaster victims with expedited disaster housing assistance without first verifying their eligibility—represents a trade-off between the risk of delaying needed aid to certain disaster victims and the risk of disbursing funds to ineligible recipients or in excess of recipients' needs. The absence of established guidance required FEMA to implement the process on an ad hoc basis following the Northridge earthquake in a crisis atmosphere less conducive to the careful consideration of alternatives. A future large-scale disaster could engender a need for the Fast Track process. If so, FEMA's continuing lack of guidance for implementing it could allow continued inequitable treatment of disaster victims and the provision of more temporary housing assistance than warranted. These problems could be lessened by establishing formal guidance for the process and incorporating it into the directive for the temporary housing assistance program.

FEMA's Office of Inspector General reached similar conclusions in its January 1993 report on Hurricane Andrew. Also, FEMA's after-action report on Northridge stated a need to develop guidance "that clarif[ies] assistance requirements and conditions under which fast tracking will occur."

Recommendation

The Director of FEMA should develop written guidance for the Fast Track process that

- specifies when and under what circumstances the process will be used and
- explains how to implement the process, including identifying eligible victims and avoiding payments in excess of needs.

Agency Comments

We provided FEMA with a draft copy of this report for review and comment. In its written comments, FEMA said that the report's description of the problems faced in providing assistance for the Northridge earthquake victims was comprehensive and balanced. FEMA agreed with our recommendation that guidance should be developed for the Fast Track

process, stating that the agency would establish formal guidance for the process and incorporate it into the guidance for the temporary housing program. FEMA also commented that in the last 3 years, it has strengthened its application registration and processing capabilities by building and refining three teleregistration and processing centers and has strengthened its inspection capability by establishing three national inspection service contracts to train inspectors. In addition, FEMA mentioned that it is raising the threshold at which it will consider implementing the Fast Track process. FEMA also suggested some revisions to our report for technical accuracy, which have been incorporated where appropriate. FEMA's written comments are contained in appendix V.

Scope and Methodology

To examine the authority and rationale for the Fast Track process, we reviewed the legislation authorizing the disaster assistance housing program; the Stafford Act, as amended; and FEMA's regulations for implementing temporary housing assistance (44 C.F.R. § 206.101). We also requested from FEMA an explanation of its legal basis to implement the process. (See app. III for FEMA's written response.)

To examine FEMA's experience with the Fast Track process in Northridge, including whether FEMA adopted its Inspector General's previous recommendations on the Fast Track process and how FEMA determined the geographic areas included in Fast Track, we interviewed FEMA officials from FEMA's headquarters; FEMA's OIG office; the Disaster Finance Center and the National Processing Services Center at Mt. Weather, Virginia; and the Disaster Field Office in Pasadena, California (which was responsible for administering FEMA's assistance to Northridge earthquake victims). We reviewed OIG's prior studies on the housing program, Fast Track, and crisis-counseling program, and information used by the Disaster Field Office in determining the geographic areas included in Fast Track. We also reviewed FEMA's news releases, internal memorandums on implementing the Fast Track process, and post-disaster internal assessments.

To examine the advantages and disadvantages of Fast Track, we interviewed officials from FEMA's OIG; FEMA's Response and Recovery Directorate, including the National Processing Services Center; the Disaster Finance Center; the Disaster Field Office in Pasadena; and the state of California's Office of Emergency Services. We also reviewed press articles, FEMA's news releases, internal memos on implementing the Fast Track process, post-disaster internal assessments, and a FEMA customer satisfaction survey conducted after the Northridge disaster. For

information on the amounts of erroneous payments and subsequent recoveries, we relied primarily on data that we were provided with from the Disaster Finance Center's database containing financial information on recovery efforts. FEMA's National Processing Services Center's ADAMS database contained information on additional recoveries, but we were unable to extract this information from the ADAMS database. Our information thus omits some early cases in which disaster victims returned housing assistance funds. The archiving of paper documentation of housing assistance applications, inspections, and grants to an unstaffed repository near San Francisco limited our review to the information contained in these databases. Additionally, both FEMA's Inspector General and program staff advised us that the ADAMS database was prone to inaccuracies and had a tendency to "crash" or take inordinate amounts of time when doing broad-based informational searches.

To examine FEMA's criteria and process for using crisis-counseling funds and ensuring that they were used for their authorized purpose, we interviewed officials from FEMA's headquarters (including OIG) and its Pasadena field office; and the Department of Health and Human Services' Center for Mental Health Studies. We examined numerous reports and studies, including FEMA's regulations and guidance for implementing the crisis-counseling program; California's crisis-counseling grant requests, application materials, and internal program memos; and final program and expenditure reports.

To identify whether other federal disaster assistance programs provide assistance for victims prior to determining applicant eligibility, we contacted program officials within the Departments of Housing and Urban Development, Agriculture, Commerce, and Health and Human Services; the Environmental Protection Agency; and the Small Business Administration. Additionally, we reviewed FEMA's catalog of federal disaster assistance programs, drew on our prior work on HUD and Agriculture disaster assistance programs, and reviewed guidance for implementing their programs. We performed our work from March through September 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to appropriate congressional committees; the Director, FEMA; the Secretary of Health and Human Services; the Secretary of Agriculture; the Secretary of HUD; and the

Director, Office of Management and Budget. We will make copies available to other interested parties upon request.

If you or your staff have any questions, please call me on (202) 512-7631. Major contributors to this report are listed in appendix VI.

Sincerely yours,

Judy A. England-Joseph
Director, Housing and Community
Development Issues

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Abbreviations

FEMA	Federal Emergency Management Agency
ZIP	zone improvement plan
OIG	Office of Inspector General
MMI	Modified Mercalli Intensity
CMHS	Center for Mental Health Services
HUD	Department of Housing and Urban Development

Federal Programs That Provide Disaster Assistance Prior to Verifying Applicant Eligibility

We identified two federal programs, in addition to the Federal Emergency Management Agency's (FEMA) Fast Track process for its temporary housing assistance program, that provide disaster assistance for individuals prior to verifying their eligibility: the Department of Agriculture's disaster food stamp program and the Department of Housing and Urban Development's (HUD) disaster housing program. Both programs may relax their initial requirements for verifying applicants' eligibility, including income requirements, with subsequent reviews of applicants' files to identify eligibility problems and, if necessary, take recovery actions.[1] In both cases—as with the Fast Track program—the intent is to get the assistance to victims as quickly as possible.

Under the first program, the Department of Agriculture provides disaster food stamps for eligible victims. When a state applies for assistance, the Secretary of Agriculture may approve the issuance of food stamps for up to 30 days to qualifying households within the disaster area. The disaster food stamp program is different from Agriculture's regular food stamp program in that certain criteria used in determining eligibility for the disaster program are relaxed when determining eligibility. For example, regular requirements to verify criteria such as residency in the disaster area (as opposed to the project area for the regular program), work requirements, household members' social security number, and the availability of financial resources, are either not included as criteria or verified "where possible." After the food stamps have been distributed, the applicants' files are then reviewed to identify problems, such as whether applicants received duplicate benefits. The state agency in charge of disseminating the assistance conducts this post-disaster review of a 10-percent sample of cases, up to a maximum sample size of 1,200 cases.

The second program is administered by HUD, which provides housing assistance to disaster victims in the form of rental certificates or vouchers that are used by eligible families to rent housing units in privately owned rental housing. The assisted households may live in rental units of their choice as long as the units meet HUD's standards for rent and quality. Generally, local public housing agencies administer the program, providing landlords with rent payments in compliance with a housing assistance payment contract between HUD and the owner. Two significant differences between the FEMA and HUD housing assistance programs are that the HUD program contains income eligibility requirements—the

[1]According to a HUD official, as of mid-July 1997, the aftermaths of the Northridge earthquake and Hurricane Andrew were the only times that HUD relaxed its initial requirements for verifying the eligibility of applicants. HUD took this action so it could quickly meet the housing needs of an overwhelming number of disaster victims.

program is targeted only to very-low-income families—and it generally provides the assistance over a longer period of time. HUD's income eligibility requirements are based on annual gross income and family size, and the assistance is guaranteed for a period of up to 18 months.

While HUD normally verifies the income eligibility requirements of applicants, for severe disasters such as the Northridge earthquake, the Department allowed housing agencies to issue housing certificates without first fully verifying the applicants' income eligibility. For the Northridge disaster, housing agencies were given 3 months from the time the assistance was provided to verify a victim's income eligibility. The victims were notified that their assistance could be adjusted or terminated if the deferred verification found that they were ineligible. In response to congressional inquiries, HUD stated that delaying the verification helped allow the Department to provide housing assistance for victims during the first few days after the disaster.

Definition of Estimated Modified Mercalli Earthquake Intensities

Intensity	Definition
12	Damage nearly total. Large rock masses displaced. Lines of sight and level distorted. Objects thrown into the air.
11	Railroad rails bent greatly. Underground pipelines completely out of service.
10	Most masonry and frame structures destroyed with their foundations. Some well-built wooden structures and bridges destroyed. Serious damage to dams, dikes, and embankments. Large landslides. Water thrown on banks of canals, rivers, lakes, etc. Sand and mud shifted horizontally on beaches and flat land. Railroad rails bent slightly.
9	General panic. Low-quality masonry destroyed; good-quality masonry seriously damaged. Frame structures, if not bolted, shifted off foundations. Frames racked. Serious damage to reservoirs. Underground pipes broken. Conspicuous cracks in ground. In alluviated areas, sand and mud ejected, earthquake fountains and sand craters.
8	Steering of motor cars affected. Damage to ordinary-quality masonry; partial collapse. Some damage to good-quality masonry but not to reinforced masonry. Fall of stucco and some masonry walls. Twisting/falling of chimneys, factory stacks, monuments, towers, elevated tanks. Frame houses moved on foundations if not bolted down; loose panel walls thrown out. Decayed piling broken off. Branches broken from trees. Changes in flow or temperature of springs and wells. Cracks in wet ground and on steep slopes.
7	Difficult to stand. Shaking noticed by drivers of motor cars. Hanging objects quiver. Furniture broken. Damage to low-quality masonry, including cracks. Weak chimneys broken at roof line. Fall of plaster, loose bricks, stones, tiles, cornices. Some cracks in ordinary-quality masonry. Waves on ponds; water turbid with mud. Small slides and caving in along sand or gravel banks. Large bells ring. Concrete irrigation ditches damaged.
6	Shaking felt by all. Many frightened and run outdoors. Persons walk unsteadily. Windows, dishes, glassware broken, knickknacks, books, etc., off shelves. Pictures fall off walls. Furniture moved or overturned. Weak plaster and low-quality masonry cracked. Small bells ring (church, school). Trees, bushes shaken (visible or heard to rustle).
5	Shaking felt outdoors. Duration estimated. Sleepers wakened. Liquids disturbed; some spilled. Small unstable objects displaced or upset. Doors swing open, close; shutters, pictures move. Pendulum clocks stop, start, change rate.
4	Hanging objects swing. Vibration like passing of heavy trucks; sensation of a jolt like a ball striking the walls. Standing motor cars rock. Windows, dishes, doors rattle. Glasses clink. Crockery clashes. In the upper range of Modified Mercalli Intensity (MMI) level 4, wooden walls and frames creak.
3	Shaking felt indoors. Hanging objects swing. Vibrations like passing of light trucks. Duration estimated. May not be recognized as earthquake.
2	Shaking felt by persons at rest, on upper floors, or favorably placed.
1	Shaking not felt. Marginal and long-period effects of large earthquakes.

Letter From FEMA on Legal Authority for Fast Track Process

Federal Emergency Management Agency
Washington, D.C. 20472

April 28, 1997

Michael R. Volpe
Assistant General Counsel
Office of General Counsel
U.S General Accounting Office
Washington, D.C. 20548

Dear Mr. Volpe:

Your letter dated March 13, 1997, requested a description of the rationale upon which the Federal Emergency Management Agency (FEMA) determined the legality of disbursing temporary housing assistance using a process known informally as "fast track." This letter responds to your inquiry. FEMA's temporary housing assistance program is set forth in the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 93-288, as amended (Stafford Act), 42 U.S.C. § 5121 et seq.

Under Section 408, 42 U.S.C. § 5174, Congress authorized the provision of temporary housing assistance. FEMA is authorized to provide rental assistance under Section 408(a) and home repair assistance under Section 408(c) for eligible applicants. The administrative procedures for executing this authority are as follows. Checks for rent or repairs are normally mailed to applicants after the damaged homes are inspected and the applicants' eligibility determined. The "fast track" processing method reversed that order for people living in the area where the Northridge Earthquake's intensity was measured at 8 or higher on a scale of one to ten.

The "fast track" checks were mailed out before the homes were inspected and before eligibility determinations were made. As you pointed out in your letter of March 13, 1997, recipients of "fast track" assistance were informed that temporary housing assistance could be used to meet disaster-related housing needs only and that any funds not used for that purpose had to be returned to FEMA. FEMA subsequently made assessments of damage and determinations of eligibility. All of the recipients who were determined to be ineligible, (ten percent of the "fast track" population), were required to return the payments. FEMA initiated debt collection procedures against ineligible recipients who failed to comply with FEMA's request for repayment.

This "fast track" processing method is not specifically mentioned in the Stafford Act. Indeed, the Stafford Act is silent with regard to many aspects of the administration and implementation of the Act. Nonetheless, the legal authority to process temporary housing

assistance in this manner is implicit in the Act and its implementing regulations. Section 302(a), 42 U.S.C. § 5143(a), states that the President shall, immediately upon his major disaster declaration, appoint a Federal Coordinating Officer (FCO) to operate in the affected area. Section 302(b), 42 U.S.C. § 5143(b), grants the FCO wide latitude to appraise the types of relief most urgently needed, coordinate the administration of relief, and

> take such other action, consistent with authority delegated to him by the President, and consistent with the provisions of this Act, as he may deem necessary to assist local citizens and public officials in promptly obtaining assistance ....

FEMA's regulations set forth at 44 C.F.R. 206.101 articulate the intent of the temporary housing program. Its purpose is to try to assist "the greatest number of people in the shortest possible time." 44 C.F.R. 206.101(b). Temporary housing assistance is often the first form of financial assistance to reach disaster victims. In its administrative discretion, FEMA determined that the "fast track" system was essential to meet the needs of disaster victims expeditiously.

Although no formal policies or procedures were written to implement the "fast track" process, OGC was consulted as the informal process was developed for use in the immediate aftermath of the earthquake. The legal analysis was discussed as the implementation for the "fast track" system was being developed. The informal nature of the "fast track" system is reflected in the three attached documents. The first is a memorandum to the Northridge disaster field office staff explaining the "fast track" system dated January 22, 1994. The second is a summary of "fast track" operations for the staff dated January 23, 1993 [sic]. The third document is an explanation of the workflow in the "fast track" system with attachments dated January 31, 1994.

While we believe that the "fast track" system is consistent with the spirit and intent of the Stafford Act, it is used only when FEMA determines that it is the most reasonable process for meeting our mission. The Stafford Act and its implementing regulations give FEMA wide latitude to fulfill its mission.

Indeed, FEMA expects to modify its normal administrative system for the hardest hit homes of the North Dakota, South Dakota, and Minnesota flooding. In those areas where homes have been made inaccessible due to flooding, and evacuation was either mandatory or aggressively advocated, a one month check for rental assistance will be sent to applicants before the self declaration for legal status and verification signatures have been obtained. As there have been massive evacuations, physically obtaining each resident's signature would significantly delay assistance creating an inhuman and bureaucratic processing system. These applicants' signatures will be obtained as soon as possible. Recipients will be informed that if they decline to provide their signature, FEMA may recoup the one month rental assistance check. Before this check is mailed, an inspector will have been to the home and identified it as damaged and inaccessible. The number of inaccessible homes will be a very small number compared to the population of "fast track"

recipients of Northridge. The assistance for inaccessible homes is limited to those areas where evacuation has been mandatory or aggressively encouraged. Inaccessible homes are very easy to identify and eligibility as it relates to housing damage is easy to determine. Finally, these recipients will not receive any additional assistance until the verification and self declaration forms are signed.

I hope that this has been helpful to you. Please contact me if I can be of any further assistance at (202) 646-4099.

Sincerely,

Mike Hirsch

Michael B. Hirsch
Acting General Counsel

Attachments

Analysis of Payments Designated for Recovery and Errors in ZIP Code Designation

We analyzed the payments that FEMA designated for recovery to determine if they were concentrated in zone improvement plan (ZIP) codes that were erroneously designated for the Fast Track process. FEMA decided to use the Fast Track process for applicants residing in ZIP code areas with an MMI level of 8 or above. Our analysis showed that the inclusion of ZIP codes that did not meet this criterion in Fast Track did not have a significant effect on payments designated for recovery. Ninety-six percent of the disbursements still subject to recovery were made to applicants in ZIP codes of MMI intensities of at least 8. Table IV.1 shows, for the cases still subject to recovery, that 96 percent of the grants were in appropriately designated ZIP codes, as categorized by the MMI shaking intensity. (An analysis of the data developed for all grants designated for recovery and reported on by FEMA's Inspector General gives much the same result.[1]

Table IV.1: Payments Designated for Recovery by ZIP Code

MMI shaking intensity	Dollar amount of disbursements still subject to recovery	Percentage of total	Cumulative percentage
Intensity 10	$3,787,736	62.6	62.6
Intensity 9	1,071,240	17.7	80.3
Intensity 8	949,606	15.7	96.0
Intensity 7	131,485	2.2	98.2
Intensity 6	92,833	1.5	99.7
Less than intensity 6	2,300	•	99.7
Indeterminate	10,851	0.2	99.9
Total	**$6,046,051**	**99.9**	**99.9**[a]

[a]Does not add because of rounding.

Source: GAO's analysis of FEMA's March 1997 data.

Thus, it appears that a more accurate designation of eligible ZIP codes would not have significantly reduced inappropriate disbursements at Northridge. Many of the errors may have been data entry errors rather than mistakes in selecting ZIP codes.

[1]Letter dated March 27, 1997, from FEMA's Inspector General to Senator John McCain.

Comments From the Federal Emergency Management Agency

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Federal Emergency Management Agency
Washington, D.C. 20472

SEP 25 1997

Ms. Judy A. England-Joseph
Director, Housing and Community
Development Issues
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

For GAO's response to FEMA's comments 1-12, see GAO's comment 1.

We have reviewed the draft report "Guidance Needed for FEMA's "Fast Track" Housing Assistance Process", and found its description of the problem faced by the agency in getting assistance to the hundreds of thousands of disaster victims following the Northridge Earthquake to be comprehensive and balanced. We agree with the recommendation that guidance should be developed for the Fast Track process. Accordingly, we will establish formal guidance for the process and will incorporate it into the directive for the temporary housing program. While we are in general agreement with the draft report, we have the following comments and suggested revisions (reference, followed by recommendation or comment):

Now on p. 2.

1. Page 3 – line 5 reads: Within the first week of the earthquake, over 17,600 disaster victims were living in or outside of shelters, and FEMA's ...

   Recommend: Within the first week of the earthquake, over 27,000 disaster victims were living in or outside of shelters, and FEMA's...

Now on p. 3.

2. Page 4 – 2nd paragraph – line 6: For approved applications, FEMA makes funds available to the Department of Health and Human Services' Center for Mental Health Services, which awards the grant to the state for disbursement... Comment: There are two instruments to deliver Crisis Counseling services.

   Recommend: For approved applications for the Immediate Services Program: "the FEMA Regional Director or designee makes funds available to the State for disbursement to the State Dept of Mental Health...". For the Regular Services Program: "After approval, funds are transferred from FEMA Headquarters to CMHS for distribution through the Grants Management process."

Now on p. 3.

3. Page 4 – 2nd paragraph – line 8: While FEMA participates in site visits to service providers, it relies largely on the Center and the states (the grantees) to ensure that crisis counseling funds are used and accounted for appropriately.

   Recommend: FEMA and the State Department of Mental Health had an on-site Crisis Counseling Coordinator to provide technical assistance through the needs assessment, application process,

implementation of, monitoring of, and closing of both the Immediate Services and Regular Services Programs. FEMA, CMHS, and the State Dept of Mental Health all participate in site visits, and closely monitor all programmatic, accounting and financial management of the programs.

Now on p. 4.

4. Page 5 – 3rd paragraph, line 1: Authorized by section 408 of the Stafford Act, as amended, FEMA's temporary housing grants cover the costs of renting alternate housing when victims' primary pre-disaster residences are rendered uninhabitable or inaccessible, and/or quickly and inexpensively…

   Recommend: That the word "inexpensively" be deleted – FEMA can award up to $10,000 for repairs to restore a residence to a habitable condition.

Now on p. 5.

5. Page 7 – 1st paragraph, line 6: "limited it to applicants in only three ZIP code areas on February 3rd;"

   Recommend: Addition of " based on analysis of the degree of damage reported by field inspectors and in the temporary housing applications received".

Now on p. 6.

6. Page 9 - 2nd paragraph – line 9: Rather than accept applications when a victim first visited an application center, FEMA made appointments for the victims to come back at a later date.

   Recommend: Because the application centers received more applicants than could be accommodated, applicants were given appointments to come back at a later date.

Now on p. 7.

7. Page 10 – line 2: Approximately 1 week after the disaster, the President, upon visiting the disaster scene and noting the long applicant lines….

   Recommend: On 1/21/94, 4 days after the disaster, the President, upon visiting the disaster scene and noting the long applicant lines….

Now on p. 8.

8. Page 11 - first full paragraph line 4: process was undertaken on a "crash" basis, possibly resulting in some errors in ZIP code selection. Comment: The process to identify the "Fast Track" areas was more complicated than using a pre-existing MMI map.

   Recommend: Insertion of the following: "FEMA worked with the State of California and California Institute of Technology (CalTech) seismologists to use the State's Geographic Information System (GIS) to develop MMI maps of the Northridge area. The State GIS system allowed FEMA to overlay the MMI readings with the postal ZIP codes to pinpoint areas which had been most heavily damaged by the earthquake."

Now on p. 10.

9. Page 13 - 3rd paragraph. Comment: The discrepancy in zip codes may have resulted in the assistance check being sent to the applicants mailing address and not the damaged address.

2

Now on p. 11.

10. Page 14 - Computer Software Required Modification.

Comment: FEMA has been developing a new automated processing system for the individual assistance program and other disaster programs. This new system will provide the functionality described, including features that would track a "Fast Track" procedure.

Now on p. 12.

11. Page 16 - 2nd paragraph, line 5: "For Fast Track applicants, FEMA was unable to make this distinction because payment preceded the physical inspection."

Recommend: The addition of a clarifying paragraph: FEMA Fast Track applicants received an insert that stated the following: "This is in response to your application for FEMA disaster housing assistance. By cashing the enclosed check, you are confirming that the information is true and correct and are agreeing to use these funds only to meet your disaster-related emergency housing needs, rent for alternative housing, or repairs to your home. You will soon receive a letter from FEMA with more specific information concerning this assistance. If you have any questions, please call FEMA's Disaster Information Hotline at ...".

Now on p. 12.

12. Page 17 - line 1: FEMA's instruction 8620.11, Policies and Guidance for the Administration of the Temporary Housing Assistance Program, and 44 C.F. R. 205.52 is incorrect.

Recommend: That 44 C.F. R. 206.101 be inserted –, as these are current regulations.

See comment 2.
Now on p. 13.

13. Page 17 - 2nd paragraph, line 7: that FEMA was accepting damages of over $100 as evidence of an uninhabitable... is incorrectly stated.

Recommend: FEMA's current policy provides for the award of Home Repair funds when damages are more than a $ 100 minimum...

See comment 3.
Now on p. 19.

14. Page 27 - Table 1. Per your discussions with FEMA staff, Table 1 can be updated with financial data as of September 11, 1997.

Recommend: Confirm updated figures with Table 1 attached.

See comment 4.
Now on p. 20.

15. Page 29 - 1st paragraph, line 6: For approved applications, FEMA makes funds available to CMHS... is incomplete.

Recommend: "For approved applications for the Immediate Services Program, the FEMA Regional Director or designee makes funds available to the State for disbursement to the State Dept of Mental Health. For the Regular Program, after approval, funds are transferred from FEMA Headquarters to CMHS for distribution through the Grants Management process."

See comment 4.
Now on p. 21.

16. Page 30 - 2nd paragraph, line 8: The immediate serves program runs for 60 days or until a decision is reached....

3

Recommend: The immediate services program runs for 60 days. Extensions may be granted, if requested by the State. The request is reviewed, and if approved, the program may be extended, generally for 30 days.

See comment 5.

17. General Comment - no specific page reference.

Comment: FEMA has greatly strengthened its registration, inspection, and processing capability which should alleviate some of the problems described in the report, and raise the threshold at which FEMA would consider implementing a "Fast Track" procedure. In the last three years, FEMA has built and refined a teleregistration and processing capability at Denton, Texas, Hyattsville, Maryland, and Mount Weather, Virginia that can receive and process thousands of applications daily, and established three national inspection service contracts to provide a trained inspector cadre.

In fact, in 1996, FEMA managed 238,000 applications due to Hurricanes Fran and Hortense, which is almost as many as the 240,000 applications received for Hurricane Andrew that prompted the first use of the "Fast Track" process. The situations are not directly analogous because the application (and hence inspection) volume "peaked" more quickly following Hurricane Andrew, nor is the 238,000 even half of the 680,000 applications received after Northridge. In general, FEMA is confident of being able to manage a much larger scale disaster, but needs to retain the flexibility to respond expeditiously to a catastrophic situation.

We appreciate the opportunity to respond to this draft report. If you have any questions please contact me.

Sincerely,

Joe D. Bray
Director
Office of Policy and Regional Operations

Attachment

4

Table 1: Status of Fast Track Payments Designated for Recovery.
as of September 11, 1997

Description	Amount
Recovered	
Paid in Full to Disaster Finance Center	2,305,255
Payment received on payment plans	667,803
Other Collections (1)	1,006,549
Recovery subTotal	**3,979,607**
Under Review	**122,292**
Written Off as Uncollectible	**116,301**
Remainder	
Unpaid amounts on payment plans and partial recoveries	500,311
In default	4,826,324
Bankruptcies	36,207
Remainder SubTotal	**5,362,842**
TOTAL	**9,581,042**

(1) Includes partial collections from grantees found eligible for a portion of their grant, partial collections on bankruptcies, partial collections on hardship and other forgiveness requests, etc. FEMA estimates that a small percentage, perhaps 5%, represents a determination that the recipient was eligible, rather than a recovery of funds.

Source: FEMA's Disaster Finance Center

The following are GAO's comments on the Federal Emergency Management Agency's letter dated September 25, 1997.

GAO's Comments

1. GAO revised the report to address FEMA's comments numbered 1 through 12.

2. FEMA's current policy does provide for the award of home repair funds when damages are more than a $100 minimum. However, our report notes that FEMA's IG reported that FEMA was accepting damages of over $100 as evidence of an uninhabitable house, and that FEMA was also paying for repairs apparently not related to making the residence habitable, such as carpet replacement, rain gutters, drywall finishing, wall tiles, and paint. Because the statement is that of the FEMA IG, rather than GAO, we did not change the language involved.

3. FEMA's updated figures were confirmed with table 1.

4. GAO revised the report to address FEMA's comment.

5. In the agency comment section on page 23 of the report, we note FEMA's comments about its recent efforts to strengthen its registration, inspection, and processing capability for future disasters and to raise the threshold at which FEMA would consider implementing the Fast Track process.

Major Contributors to This Report

Resources, Community, and Economic Development Division

Dave Wood, Assistant Director
Paul Bryant, Senior Evaluator
Tim Baden, Senior Evaluator

Office of the General Counsel

John McGrail, Senior Attorney

Related GAO Products

Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance (GAO/RCED-96-113, May 23, 1996).

Disaster Assistance: Information on Expenditures and Proposals to Improve Effectiveness and Reduce Future Costs (GAO/T-95-140, Mar. 16, 1995).

GAO Work on Disaster Assistance (GAO/RCED-94-293R, Aug. 31, 1994).

Los Angeles Earthquake: Opinions of Officials on Federal Impediments to Rebuilding (GAO/RCED-94-193, June 17, 1994).

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

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