



Highlights of [GAO-03-623](#), a report to the Committee on Appropriations, U.S. Senate, and the Committee on Appropriations, House of Representatives

Why GAO Did This Study

The Cerro Grande Fire Assistance Act mandated that GAO annually audit all claim payments made to compensate the victims of the Cerro Grande Fire in northern New Mexico. For this second report on this topic, GAO determined whether the Federal Emergency Management Agency (FEMA), which is now a part of the Department of Homeland Security, (1) had revised its policies and procedures to address prior GAO recommendations and processed and paid claims consistent with that guidance and (2) properly reported such payments to the Congress.

What GAO Recommends

To improve FEMA's ability to accurately report claims status, including amounts paid, and request additional funding, GAO recommends that the Secretary of Homeland Security require the Emergency Preparedness and Response Directorate to

- reconcile claim amounts approved to amounts paid and correct all identified errors in its payment approval system and
- perform monthly reconciliation of the claims in both systems.

The Department of Homeland Security's Emergency Preparedness and Response Directorate concurred with our recommendations and indicated that it has several actions under way to address them.

www.gao.gov/cgi-bin/getrpt?GAO-03-623.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Linda Calbom at (202) 512-9508 or calboml@gao.gov.

FEMA CERRO GRANDE CLAIMS

Payments Properly Processed, but Reported Payments Somewhat Overstated

What GAO Found

FEMA implemented corrective actions to address the recommendations from GAO's prior report to strengthen its policies and procedures. GAO found that claims were processed, approved, and paid in accordance with FEMA's established applicable guidelines, providing adequate supporting documentation and evidence of supervisory reviews. However, as discussed below, claimed amounts approved for payment but not paid were not properly tracked in the Office of Cerro Grande Fire Claims' (OCGFC) payment approval system.

FEMA's report to the Congress included somewhat overstated claim payment information. The report used claimed amounts approved by OCGFC for payment, rather than amounts actually paid by FEMA. This occurred because FEMA had not reconciled the approved amounts from its payment approval system to amounts paid per its accounting system and was not aware of the differences, which amounted to about \$12 million, or 3 percent of total reported payments, as of September 7, 2002. FEMA is currently attempting to reconcile the approved amounts with the paid amounts. This difference resulted because approved amounts that were not paid when claims were delayed for appeal or canceled for other reasons were not removed from or adjusted in the payment approval system. As a result, the claim payment information reported to the Congress does not provide a completely accurate picture of OCGFC claim payments. This information was also used by FEMA to determine its request for additional funding. Since FEMA received less than it requested, this error likely did not result in an appropriation in excess of amounts needed to pay claims.

During its review, GAO also noted that FEMA's estimate of its unfunded claims liability increased by \$91 million from September 30, 2001, to October 2, 2002. While FEMA's external auditors found that FEMA used a reasonable methodology to calculate the most recent estimate, they were unable to explain the reason for the increase in the estimate. This occurred because FEMA changed the methodology used but did not provide a crosswalk between the two approaches. In April 2003, FEMA officials stated that they planned to contract for an analysis to be performed to determine the effect that the change in methodology and other factors had on the calculation of the estimated liability.