



Highlights of [GAO-06-844T](#), a testimony before the Subcommittee on Investigations, Committee on Homeland Security, House of Representatives

HURRICANES KATRINA AND RITA DISASTER RELIEF

Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \$600 Million and \$1.4 Billion

Why GAO Did This Study

Hurricanes Katrina and Rita destroyed homes and displaced millions of individuals. In the wake of these natural disasters, Federal Emergency Management Agency (FEMA) responded to the need to provide aid quickly through the Individuals and Households Program (IHP) program, which provides housing assistance, real and personal property assistance, and for other immediate, emergency needs. As of February 2006, FEMA made 2.6 million payments totaling over \$6 billion.

Our testimony today will (1) provide an estimate of improper and potentially fraudulent payments through February 2006 related to certain aspects of the disaster registrations, (2) identify whether improper and potentially fraudulent payments were made to registrants who were incarcerated at the time of the disaster, (3) identify whether FEMA improperly provided registrants with rental assistance payments at the same time it was paying for their lodging at hotels, and (4) review FEMA's accountability over debit cards and controls over proper debit card usage.

To estimate the magnitude of IHP payments made on the basis of invalid registrations, we selected a random statistical sample of 250 payments made to hurricanes Katrina and Rita registrants as of February 2006. We also conducted data mining and investigations to further illustrate the effects of control breakdowns.

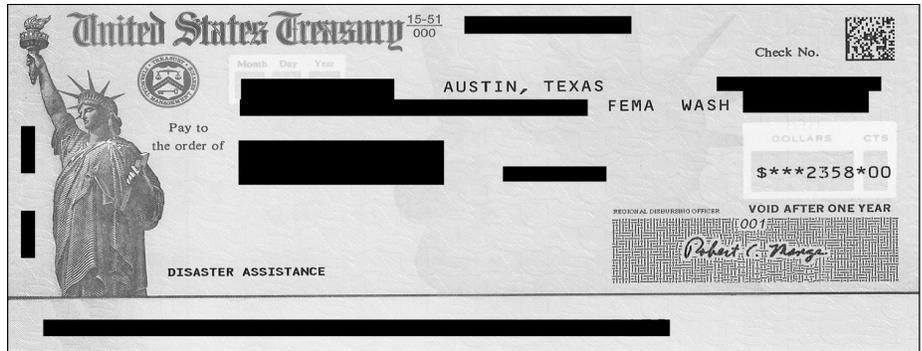
www.gao.gov/cgi-bin/getrpt?GAO-06-844T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

What GAO Found

We estimate that through February 2006, FEMA made about 16 percent or \$1 billion in improper and potentially fraudulent payments to registrants who used invalid information to apply for disaster assistance. Based on our statistical sample, we are 95 percent confident that the range of improper and potentially fraudulent payments is from \$600 million to \$1.4 billion. In our assessment of whether a payment was improper and potentially fraudulent, we did not test for other evidence of impropriety or potential fraud, such as insurance fraud and bogus damage claims. This means our review potentially understates the magnitude of improper payments made. Examples of fraud and abuse include payments to registrants who used post office boxes, United Parcel Service stores, and cemeteries as their damaged property addresses.

Absent proper verification, it is not surprising that FEMA continued to pay fictitious disaster registrations set up by GAO as part of our ongoing forensic audit. In one case, FEMA paid nearly \$6,000 to our registrant who submitted a vacant lot as a damaged address. Below is a copy of a rental assistance check sent to GAO after FEMA received feedback from its inspector that the GAO undercover registrant did not live at the damaged address, and after a Small Business Administration inspector reported that the damaged property could not be found.



Source: GAO.

We also found that FEMA provided expedited and housing assistance to individuals who were not displaced. For example, millions of dollars in expedited and housing assistance payments went to registrations containing the names and social security numbers of individuals incarcerated in federal and state prisons during the hurricanes. In addition, FEMA improperly paid individuals twice for their lodging—paying their hotels and rental assistance at the same time. For example, at the same time that FEMA paid \$8,000 for an individual to stay in California hotels, this individual also received three rental assistance payments for both hurricane disasters. Finally, we found that FEMA could not establish that 750 debit cards worth \$1.5 million went to hurricane Katrina victims. We also found debit cards that were used for a Caribbean vacation, professional football tickets, and adult entertainment.