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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-203633

JULY 22, 1982

The Honorable Jack Brooks  
Chairman, Subcommittee on Legislation  
and National Security  
Committee on Government Operations  
House of Representatives



Dear Mr. Chairman:

Subject: Followup to GAO Report on the Claims Processing Procedures of the National Flood Insurance Program (GAO/AFMD-82-56S)

On March 5, 1982, we delivered to you our report, "Review of Claims Processing Procedures of the National Flood Insurance Program" (AFMD-82-56). In the report we identified a number of problem areas requiring the immediate attention of the Federal Emergency Management Agency (FEMA) and Electronic Data Systems Federal Corporation (EDSF), the flood program contractor. In following up on our report, we met with FEMA and EDSF officials to discuss our findings and review their planned corrective actions. This letter is to give you our assessment of their actions and plans.

On May 19, FEMA responded to you concerning our March 5 report. Its response comprised three parts, each addressing a corresponding section of our report. We reviewed the corrective actions with appropriate officials and performed any necessary verification. We believe the actions already completed and those planned by FEMA are appropriate responses to the findings described in sections I and III of our report. We must point out, however, that only after the planned procedures are implemented and verified will we be able to state with assurance that these corrective actions are adequate.

FEMA also presented the Federal Insurance Administration's analyses of the 24 claims we reported as questionable. We declared these claims questionable because we believed, based on information available to us, that the policy effective dates that were used should not have justified the claim payments that were made. We discussed each case with FEMA officials after their review and, because of the more detailed explanations they provided and additional documentation they discovered, we revised the number of cases we believe were questionable. The results of FEMA's analysis and our current classification are as follows.

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	<u>FEMA</u> <u>Analysis</u>	<u>GAO</u> <u>Analysis</u>
Properly paid	15	12
Still questionable	2	<u>a/</u> 5
Improperly paid	<u>7</u>	<u>7</u>
	<u>24</u>	<u>24</u>

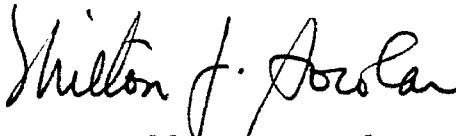
a/We continue to classify as questionable three cases that FEMA classifies as "properly paid." For these cases we cannot accept as conclusive the additional evidence provided by FEMA. The evidence we refer to is presented with FEMA's analysis of the respective cases. On the remaining two questionable cases, FEMA has agreed with our conclusions.

With the exception of the above differences, which we identified for your staff, we agree with FEMA's case analyses and believe the detail included in its response to you should be valuable in understanding the factors considered when reviewing such cases. The final resolution of the differences will be handled by FEMA's Inspector General, who has agreed to pursue these cases until they are properly disposed.

In conclusion, we interpret FEMA's plans and actions as positive indication of its commitment to make the changes necessary to ensure that the flood program incorporates an adequate system of internal control and follows generally accepted accounting principles and standards.

This completes our current review of the flood program claim processing procedures. If we can be of further assistance to you regarding these matters please contact us.

Sincerely yours,

*for*   
 Comptroller General  
 of the United States