



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

IN REPLY
REFER TO:

SEP 30 1976

Mr. Thomas P. Dunne
Administrator
Federal Disaster Assistance
Administrator

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Dear Mr. Dunne.

GAO has surveyed the administration and coordination of Federal disaster assistance programs authorized under the Disaster Relief Act of 1974 (42 U.S.C. 5121n). Assistance under the Act may be divided into three basic categories--public, preparedness, and individual. Because of recent work by Department of Housing and Urban Development (HUD) auditors in the public assistance and emergency preparedness categories, we did only a limited amount of work in these areas and concentrated our efforts on the effectiveness of assistance to individual disaster victims.

We observed that the Federal Disaster Assistance Administration (FDAA) reacts quickly and that individual assistance programs have significantly assisted the recovery efforts of many disaster victims. Damage survey teams are often in the field within hours of an occurrence. In many instances, assistance centers, offering a variety of recovery programs, were opened throughout the affected areas on the same day or the day following the Presidential disaster declaration.

We believe additional efforts are needed, however, to insure the most effective, efficient coordination and delivery of authorized assistance, particularly in relation to the Individual and Family Grant Program.

As of April 29, 1976, almost 2 years after enactment of authorizing legislation, only three of the eight States in Region IV (Florida, Alabama and Kentucky) had FDAA-approved administrative plans which are required before the grant program can be used to assist disaster victims. In the two States we reviewed--Florida and North Carolina--FDAA had not provided timely technical assistance to the States in the preparation of the plans. As a result, when Florida suffered a disaster 15 months after the program was authorized, the State was not prepared to provide grants to needy victims in a timely manner.

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Also, after the grant program was implemented in Florida, some eligible victims did not receive grant assistance because one of the offices responsible for program administration in Florida did not adequately follow up victims' requests for assistance.

We also found other potential weaknesses in the administration of some of the individual and public assistance programs and have included our observations on these matters in later sections of this report.

Although we did preliminary work at FDAA Headquarters in Washington, D.C., most of our work was performed in the Atlanta Region (IV). In fiscal years 1974 and 1975 almost 17 percent of all major disaster declarations were in that region. We visited FDAA Headquarters, Washington, D C , FDAA and HUD regional offices, Atlanta, Georgia, and HUD area offices in Atlanta, Georgia, and Jacksonville, Florida. At each location, we interviewed officials and reviewed pertinent records, policies, procedures, and practices. We also interviewed selected State officials responsible for disaster assistance in Florida and Alabama.

To complete our evaluation we made a limited test of the adequacy of assistance provided to 10,025 disaster victims that initially registered for assistance in four major disasters which occurred between March and October 1975, in Georgia, Florida and Alabama. These tests included a review of selected case files and interviews with local State officials, private insurance representatives, contractors, and disaster victims. Disaster assistance totaling about \$17.9 million was provided to approximately 2,700 of the victims initially registering for assistance.

We met with officials from the FDAA Atlanta Regional Office on July 7, 1976, and officials from FDAA Headquarters in Washington, D.C., on July 28, 1976, to discuss the results of our survey. They generally agreed with our findings and recommendations and their comments are included in our discussion of the various areas we surveyed.

IMPROVEMENTS NEEDED IN INDIVIDUAL AND FAMILY GRANT PROGRAM

Section 408 of the act authorized Federal grants to States. These grants in turn allow the States to make grants--up to \$5,000--to meet disaster related expenses of families adversely affected by a major disaster. To qualify, the individual must demonstrate that he is unable to obtain assistance through the other individual disaster assistance programs provided by the act, or from other means.

Delays in implementing the grant program

FDAA is responsible for monitoring and assisting the States in their implementation of the grant program. To implement the grant program, a State must first develop an FDAA approved plan for administering the program. The Governor or his authorized representative may request the FDAA Regional Director to provide technical assistance in preparation of this administrative plan.

Because the grant program cannot be implemented by the States until an administrative plan has been approved, it is important that FDAA keep abreast of each States' progress in developing an acceptable plan.

North Carolina submitted its administrative plan for FDAA's review on May 21, 1975, about 1 year after enactment of the grant program. In October 1975--almost 5 months later--FDAA returned North Carolina's plan with written comments detailing needed changes. FDAA did not follow-up on North Carolina's progress in incorporating their suggested changes until February 1976 during a review of the States preparedness program. At this time, a revised administrative plan was still not ready for FDAA's review. North Carolina still did not have an approved plan as of March 19, 1976, and FDAA had made no further follow up.

FDAA did not inquire about the status of Florida's grant administrative plan until July 10, 1975, about 14 months after enactment of the grant program when FDAA held a regional individual and family grant workshop. The purpose of the workshop was to assist the States in preparing their grant administrative plan.

Florida submitted its administrative plan to FDAA later that month. FDAA rejected Florida's first administrative plan because it was not based on the current FDAA regulations and was not organized in accordance with guidance provided at the workshop.

During July and August 1975, Florida experienced severe flooding but the State was not able to implement the grant program because it lacked an approved plan. Because of the urgent need for the approved administrative plan, FDAA sent an Individual Assistance Specialist to Florida on August 21, 1975, to assist in rewriting the State's grant administration plan. The State submitted a revised plan one week later, but, FDAA required further changes and did not approve the plan until September 19, 1975, about 2 months after the first disaster.

In addition to the delays caused because the State did not have an approved administration plan for the grant program, the Florida

State offices experienced additional delays in processing individual grant applications. For example, the first grant checks for the flooding which Florida experienced in July and August 1975 were not disbursed until January 8, 1976, three and one-half months after the plan was approved. Although FDAA received weekly status reports and made mid-program reviews to monitor implementation of the grant program they did not address the problem of grant processing delays or identify its causes. Neither FDAA nor the State visited or contacted the local State field offices where the applications were being processed to identify and correct the problem causing these delays.

Inadequate follow-up on initial applications

The FDAA-approved grant administration plan used in Florida did not provide for adequate follow-up once victims initially applied for grants at the assistance center. The practices of one local office resulted in some applicants not receiving authorized assistance.

Each of the three local State offices in Florida that we reviewed used a form letter to follow-up with the grant applicants. The letter instructed the applicant to provide additional information necessary to process the grant application within 10 days.

Panama City held firm to the deadline and, according to the supervisor responsible for the grant program, rejected about 50 applications because the applicant did not respond within the 10-day deadline. On the other hand, officials in Chipley and Defuniak Springs, Florida, said they made additional follow-up telephone inquiries or visits because they were not certain that each applicant received and understood the letter.

At our request, Chipley officials identified 36 applicants that did not respond to the initial letter, but who were later processed as a result of additional follow-up contacts by the Chipley office. We interviewed one of the applicants that did not respond to the initial letter and he told us that when he received the follow-up letter he had already repaired his roof by postponing payment of other debts. As a result of a home visit by a State official, the victim told us he submitted the requested information and later received a \$436.33 grant.

We also visited 5 of the 50 applicants rejected by the Panama City office to determine why they did not respond to the letter and whether their needs were satisfied. One applicant did not respond because his needs were met by an SBA loan. However, the four remaining applicants said they were still in need of assistance.

For example, an 80-year old applicant said hurricane Eloise destroyed his house trailer and all of his personal property. After

talking to several agencies at the assistance center, he said only the Red Cross had provided any assistance. The applicant showed us several pieces of correspondence, one of which was the letter from the Panama City State office requesting additional information needed to process his grant application. However, the applicant said that the letter meant nothing to him because he could not read.

Another applicant told us that she was in a hospital at the time the letter was sent, and she did not receive it until after the deadline for responding had passed. The other two applicants did not respond because they were confused by the flood insurance requirements specified in the letter.

CONCLUSIONS

FDAA has not effectively assisted States in developing the administrative plans required to implement the Individual and Family Grant Program. As a result, when Florida suffered a disaster the State was not prepared to provide grants to needy victims. Also, some disaster victims did not receive assistance because of inadequate follow-up of victims' request for assistance.

RECOMMENDATIONS

Funds for the development of an Individual and Family Grant administrative plan are already included as part of the funds provided for the States overall disaster plan under the preparedness planning grant program. Therefore, we recommend that FDAA make a greater effort to monitor the States' progress, provide technical assistance when appropriate, and encourage those States without an approved plan to complete a plan as a priority item. This plan should include definitive follow-up procedures on initial grant applications to insure that authorized assistance is provided to eligible victims.

AGENCY COMMENTS

FDAA personnel agreed that more effective technical assistance should be provided to the States in developing the administrative plans necessary to implement the Individual and Family Grant program. They also agreed that procedures are needed to insure proper follow-up by the local State offices of initial applications for assistance. They said that these problems will be given further attention and that a draft handbook which provides for additional appendices to the States' basic plans providing more detailed instructions will help resolve the problems and allow each State to develop a plan more tailored to its individual needs.

FDAA officials also stated that they would encourage each of the States to designate a grant coordinator to work under the State

coordinator, specifically on grants. FDAA officials in Region IV plan to use an FDAA employee to monitor the actual procedures used to process grant applications. Successful implementation of these actions should help minimize the problems in processing individual grant applications.

DUPLICATE BENEFITS

Section 315(a) of the Disaster Relief Act of 1974 requires FDAA to insure that disaster victims do not receive duplicate assistance for the same loss. We found that the procedures and practices of FDAA and participating agencies were not always adequate to preclude duplication of benefits among the disaster assistance programs and claims paid by private insurance companies.

We compared a list of SBA loans made for the two disasters in Florida to a list of victims provided minirepair and State grant assistance at the HUD Disaster Field Office in Defuniak Springs, Florida, and identified four cases of duplicate assistance. Two instances occurred between HUD's minirepair program and SBA's loan program, and two between minirepair and the grant program. For example, HUD paid a contractor \$1,500 to drill a well and install a pump for one minirepair applicant while State officials approved a grant of \$1,360 for the same item.

By comparing a list of victims who received assistance from HUD's Defuniak Springs, Florida, Disaster Field Office with insurance claims paid by a private insurance agent, we found three additional cases where victims received assistance under the minirepair program and subsequently received payments from private insurance companies for the same repairs. For example, one victim, whose roof, window, and chimney were repaired under the minirepair program at a cost of \$1,200, subsequently received a check for \$961 from her insurance company for the same repairs.

HUD officials subsequently confirmed the three cases of duplication we noted where victims received assistance under minirepair and were later reimbursed by private insurance. They also identified six additional cases of duplicate payments. HUD had collected about \$2,100 from five of the nine applicants and expects to make additional collections on the four remaining cases.

FDAA, HUD, SBA and State Grant regulations include provisions intended to prevent duplication. For example, HUD procedures provide that copies of minirepair work specifications will be sent to SBA, Farmers Home Administration and the State agency responsible for the Grant program. Although HUD maintained copies of the work specifications for Hurricane Eloise in Florida, they were not sent to SBA.

or the State agencies until December 1975--more than 2 months after the disaster. As of November 1975 SBA had already approved 242 disaster loans in the same areas.

In a GAO report entitled "Some Improvements Needed in Administration of Minirepair Program," December 11, 1973, we concluded that a lack of effective coordination of the SBA disaster loan program and the minirepair program precluded any assurance that homeowners were not receiving financial assistance from each program for the same repairs. We recommended that to preclude duplicate funding in future disasters, FDAA

--establish a standard application form for the various types of assistance provided to victims, and

--monitor the applications to identify applicants for assistance under more than one program.

HUD concurred with our conclusions and recommendations and HUD and SBA agreed to adopt procedures to preclude duplicate funding in future disasters. Although the various agencies now have procedures designed to prevent such duplication, we did not attempt to verify the adequacy of the procedures used.

The General Services Administration was asked to develop a standard application form but decided that such a form would be too long and complicated to be practical because of the information and questions required by the statutory language for each agency. However, a form is now completed by the Disaster Center registrar for each applicant showing basic information such as name, address, and social security number. This form also lists the various agencies providing assistance and the registrar checks the appropriate agencies. The victim is provided a copy of the form which each agency initials indicating contact with the victim.

RECOMMENDATION AND AGENCY COMMENT

In view of the duplication of payments noted in Region IV, we recommend that FDAA reevaluate their procedures in an attempt to insure that duplicate payments are not made for the same loss.

An FDAA official believed that the established procedures, if properly followed, are adequate to prevent duplicate payments. He stated that FDAA would reemphasize the need to properly follow established procedures designed to preclude duplicate payments.

DISASTER CENTER OPERATIONS

Assistance to individual disaster victims is available from a number of Federal and State agencies as well as private relief organizations.

To help individual victims, FDAA establishes assistance centers throughout the affected area to provide a single location for victims to obtain information and apply for all forms of disaster assistance. In many instances, assistance centers offering a variety of recovery programs were opened throughout the affected area within 24 hours of a Presidential disaster declaration.

We reviewed disaster assistance center operations at 3 locations in Region IV, and we reviewed cases of 32 disaster victims who applied at these disaster centers.

In 23 of the 32 cases reviewed, disaster victims were not directed to all agencies which could have provided assistance. We selected three of these cases for detailed follow-up to determine if (1) assistance was actually provided, (2) assistance provided was the most appropriate type, and (3) assistance was provided in a timely manner. We found that

One victim did not receive grant assistance to which she was entitled. The victim would have been eligible for minirepair assistance to repair her roof, however, she had already obtained, on credit, building materials costing \$48 and made the necessary repairs. Because the home was no longer uninhabitable, she was not eligible for minirepair. These costs were eligible under the Individual and Family Grant program, however, the victim was not referred to that program for assistance. At the time of our visit the victim was paying for the materials in monthly installments of \$9.60 from her annual income of about \$2,000. Of the two other cases reviewed one victim did not receive the most appropriate assistance and one victim did not receive timely assistance.

An FDAA official told us that FDAA representatives were not stationed at the centers because they do not have enough staff to do so. Instead, non-FDAA managers are appointed to supervise center operations. In Region IV, center managers are normally provided by the Defense Civil Preparedness Agency, however, the sources of personnel for the staff positions--receptionists, registrars and exit interviewers--vary by State. For example, in Florida these staff positions are normally filled by volunteers from a local community, the Red Cross, or others, while in Alabama they are normally filled by regular employees from the local offices of the State welfare agency.

Center registrars have the responsibility to interview, identify needs, and refer disaster victims to those agencies that may be able to satisfy their particular needs. FDAA officials agreed that effective center operations, particularly the effectiveness of the

registrars, is the key to assuring that victims receive authorized and the most appropriate assistance.

While FDAA normally holds annual training sessions for personnel who serve as center managers, the registrars and other center personnel receive no formal training beyond special briefings normally held the day the center is scheduled to open. However, two of the four center managers we interviewed told us that when volunteers are used, the personnel turnovers, sometimes hourly, precludes effective training.

An FDAA official concurred with our observations. He said that he had recently instituted a change in center operations which requires an exit interview for each applicant in an attempt to insure that all possible assistance was provided. Agency personnel assigned to the various stations have also been instructed to direct victims to other agencies that might provide assistance. He also stated that FDAA is currently preparing a presentation to explain the various types of assistance available to present to the victims at the disaster centers. He said that other ideas were being considered and that this is a priority item.

FDAA officials in Region IV stated they would encourage each State to designate a State Agency to be responsible for providing center staff. They also plan to increase their monitoring of the disaster assistance centers.

TEMPORARY HOUSING ASSISTANCE TO RENTERS

In many disasters the Federal Government's role includes providing temporary housing to victims until permanent housing is found. Disaster legislation authorizes rent-free housing for up to 1 year to disaster victims who require temporary housing. HUD's policy is to provide temporary housing only until permanent housing can be located. However, HUD does not initially evaluate whether the temporary housing they provide is also adequate as permanent housing. Such a determination is usually not made until 90 days after the victims have been housed. As a result, assistance to some victims appears unneeded.

For example, 21 of 25 randomly selected Atlanta tornado victims were permanently rehoused in the same dwelling initially provided as temporary housing. HUD's housing assistance for the victims ranged from about 2 to 4 months. To illustrate, one victim whose rental unit was made uninhabitable moved from apartment number 20 to apartment number 35 at the same address. HUD paid the victim's full rent for about 4 months, even though the units were comparable and the rent did not change. We believe that HUD should evaluate the housing provided and determine whether it is comparable to the victims former housing. If so, temporary housing assistance would not be needed.

A FDAA official stated that implementation of the changes suggested by GAO may result in inequities in certain situations. They stated, however, that they would evaluate their current practices to determine if changes were needed.

MINIREPAIR PROGRAM

The minirepair program, authorized by section 404(c) of the Act was established as an alternative to providing temporary housing and is particularly useful in situations where other forms of temporary housing are not readily available. The program provides for minimum repairs that can be made quickly to make a disaster victim's home habitable. It appears, however, that this program is not being used to its fullest potential.

In calendar year 1975 the minirepair program, nationally, provided housing for about 25 percent of those who needed temporary housing. Four of the nine FDAA regions which experienced disasters, however, did not use the minirepair program. Also, some area offices within a region which used the program did not appear to use it to its fullest potential. Alabama and Florida, for example, were both declared disaster areas as a result of hurricane Eloise. In Florida, HUD used minirepair to house 182 of 327 families assisted, while in Alabama HUD used minirepair to house only one of 187 families assisted. The damage areas in Florida and Alabama were caused by the same hurricane, and damages and related repairs were generally similar.

FDAA officials agreed that the minirepair program is an effective way of providing temporary housing and stated that they would look into the matter to determine if some of the regional and area offices are failing to make effective use of the program.

Alternate housing not provided

We also noted two instances where HUD officials determined that the cost to repair homes of two disaster victims initially approved for minirepair was beyond the scope of the program. Neither victim was offered an alternate temporary housing resource as required by FDAA policy. One victim we visited 6 months later still resided in an uninhabitable home.

A FDAA official agreed that an alternate source of temporary housing should have been provided and stated that FDAA would reemphasize the policy to their field staff.

Direct reimbursement

Although HUD has established procedures for directly reimbursing disaster victims who have, through their own efforts and resources, made their homes habitable, FDAA policy does not permit such direct reimbursement authority.

When the disaster victims provide their own labor, significant cost savings can result as well as reducing the workload for private contractors. For example, a HUD minirepair specialist saved \$1,200 on two houses by contracting directly with the homeowners. Because he could not reimburse each homeowner for making his own repairs, the minirepair specialist said he negotiated with the homeowners to do each others' repairs.

A FDAA official stated that FDAA is presently drafting a change in regulations that would allow direct reimbursement to homeowners, if the repairs have not yet been made.

Unneeded assistance

HUD's draft regulations provide that work which can be delayed without adversely affecting a home's habitability should not be done under minirepair. Also, the dwelling should not be brought to a condition better than its predisaster situation. We noted instances where some repairs could have been delayed without adversely affecting the dwelling's habitability or where dwellings were upgraded.

For example, HUD approved, in addition to minor roof repairs, the reconstruction of a disaster damaged carport. Both the homeowner and a HUD housing counselor, who inspected the repairs, told us the damage to the carport did not affect the home's habitability.

A FDAA official stated that the use of minirepair in the cases we cited did not appear justified and should not have been approved.

We also found that the cost to repair some dwellings seemed excessive and the practices of some participating contractors appeared questionable.

For example, HUD estimated \$240 to repair a roof and chimney. A contract was awarded for \$389. Before the HUD contractor arrived, the homeowner paid a local contractor \$100 to make needed repairs. Finding the repairs already completed, the HUD contractor reimbursed the homeowner for the \$100 and billed HUD for the full \$389.

FDAA expressed concern over these abuses and as agreed, these examples were turned over to HUD's Office of the Inspector General in the Atlanta Regional Office for follow-up.

Minirepair delays

The draft HUD Handbook for the Minimal Repair Program (August 1975) requires that when repairs have not begun within 2 weeks after an applicant agrees to participate in the program, the applicant shall be offered the option of accepting other types of temporary housing. FDAA has a goal of completing each minirepair case within 30 days.

Our review of 94 minirepair cases in Defuniak Springs, Florida, for hurricane Eloise, showed that 30 cases were not contracted within 2 weeks. The case files contained no information regarding alternate forms of temporary housing offered these applicants. Forty-six of the 91 minirepair cases closed as of November 21, 1975, took more than 30 days to complete. Three other cases where repairs were still in progress had been open 43 days or more since the applicant agreed to participate in the minirepair program.

FDAA officials stated that because of the emergency nature of the minirepair program, it is important that repairs be made as quickly as possible. They said they would reemphasize to appropriate personnel the need to comply with established timeframes for beginning and completing repairs.

FDAA officials in Region IV told us that relative to temporary housing, FDAA responsibility is presently being permanently assigned to HUD--as opposed to the present method of assigning such responsibility separately for each disaster. They said that the GAO observations will, however, be useful in the guidelines for this transition and to FDAA in their continuing role of coordinating the disaster assistance program.

INSURANCE REQUIREMENTS

No assurance that insurance is maintained

The Disaster Relief Act of 1974 (section 314) requires applicants for assistance in the repair of public facilities to obtain any reasonably available, adequate, and necessary insurance against losses to property replaced, restored, repaired, or reconstructed with Federal assistance. FDAA allows each State to determine what insurance coverage is reasonably available, adequate, and necessary. After May 22, 1974, the effective date of section 314, property repaired with Federal assistance is not eligible for future assistance unless the required insurance is maintained.

While FDAA identifies all insurable facilities and secures the applicant's commitment to purchase and maintain insurance before releasing Federal funds, they have no procedures to determine whether previous Federal financial assistance has been provided for a damaged facility. According to FDAA officials, the only way they could determine whether a facility had previously been repaired with Federal assistance would be to research the old project applications for earlier disasters in that area. In Region IV, this research is presently left to the Public Assistance officers' initiative.

FDAA agreed that this was a difficult situation to monitor under their present information system, but stated that they had recently

started working on a computer system that would more readily identify such structures. They said they would advise us on the status and progress of the proposed system.

DAMAGE SURVEY REPORTS

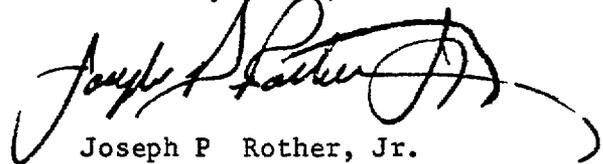
Damage survey reports (DSR) become the basis for FDAA's analysis and approval of public assistance project applications. In July 1975, FDAA approved two flexible funding (Section 402(f) of P.L. 93-288) project applications for repair of tornado damage to the Atlanta Housing Authority. Our review and tests of the support for these project applications showed the following:

- The DSRs did not include normally eligible costs to repair or replace appliance and equipment items, or additional security costs to prevent vandalism.
- The procedure used to compute the FDAA obligation did not provide full credit for insurance compensation. The amount of Federal disaster assistance was computed on an individual building basis rather than by totaling the damage to all buildings and subtracting the total reimbursement. Because the DSRs were apparently finalized before insurance settlements were complete, they did not accurately show the amount of insurance compensation paid the Housing Authority. Since current HUD audit procedures do not require verification of insurance proceeds, the resulting \$22,600 overpayment of Federal disaster assistance would not be detected.

A FDAA official stated that FDAA would look into the examples cited to determine if corrective action is needed.

We would appreciate being advised of any actions you take or plan to take with regard to the matters discussed in this report. Should you wish to discuss these matters in more detail, we would be pleased to meet with you or members of your staff. We appreciate the cooperation given our representatives during this survey.

Sincerely yours,



Joseph P. Rother, Jr.
Assistant Director