



U.S. DEPARTMENT OF HOMELAND SECURITY **OFFICE OF INSPECTOR GENERAL**

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Before the Subcommittee on Economic Development, Public Buildings, and
Emergency Management

Committee on Transportation and Infrastructure
United States House of Representatives

**“Disaster Readiness: Examining the Propriety of the Expanded Use of FEMA
Resources”**



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Chairman Perry, Ranking Member Titus, and Members of the Subcommittee: Thank you for the opportunity to discuss the Department of Homeland Security, Office of Inspector General's oversight of the Federal Emergency Management Agency (FEMA), including its non-natural disaster programs and operations.

DHS OIG's body of work specific to FEMA's use of resources for non-natural disasters has revealed that FEMA does not have sufficient controls in place to prevent fraud, waste, and abuse. We have conducted 18 audits over the past 4 years that identified overpayments, ineligible payments, and unsupported or unallowable costs totaling approximately \$3.9 billion in improper payments. We also identified an additional \$45.4 million in funds that could be put to better use.

We have issued 56 recommendations designed to address FEMA's challenges specific to its management of non-natural disaster resources. FEMA's challenges to ensure financial accountability and safeguarding of taxpayer dollars were highlighted in our fiscal year 2023 and FY 2024 reports on Major Management Performance Challenges Facing the Department of Homeland Security.¹

DHS OIG Oversight of FEMA's Management of Non-Natural Disaster Resources

Historically, our disaster management oversight has focused on FEMA's response and preparedness activities for traditional natural disasters. However, in recent years, the increasing frequency and costs of disasters, the COVID-19 pandemic, and other events, have placed additional demands on FEMA. As of September 2021, FEMA had received approximately \$98 billion to assist the Nation in addressing the challenges of the pandemic. The size of these appropriations, coupled with the need to quickly distribute funds, signaled an environment ripe for fraud. We increased our oversight of FEMA's non-natural disaster programs during FY 2020, to include COVID-19 relief and humanitarian relief efforts.

Congress holds FEMA accountable for effective and efficient management of the funds it appropriates to ensure timely assistance is provided to eligible entities and individuals, in accordance with applicable laws and guidance.² Our oversight of FEMA's non-natural disaster programs and activities demonstrated FEMA lacked sufficient controls to ensure eligibility for federal assistance and allowability of costs reimbursed. FEMA also lacked reliable data. The following selection of DHS OIG work demonstrated recurring challenges in FEMA's

¹ (OIG-23-01) [Major Management and Performance Challenges Facing the Department of Homeland Security](#), October 27, 2022, (OIG-24-05) [Major Management and Performance Challenges Facing the Department of Homeland Security \(MMPC\)](#), October 26, 2023.

² *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93-288, as amended.



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management of non-natural disasters, as reported by six audits on COVID-19 funds and humanitarian efforts.

Ineffective Controls to Ensure Eligibility of COVID-19 Assistance

Lost Wages Assistance Program: In response to the COVID-19 pandemic, in August 2020, the President directed FEMA to provide up to \$44 billion in Lost Wages Assistance (LWA) from FEMA's Disaster Relief Fund to individuals unemployed/partially unemployed due to the pandemic. FEMA delivered these payments in conjunction with States' existing Unemployment Insurance Systems.

We conducted two audits³ to determine to what extent FEMA ensured states and territories distributed LWA to eligible recipients, including DHS employees. As part of these audits, we reviewed payments distributed by 21 States, which represented 80 percent of the LWA expenditures. We concluded that FEMA did not implement controls that may have prevented the 21 States from distributing more than \$3.7 billion in improper payments. The improper payments identified included:

- \$3.3 billion in potential fraudulent payments,
- \$21.6 million in overpayments to recipients, and
- \$403 million in payments that lacked the required self-certification.

Additionally, we identified weaknesses in FEMA and the Department's controls to prevent the payment of \$2.6 million in LWA for potentially fraudulent claims made by DHS employees or claimants who fraudulently used the identities of DHS employees to obtain LWA benefits. This included payments linked to 1,809 DHS employees who were ineligible or potentially ineligible for LWA benefits because they were actively working. In addition, we identified 167 employees who were eligible but at high or medium risk of fraudulent activity including identity theft. We referred employees with a high likelihood of fraud to the DHS OIG Office of Investigations for potential criminal action.

These improper payments occurred because FEMA launched the LWA program in 11 days without clear guidance, fraud mitigation controls, and other measures to address weak underlying Unemployment Insurance (UI) program controls, such as self-certification, to determine eligibility and prevent fraud. We determined none of the 21 States had sufficient controls to prevent fraudulent activities or overpayments, primarily because they relied on

³ (OIG-22-69) [FEMA Did Not Implement Controls to Prevent More than \\$3.7 Billion in Improper Payments from the Lost Wages Assistance Program](#), September 16, 2022 and (OIG-22-73) [More than \\$2.6 Million in Potentially Fraudulent LWA Payments Were Linked to DHS Employees' Identities](#), September 27, 2022.



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self-certifications from recipients to determine eligibility. The Department also did not have the necessary controls in its Unemployment Compensation for Federal Employees program to ensure it had accurate information to determine DHS employees' eligibility.

FEMA's practice of self-certification poses inherent risk for fraudulent claims. Without additional requirements or controls to corroborate and validate that recipients were eligible, these programs are vulnerable to a high risk of fraud. We had previously warned FEMA of our concerns with two prior audits related to Individual and Household Programs, OIG-20-23 and OIG-20-60, namely, *FEMA Has Made More than \$3 Billion in Improper and Potentially Fraudulent Payments for Home Repair Assistance since 2000*³, and *FEMA Has Paid Billions in Improper Payments for SBA Dependent Other Needs Assistance since 2003*.⁴ Collectively, these two reports totaled more than \$6.3 billion in improper payments. In these reports, we found applicants may have inaccurately reported no homeowner's insurance or incorrectly reported their income and dependent information **despite penalty of perjury**. As a result, we recommended FEMA establish and implement preventive controls to mitigate the risk of improper payments. The Pandemic Response Accountability Committee (PRAC), the U.S. Government Accountability Office, and the Department of Labor OIG also reported self-certification as a top fraud vulnerability in administering unemployment benefits.

Despite our warnings about the high risk of fraud, FEMA has not implemented preventive controls such as a system to test applicant data or require applicants to sign an Internal Revenue Service release for a copy of tax information to support individual assistance programs. On the contrary, on January 22, 2024, FEMA issued an interim final rule⁵ for its Individual Assistance program that will provide greater flexibility and expand the use of self-certifications, referred to now as self-declarations, for applicants to obtain funding in a more direct and expedited manner.

Ineffective Controls to Ensure Allowable COVID-19 Costs

COVID-19 Funeral Assistance Program: In December 2020, Congress appropriated \$52 billion to FEMA's Disaster Relief Fund to provide funeral assistance at 100 percent Federal cost share. In August 2023, DHS OIG reported⁶ FEMA had not administered the program

⁴ These two reports related to FEMA's oversight of disaster response and are therefore not included in the 18 reports since FY 2020 that we identify as related to FEMA's oversight of non-natural disasters.

⁵ Federal Emergency Management Agency 44 CFR Part 206; RIN 1660-AB07 Individual Assistance Program Equity <https://www.govinfo.gov/content/pkg/FR-2024-01-22/pdf/2024-00677.pdf>

⁶ (OIG-23-42) [*Ineffective Controls Over COVID-19 Funeral Assistance Leave the Program Susceptible to Waste and Abuse*](#), August 22, 2023.



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adequately to protect funds from waste and abuse, as it distributed \$24.4 million in ineligible expenses for this program. We determined:

- FEMA expanded the universe of reimbursable expenses for deaths related to COVID-19 without providing guardrails to ensure relief was limited to *necessary expenses* and *serious needs*, as required by statute.
- FEMA issued an estimated \$24.4 million in COVID-19 Funeral Assistance funds from April 12, 2021, through September 21, 2021, for expenses identified as ineligible under established FEMA policy. Examples of these questionable reimbursements include \$2,800 for a horse and carriage, \$727 for flowers, and \$790 for a limousine.
- Each of the expenses we questioned are not allowable for deaths related to other disasters. FEMA did not provide justification for why certain expenditures were considered allowable for deaths related to COVID-19, but unallowable for deaths related to other disasters.
- We questioned an additional \$2.5 million in costs as unallowable. Of this, we identified \$1.3 million in assistance payments to multiple parties applying for the same decedent; \$759,026 in payments more than the allowable maximum award of \$9,000; and \$591,805 in unallowable costs due to inconsistent application of program guidance.

Due to the unprecedented size of this program and the uncertainty surrounding the duration of the COVID-19 pandemic, DHS OIG issued a management alert⁷ during our review to FEMA leadership to encourage FEMA to take action that would prevent further reimbursement of ineligible expenses which wasted and abused taxpayer dollars.

In our audit report, we issued five recommendations for FEMA to improve oversight of COVID-19 Funeral Assistance by strengthening its guidance and training provided to the caseworkers tasked with processing program applications; aligning future funeral assistance policy and procedures with statutory requirements; and resolving questioned costs. In its response to both our Management Alert and full audit report, FEMA asserted that it has broad authority to determine eligible costs for funeral assistance. FEMA did not agree with DHS OIG's conclusions and stated that OIG's recommendation would slow its review of applications and limit the funds FEMA could provide to applicants. FEMA also maintained that the costs questioned by DHS OIG were in fact eligible and should not be considered debts owed by the recipients for erroneous payments.

FEMA Lacked Reliable Data for COVID-19 Response and Relief

⁷ (OIG-22-36) [*Management Alert - FEMA's COVID-19 Funeral Assistance Operating Procedures Are Inconsistent with Previous Interpretation of Long-Standing Regulations for Eligible Funeral Expenses, April 13, 2022*](#)



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DHS OIG conducted a study in 2022⁸ as part of a broader review by the PRAC to determine the sources and intended purposes of Federal pandemic program funds, approximately \$49.3 million, that FEMA provided to six selected geographic locations.

We determined FEMA provided data for each of its funding initiatives as requested, but in some instances, FEMA could not provide detailed data and/or supporting documentation. This was because FEMA does not always maintain data at the local level, some FEMA systems cannot provide program data as of a specific date, and FEMA did not follow a standardized process to obtain and generate program data. While this phase of the PRAC study was not designed to identify misspent funds, these data weaknesses prevented us from comparing program data across geographic locations and limited our ability to validate the accuracy of FEMA's systems.

DHS OIG is currently supporting phase 2 of the PRAC study in reviewing FEMA's oversight of Federal funds for COVID-19 Emergency Protective Measures and recipient and subrecipient compliance with Federal reporting requirements.

Insufficient Oversight of Emergency Food and Shelter Program Funds

In March 2021, FEMA awarded \$110 million in humanitarian relief funds to the Emergency Food and Shelter Program (EFSP) as part of the *American Rescue Plan Act of 2021* to provide services to families and individuals encountered by DHS in communities most impacted by the humanitarian crisis at the Southwest border.

We conducted an audit in 2022⁹ which found unsupported costs of \$7.4 million in claimed expenses that were missing required supporting documentation. This included a local grant recipient not adequately supporting charges paid to a contractor conducting COVID-19 tests and other grant recipients claiming expenses without documenting the migrant families and individuals they assisted.

Without additional oversight and enforcement from FEMA and the National Board which governs the EFSP, local grant recipients may continue to use the funds for services without providing the required supporting documentation for reimbursement, increasing the risk of misuse of funds and fraud.

⁸ (OIG-22-72) [A Review of FEMA Funding for Coronavirus Disease 2019 \(COVID-19\) Response and Relief](#), September 16, 2022.

⁹ (OIG-23-20) [FEMA Should Increase Oversight to Prevent Potential Misuse of Humanitarian Relief Funds](#), March 28, 2023.



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In an earlier audit of FEMA's Emergency Food and Shelter program,¹⁰ we reported on other weaknesses in FEMA's management of the program. Specifically, we questioned \$45.2 million in funds that could have been put to better use. This finding stems from the \$58 million in grant funds that were not spent from FY 2017 to FY 2020. In other words, when subrecipients were unable to spend their allocated funding, the Program's National Board was not reallocating funds in a timely manner to other recipients who had the ability to use the funds. We made 10 recommendations to reallocate unclaimed funds and improve coordination.

DHS OIG COVID-19 Fraud Unit

In 2020, DHS Inspector General Cuffari established a dedicated COVID-19 Fraud Unit (CFU) to focus solely on identifying and investigating fraud related to COVID-19. The findings from the audits above were turned over to the COVID-19 Fraud Unit for further investigation to determine whether criminal charges were warranted.

Due to the large scope of the potential fraud, DHS OIG used data analytics to identify large, organized fraud schemes — some of which resulted in millions of dollars being distributed to fraudsters. DHS OIG also used the Reemployed Annuitant authority provided by the Office of Personnel Management to hire retired criminal investigators to staff the CFU, ensuring we had experienced agents who were able to begin investigations as quickly as possible.

Our investigations have identified instances in which recipients, by committing fraud, received payments that they were not eligible for under the Disaster Relief Fund. Since the beginning of the pandemic, DHS OIG has received over 8,525 complaints and opened over 550 investigations into COVID-19 fraud. To date, our investigations have resulted in more than 125 indictments, 30 criminal informations, 87 convictions, and more than \$21.5 million in recoveries.

A sample of our significant cases in this area include:

- A Virginia-based supply company made fraudulent claims and was awarded a FEMA contract to deliver 6 million N95 masks totaling \$38.5 million to protect employees and patients at various Veterans Administration facilities at the height of the pandemic. The company failed to deliver because they were never in possession of the masks, which resulted in felony charges for false statements, wire fraud, and theft of government funds.

¹⁰ (OIG-22-56) [FEMA's Oversight of the Emergency Food and Shelter Program](#), August 10, 2022.



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- A New Jersey man was sentenced to 6.75 years in prison for schemes to steal California UI benefits and economic injury disaster loans. The fraudster filed for over 180 California Economic Development Department (EDD) UI applications in which he sought \$7,500,000 in UI benefits; the EDD ultimately funded at least \$3,403,656 of the total. The defendant collected personally identifiable information of numerous individuals from the dark web — including names, birth dates, and Social Security numbers — and used their identities to file fraudulent UI claims.
- An employee of the Arizona Department of Economic Security, the state agency responsible for adjudicating COVID-19 unemployment benefit claims, filed 66 fraudulent UI benefits claims while employed by the agency. This resulted in fraudulent payments totaling \$32,580. The defendant pled guilty to a theft charge and received a sentence of 24 months of supervised release and restitution in the amount of \$32,580.
- Multiple subjects in Virginia fraudulently filed unemployment insurance claims for 31 prison inmates totaling over \$430,000. The investigation resulted in multiple felony theft-related charges and sentences ranging from 78 to 115 months incarceration, as well as restitution in the amount of \$290,000.

Many of the audits and investigations addressed in this testimony reflect collaboration with our external partners. For example, DHS OIG teams worked extensively with data scientists from Department of Labor OIG to obtain fraud indicators. DHS OIG participates on numerous task forces, and we are a member of the Attorney General's COVID-19 Fraud Enforcement Strike Force. We currently have special agents assigned to all three strike force teams in California, Florida, and Maryland, and we are assigning agents to the newest teams being developed in Colorado and New York. DHS OIG is also one of nine statutory members of the PRAC where we share information and model practices to help identify COVID-19 fraud.

Conclusion

DHS OIG's oversight of FEMA's use of resources for non-natural disasters has identified overpayments, ineligible payments, and unsupported or unallowable costs totaling approximately \$3.9 billion in improper payments. We also identified an additional \$45.4 million in funds that could be put to better use.

Our audits have consistently identified the need for FEMA to strengthen internal controls over its programs. Specifically, we have identified four key areas where additional controls are needed to protect the integrity of FEMA's programs and prevent fraud, waste, and abuse. These include controls for:



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1. Ensuring eligibility for federal assistance;
2. Ensuring allowability of costs reimbursed;
3. Program oversight; and
4. Ensuring consistent data collection, reliability, tracking, and reporting practices.

The six audits highlighted in this testimony resulted in 31 recommendations, or approximately 55 percent of the 56 recommendations pertaining to FEMA's management of non-natural disasters over the last 4 years. The recommendations are intended to strengthen FEMA's management of its programs and operations. Many of the recommendations are aimed to help FEMA bolster its program controls, procedures, guidance, and training to prevent continued misuse of funds, including fraud, waste, and abuse. DHS OIG also has two ongoing audits and one planned audit that will continue our oversight of FEMA's expanded use of its resources on non-natural disasters. These relate to FEMA's:

- COVID-19 funding for emergency protective measures,
- Administration of the Port Security Grant Program, and
- Oversight of the new Shelter and Services Program.

FEMA has taken action to fully address 23 (41 percent) of the 56 recommendations. These actions address some of FEMA's risks by strengthening certain policies, procedures, and controls related to non-natural disaster related programs. However, far more remains to be done. As of today, FEMA has not completed action on 22 (39 percent) recommendations. Finally, 11 (20 percent) of our recommendations remain unresolved because FEMA disagrees or has not developed responsive action plans. In fact, over one-third of DHS OIG's recommendations from the reports mentioned above remain unresolved. DHS OIG, along with other oversight entities, remains deeply concerned with FEMA's long-standing practice of self-certification of applicants. We continue to work with FEMA to emphasize the need to require additional documentation to corroborate that applicants are eligible, or to audit a sample of applicant data for accuracy.

We appreciate the ongoing support of Congress and acknowledgement of our objective, independent oversight. Thank you for the opportunity to discuss DHS OIG's critical work.