

***Preventing Improperly Paid Federal Assistance in the Aftermath of Disasters***

Subcommittee on Disaster Recovery & Intergovernmental Affairs

March 17, 2011

Opening Statement by Senator Mary Landrieu

Thank you, Chairman Pryor and Ranking Member Ensign, for calling this important and timely hearing on recoupment of federal disaster assistance.

We have a serious responsibility to curb government waste, fraud, and abuse, reduce the federal deficit, and reign in the national debt. Recoupment of improper payments is an important part of that effort. It's important however that we not rush to judgment in condemning our fellow citizens who have experienced tragedy and loss as a result of disasters.

Where fraud has been committed, we will target and prosecute it. I cosponsored The Emergency and Disaster Assistance Fraud Penalty Enhancement Act with Senator Sessions, which was signed into law in 2007 and significantly increased prison sentences and fines for people convicted of fraudulently obtaining federal disaster assistance. The Justice Department has established a Hurricane Fraud Task Force to investigate, prosecute, and secure thousands of convictions under these new sentencing guidelines.

But there is a dangerous tendency among some lawmakers and members of the press to assume that an "improper payment" is the same thing as fraud. Neither FEMA nor the Inspector General has been able to provide me with an estimate of how many of these 160,000 cases represent fraud. But we do know that thousands of the payments described as "improper" by the Department of Homeland Security Inspector General, went to people who were seriously affected by the disaster and used for urgent and legitimate needs.

In order to provide a fuller picture of who and what we're dealing with, I'd like to go through some examples of "improper payments" that are subject to recoupment.

- 1) People who lost the Title to their home or insurance documents during the flooding
- 2) People who can't provide a free-and-clear title because their home has been in the family for several generations
- 3) People who own homes where their children or parents live separately from them
- 4) People who used funds to pay for child care expenses
- 5) People being targeted because of data entry errors by FEMA employees, including bank account numbers, addresses, and social security numbers
- 6) People being targeted because of mix-ups or omissions of name suffixes like Jr. or Sr. or street suffixes like Blvd., Drive, or Hwy.
- 7) People who received rental payments in excess of HUD's Fair Market Value for the area, even if they spent all of the funds on rental expenses (which spiked after the hurricanes due to decreased supply)
- 8) People who -
  - a. followed evacuation orders to escape the flooding
  - b. left behind medicine, clothing, and groceries

- c. used government-issued debit cards to replace these materials while they were displaced
  - d. and who later returned to their neighborhoods and found minimal damage to their home
- 9) People who used funds for clothing, food, medicine, or transportation, but who were displaced for so long that they exceeded their maximum allowance under the program

These examples reveal the fact that many of the families facing recoupment are honest disaster survivors, facing incredible challenges, who never intended to misuse funds or accept money to which they were not entitled. It's noteworthy that \$18 million of the funds in question were reported to FEMA by the disaster survivors themselves after they received duplicative insurance payments.

There is also a blanket assumption that recoupment of improper payments will save the federal government money. I am not entirely convinced that is true in this instance, and here's why. Neither FEMA nor the Inspector General seem to have any data available on the relative benefits and costs of previous recoupment efforts. Nor have they indicated whether they plan to measure the cost-effectiveness of recoupment going forward. I would invite the witnesses to address these issues in their testimony. Finally, I look forward to learning about the steps FEMA has taken to prevent future improper payments, and the potential impact, of House-passed spending cuts, on the IT systems that protect against fraud.

I thank the Chairman and Ranking Member for their leadership, and I look forward to the witnesses' testimony and the opportunity to ask questions about these important issues. Thank you.