



Duplication of Benefits in Disaster Recovery Housing Programs

Strategies for Stafford Act Compliance

WHITE PAPER

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Background

In the aftermath of a federally declared disaster, Congress may allocate federal funds to an affected state to support its disaster recovery efforts. However, the state programs distributing such grants are required by the Stafford Act¹ to ensure that recipients do not receive assistance to cover a loss for which they have already received assistance from another source. While this requirement is straightforward in theory, it can be difficult to execute in practice. This paper discusses how to identify and calculate duplication of benefits and the challenges to doing so.

Calculating Duplication of Benefits

To understand the calculation of duplication of benefits, it is important to know that block grants are distributed through programs that have been established for the particular purpose outlined in the action plan approved by the Department of Housing and Urban Development. The program administrator then must calculate how much assistance from other sources (other government agencies and programs, private insurance and community and other nonprofit organizations) an applicant has received *for that purpose* and deduct that from the applicant's total loss to determine the maximum amount the program may distribute to that applicant.

For example, consider the case of an applicant to a reconstruction/rehabilitation program that has suffered a structural damage loss of \$175,000 and that had received the following assistance to date:

Table 1: Received Assistance by Source and Type	Amount
Small Business Administration (Contents)	\$10,000
Small Business Administration (Real Estate)	\$60,000
Federal Emergency Management Agency (Home Repair)	\$5,200
Federal Emergency Management Agency (Rental Assistance)	\$7,000
Private Insurance Claim (Structure—Coverage A)	\$15,000
Private Insurance Claim (Other Structure—Coverage B)	\$2,500
TOTAL ASSISTANCE	\$99,700

Of the \$99,700 in total assistance received, only \$82,700 (shown in bold) was for reconstruction or rehabilitation. This amount—the *duplication of benefits*—is then subtracted from the \$175,000 structural loss, leaving the applicant eligible for \$92,300 in assistance.

¹ The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended by Public Law 106-390, October 30, 2000, U.S.C. Title 42, Chapter 68, Sec 312. The Stafford Act, which supersedes the Disaster Recovery Act of 1974, outlines the federal response to a disaster, triggered by a presidential major disaster or emergency declaration.

Special care needs to be given in the calculation of assistance received for “other structures.” Private insurance may cover losses in this category that are not allowed by a block grant program. In this case, the private insurance payment toward the disallowed structure must be excluded from the duplication of benefits calculation. For example, assume that this hypothetical housing assistance program allowed for the reconstruction or rehabilitation of fences, sheds and barns, but not for swimming pools, and that the applicant's Coverage B claim was as follows:

Table 2: "Other Structure" Claim Breakdown	Amount
Barn	\$500
Swimming Pool	\$1,500
Fence	\$750
Shed	\$1,250
TOTAL "OTHER STRUCTURE" CLAIM	\$4,000

While the total “Other Structure” claim was \$4,000, the \$1,500 received for the swimming pool was excluded from the “Other Structure” entry in the duplication of benefits calculation shown in Table 1.

Note that programs may set other conditions that affect the size of the final award. For example, programs often set a maximum benefit amount. If our sample program has a maximum benefit of \$75,000, the applicant would receive that amount rather than the \$92,300 calculated above. Or the program may pay third-party contractors for the reconstruction of dwellings and require applicants to contribute previously received structural loss benefits to the cost of construction as a condition of an award to pay for the uncovered construction cost.

The Challenge of Incomplete Information

Given a clear statement of a program's scope and intent, it is fairly straightforward—in theory—to make the duplication of benefits calculations required by the Stafford Act. However, this requires a thorough identification of the benefits that have been received by the applicant. Having benefit information that is as complete and accurate as possible depends on having both good *information collection* and good *information verification*.

Information Collection

A well-designed application can provide a strong foundation for the information collection process. Application materials should explain in simple terms what duplication of benefits is. Applicants should specifically be asked to provide application, registration, loan and claim numbers for all applications made to the common sources of disaster benefits (including the Federal Emergency Management Agency [FEMA], the Small Business Administration [SBA], the National Flood Insurance Program [NFIP] and private insurance) as well as any funds awarded or received. Space should also be provided on the application for information regarding assistance received by the applicant outside of these sources, such

as collections or donations made to the applicant from individuals, churches, schools and other private disaster assistance organizations, all of which are covered by Stafford Act duplication of benefits calculation requirements.

Do not limit data collection to the homeowner or primary applicant; applications should also ask specifically about any benefits applied for or received by other members of the household, which should be included in the duplication of benefits calculation. Finally, applicants should be required to sign a notarized affidavit attesting to the truthfulness and completeness of the application, as well as a consent form allowing the program to use the applicant's Non-public Personal Information (NPI) to verify the information submitted.

Information Verification

But while applicant-provided information is a good foundation for accurate duplication of benefits calculation, it is not sufficient. Applicants may forget to include funds received, or may overstate or understate those amounts or include items that are not considered duplication of benefits. As a result, the program must verify all information with the relevant third party, as well as endeavor to identify unreported benefits from various sources.

The program should establish data-sharing agreements with FEMA, SBA, NFIP and other agencies that are common sources of disaster housing benefits. Remember that these agencies must meet the Stafford Act requirements as well, so they need the same information from other disaster recovery housing programs that those programs need from them. In fact, if an agency has provided an applicant with a disaster recovery loan, it may request that awards made under the program be paid to them as full or partial satisfaction of the loan. All parties, then, must have a thorough understanding of the mechanics of the others' disaster assistance programs so that all sides know how each type of assistance should be counted in their own calculations. Each agency will also have its own set of requirements regarding data security and applicant consent.

It is also important to have an understanding of how other agencies collect and store their data. For example, it is not uncommon for disaster victims to make multiple applications to FEMA for the same loss, particularly if they are unsatisfied with the determination made on the initial application. A search done by application number will return only that application, but a search by social security number will return all applications filed by that applicant, whether or not they were reported to the program.

Verifying private insurance claims can be more challenging. While some insurance companies may be too small or unsophisticated to assist the program, others will be willing to exchange data, given proper data security and consent of the policyholder. Often, the best approach is to have the applicant request that the insurance company send a letter on company letterhead to the program detailing any insurance claims paid to the applicant. The applicant is a customer of the insurance company, after all, and the company will often respond more readily to a request from a customer than from a third party.

Even under the best of conditions, however, the program is much more reliant on the applicant to verify insurance payments than it is to verify payments from other agencies. Because there is no central insurance database, if an applicant neglects to disclose the existence of an insurance policy, it can be

very difficult for the program to discover it. There are, however, some strategies that can be used. For example, if there is a mortgage on the property, the bank holding the mortgage will have information regarding any insurance carried on it.

As noted above, duplication of benefits calculations should also include assistance from private organizations. This information, however, is virtually impossible to verify unless it is disclosed by the applicant.

How Reznick Government Can Help

Reznick Government has extensive experience in the administration of federal, state and local disaster recovery grant programs. Our range of advisory services includes the design, implementation and execution of data collection and analysis systems to ensure accurate recordkeeping and compliance.

For more information, please contact Angela M. Zatlin, Manager, at angela.zatlin@reznickgroup.com or visit our website: www.reznickgovernment.com.

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