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Delivery of Benefits in an Emergency: Lessons from Hurricane Katrina

Social Services Series



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IBM Center for
**The Business
of Government**

SOCIAL SERVICES SERIES

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FOREWORD

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, “Delivery of Benefits in an Emergency: Lessons from Katrina,” by Thomas H. Stanton. This report initiates a new series of Center reports on social services. Tightening budgets, demands for citizen-centric services, an increasing focus on accountability, collaborative delivery models, and a constantly changing legal and regulatory environment combine to create complex challenges for social service delivery organizations serving the needy and vulnerable.

During the summer months of 2005, Hurricanes Katrina and Rita dramatically impacted the lives of over 4 million people across nearly 93,000 square miles of the Gulf Coast region. The hurricanes and subsequent flooding resulted in the evacuation of New Orleans, marking the first time a major American city has been completely evacuated. Beginning with landfall on August 29, hundreds of thousands of individuals had immediate need for food, housing, medical care, and other critical human services. Due to conditions immediately following the hurricanes, many of these individuals lacked the ability or resources necessary to access in a timely or efficient manner much needed local, state, and federal benefit programs and services that were available to them.

For most disaster victims, recovery begins when, but not until, basic human needs such as food, clothing, and shelter are met. After every catastrophic event, emergency commodities are vital and cash is “king.” For that reason, Tom Stanton’s report focuses on the delivery of emergency financial benefits, such as pensions, Social Security, and Temporary Assistance for Needy Families, as well as payments relating to the disaster such as emergency food stamps, unemployment insurance, and emergency cash assistance.

Stanton identifies some relief efforts that were remarkably successful. Using its existing electronic benefits transfer (EBT) infrastructure, the Food and Nutrition Service in the U.S. Department of Agriculture worked with state governments and private EBT vendors to deliver



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\$907 million in emergency food stamp benefits to 2.3 million households. The American Red Cross provided emergency financial assistance to over 4 million survivors, amounting to some \$1.5 billion by April 2006.

Stanton's report reveals that promising practices and positive models exist, describes the elements of an effective electronic benefits delivery system, and provides numerous promising practices and positive models already in use that can effectively ensure program integrity.

We hope that this timely and informative report will be useful to the relevant stakeholders, including federal, state, and local organizations, nonprofits, and for-profit firms, who need to consider how to build on existing promising practices and positive models to protect citizens from the consequences of another catastrophe in the future.



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EXECUTIVE SUMMARY

Hurricanes Katrina in August 2005 and Rita a month later together were the most destructive natural disaster in American history. Virtually all relief systems were overtaxed by the sheer magnitude of the disaster. Some relief efforts were remarkably successful. Using its existing Electronic Benefits Transfer (EBT) infrastructure, the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA) worked with state governments and private EBT vendors to deliver \$907 million in emergency food stamp benefits to 2.3 million households. The American Red Cross reports that it provided emergency financial assistance—to meet food, housing, and other needs—to more than 4 million hurricane survivors, amounting to some \$1.5 billion by April 2006.

This report focuses on the delivery of emergency financial benefits. These include payment of existing benefits delivered at a time of crisis, such as pensions, Temporary Assistance for Needy Families (TANF), and Social Security, as well as payment of emergency benefits relating to the disaster, such as emergency food stamps, unemployment insurance, and emergency cash assistance. This report seeks to build on the Katrina experience and on other available models to show that it is within our reach to build an effective emergency benefits delivery system. Many parts of the infrastructure available for payment of existing benefits are also needed to ensure effective delivery of emergency benefits.

The conclusions of this report can be summarized as follows:

- To mitigate the consequences of a future large-scale disaster, whether natural or man-made, we need to develop and maintain an effective emergency benefits system (among other systems).
- Basic components are available on which to build an effective emergency benefits system.
- The necessary organizational structure, i.e., functioning network, is lacking to bring together the disparate efforts of multiple federal, state, and local government agencies, nonprofit organizations, and private firms, with a common focus on providing emergency benefits effectively.
- In the management and organization of delivering emergency benefits, positive models exist.
- Leadership is needed for the effective creation and operation of an emergency benefits network. Inevitably it must come from the federal government because of its strength, capabilities, and ultimate responsibility for the safety, health, and welfare of the people of the United States.

One critical area involves payment integrity. There is a fundamental trade-off between (1) providing assistance benefits rapidly in a disaster, and (2) ensuring that assistance dollars are disbursed and spent properly, without fraud, waste and abuse. Only when the risk factors are well understood can an agency make the proper trade-offs between fast delivery of benefits and potential program losses and then put the appropriate safeguards into place.

Organizations need to group themselves into networks that function according to rules that were put into place before a disaster. This is true of most efforts to address problems across jurisdictional boundaries.

Such organizational and management issues are just as critical as the practical features of an emergency benefits system such as available telecommunications, electricity, intake capacity, and internal

controls. That is one of the most important learnings to emerge from the painful Katrina experience.

Traditional hierarchical government departments and agencies acting alone are no longer adequate to meet the challenges of effective governance, especially in a disaster situation. The Katrina experience shows that effective disaster response requires the design, creation, maintenance, and management of nonhierarchical networks that include private as well as public actors and all levels of government.

Effective emergency benefits delivery requires federal and state agencies, nonprofit organizations, and for-profit firms to cooperate and coordinate their efforts. One lesson from this report which describes promising practices is that such cooperation and coordination is not unprecedented. Important building blocks for a coordinated system already exist. As often is the case, technology can help; establishing a common intake portal that links applicants to the multiplicity of federal disaster assistance programs should be a priority.

Finally, the legal infrastructure needs to be improved. The relevant stakeholders—federal, state, and local organizations, nonprofits, and for-profit firms—need to consider how to establish an appropriate legal and regulatory framework to address cross-cutting issues such as (1) waiver of less important program requirements, (2) applicant privacy, and (3) payment integrity.

Promising practices and positive models exist. It is time to build on them so that citizens are properly protected from the consequences of another catastrophe in the future.

Lessons from Katrina for Improving the Emergency Benefits Delivery System

Hurricanes Katrina and Rita caused over 1,500 deaths and more than \$88 billion in damage over 90,000 square miles in five states, together making the most destructive natural disaster in American history. Some 600,000 families were displaced from their homes by the two hurricanes, which hit in succession in 2005.

Virtually all relief systems were overtaxed by the sheer magnitude of the disaster. Flood and hurricane damage meant that living quarters were scarce, and this reduced the number of volunteers that could come to the affected areas to offer assistance. For the first few days, and longer in many places, electric power and landline and cell phone service were unavailable. Many displaced people lacked basic identification or cards that could give them access to their bank accounts or other sources of funds. Soon, however, some power and communications were restored in many areas; moreover, the large majority of affected people were able to relocate to areas that possessed power, communications, and other essential infrastructure.

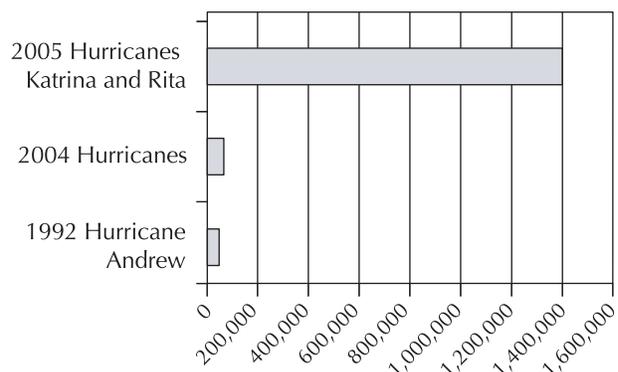
Some relief efforts were remarkably successful. Usually, these were actions that built on existing infrastructure, in terms of people, networks, systems, and legal relationships, that then could be deployed to meet a surge of demand in the emergency. Using its existing Electronic Benefits Transfer (EBT) infrastructure, the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA) worked with state governments and private EBT vendors to deliver \$907 million in emergency food stamp benefits to 2.3 million households. The American Red Cross reports that it provided emergency financial assistance—to meet food, housing, and other needs—to over 4 million hurricane

survivors, amounting to some \$1.5 billion of cash, checks, and electronic benefits, by April 2006. The sidebar “Promising Practices That Worked in Katrina” highlights some of the practices reviewed in this report that were effective in helping people affected by the disaster.

This report focuses on the delivery of emergency financial benefits. These include payment of existing benefits such as pensions, Temporary Assistance for Needy Families (TANF), and Social Security, as well as payment of benefits relating to the disaster, such as emergency food stamps, unemployment insurance, and emergency cash assistance.

The Katrina disaster provides an important set of lessons that, regrettably, need to be learned not only to cope with future large-scale natural disasters, but also with the possibility of a worldwide pandemic or major homeland security event.

Figure 1: Number of Treasury Department Sponsored Debit Card Assistance Cases in the Aftermath of Recent Hurricanes in the United States



Source: *Best Practices in the Worst of Times*, U.S. Debit Card Agency Forum, Financial Management Service, U.S. Treasury Department, March 2, 2006.

Promising Practices That Worked in Katrina

A number of the promising practices reviewed in this report were operational and effective in helping people affected by Hurricane Katrina.

- **Statutory Waiver Authority**

The Food and Nutrition Service (FNS) used its legal authority to grant waivers to states to improve the effectiveness of the intake process for delivery of emergency food stamp benefits after Katrina. Waivers included permitting food stamps to be used to purchase hot food (which otherwise would not be allowed), advancing the date for releasing program benefits, permitting transactions when the beneficiary does not have a card, and converting regular food stamp benefits to emergency food stamps, with more liberal access to benefits.

- **Emergency Management Assistance Compact (EMAC)**

The Emergency Management Assistance Compact is a mutual aid agreement that enables states to request assistance from other states and to provide reimbursement once the emergency is over. EMAC was extremely important in the aftermath of Katrina. Affected states requested National Guard resources, law enforcement personnel, medical team support, search and rescue services, and commodities such as ice and water. EMAC was also important in facilitating the deployment of intake personnel who came from out of state to assist the states of Louisiana and Alabama to process the hundreds of thousands of applications for emergency food stamps.

- **State EBT Cards**

States and the federal government jointly developed the EBT card as a substitute for food stamp coupons or paper checks. State governments furnish beneficiaries with a debit-type card that contains the value of their food stamps or cash benefits and that can be used at retailers and automated teller machines (ATMs). States are adding to the functions that are served through their EBT card systems, including payments for TANF, Medicaid, and child care. EBT cards showed their value in the aftermath of the recent disasters. In Louisiana, nearly 500,000 households received more than \$400 million in disaster food stamp benefits after Hurricanes Katrina and Rita; 650,000 households in Florida, including over 2 million people, received more than \$269 million in disaster food stamp benefits after Hurricane Wilma.

- **ACCESS FLORIDA**

ACCESS FLORIDA is an Internet-based application system that permits people to apply for food stamps, TANF benefits, and Medicaid online. The Florida Department of Children and Families adopted the system in the aftermath of an overwhelming number of paper-based applications for emergency food stamps after several hurricanes hit the state in 2004. After Katrina, the department expanded the system so that it could provide simplified access to emergency food stamps, TANF, and Medicaid to evacuees from Alabama, Mississippi, and Louisiana. A user feedback survey indicates that the experience of users was positive.

- **Restoring Bank Payment Capacity**

Parish National Bank is a community bank with \$800 million in assets, operating offices in Louisiana. Katrina hit Louisiana three days before the end of the month, which is when companies make their payments electronically to workers through use of direct deposit. The bank had prepared a disaster recovery plan and had equipped its operations center with a portable generator and satellite telephone. After the storm hit, the bank's cash management manager went door-to-door to the bank's corporate customers, collecting disks loaded with payment files; other corporate customers brought laptops with payment files to the operations center. The manager hand-delivered these files to Parish Bank's correspondent bank in Baton Rouge, where just 48 hours after the storm, the bank was able to begin processing payroll payments. This promising practice was replicated at other banks in affected areas that were able to restore operations as quickly as the restoration of electricity and telecommunications would permit.

- **Providing Emergency Mobile Payments Services**

Bank of America deployed a small fleet of satellite bank branches to Texas to help restore banking services for people displaced by the hurricanes. These satellite branches were full-service branches mounted on 18-wheel tractor trailers. They included ATMs and customer service representatives at a workstation. The trucks carried their own generators and had satellite communications with the rest of the Bank of America network elsewhere in the country. The satellite bank branches helped provide check-cashing services, mostly of government checks; helped people to open checking accounts so that they could access their government assistance and other benefits; and provided ATM services for people in possession of debit or payment cards. The bank rolled out its satellite branches quickly because it had a prearranged internal infrastructure—including organization, staffing, and hardware—ready to provide disaster recovery services.

(continued on next page)

Promising Practices That Worked in Katrina *(continued)*

- **Texas Workforce Commission (TWC) Support of the Louisiana Unemployment Program**

To assist the many people who streamed from Louisiana to Texas, the Texas Workforce Commission created a special toll-free telephone number for Louisiana callers. The number was staffed both by Texas claims representatives and by intake volunteers from other states who had volunteered to take calls for TWC. The special hotline took some 2.6 million calls, of which about half were served from states other than Texas. TWC also helped Louisiana to develop an Internet application for both regular and disaster unemployment benefits that would be filled out either by applicants or by intake workers. As of April 2006, TWC reported that it processed nearly 68,000 unemployment claims for Louisiana. TWC accepted applications and transmitted them to the contractor for the Louisiana Labor Department, which issued branded debit cards under the Louisiana unemployment compensation program.

- **Using a Network to Create an Effective Electronic Benefits Delivery System**

The EBT Council began in September 1995 as an organization composed of federal agencies, states, merchants, payments networks, financial institutions, and other EBT service providers, including consultants and processors. The federal government, through the Office of Management and Budget, encouraged these stakeholders to meet in a deliberative group to develop operating rules for the electronic delivery of government benefits, including food stamp and cash benefits. Currently all states and the District of Columbia offer state-wide EBT programs, and 40 of these use the rules developed by the EBT Council, which is now known as the Electronic Benefits and Services (EBS) Council. Electronic Benefits Transfer was a critical means of delivering assistance to hundreds of thousands of people in the aftermath of Katrina.

- **Using a Network to Strengthen Intake Capacity**

The American Public Human Services Association (APHSA) is an organization representing state and local human services agencies of the 50 states. The state chief human services officers—department secretaries or commissioners of the relevant agencies—meet regularly to discuss problems of common concern. The organization, either directly or through one of its affiliate organizations, presents testimony and otherwise advocates on behalf of human services programs, agencies, and beneficiaries.

Ten contributing states sent intake workers to Louisiana and Alabama without payment, but with the expectation that, under EMAC, they ultimately would be reimbursed. Some 163 intake workers came to the two affected states, worked long hours for one week, and then rotated back home. Many more people wanted to come than could be accommodated by the receiving states. The binding constraint in the early days after Katrina was housing; there simply were not enough places for workers to stay. Also, the incoming workers had to be trained before they began work.

The secretary of the Louisiana Department of Social Services, an APHSA member, reported afterwards that food stamp applications were processed on a 24-hour basis for one week after Katrina. While the department normally would process fewer than 2,000 food stamp applications in a month, the agency processed over 200,000 applications in that single week period.

Based on experience to date, the nation is not yet ready to provide the range of needed emergency financial benefits in the face of such a major catastrophe. The new executive order on disaster response, bringing together the relevant federal agencies under leadership from the Department of Homeland Security, is a potential first step in building the organizational, legal, and practical infrastructure needed for effective disaster response in the future.¹

As Katrina has shown, the old ways of doing business can be extremely costly. The present review of promising practices shows how federal and state agencies,

private companies, and nonprofit organizations sprang into action to deal with a huge number of applications for emergency benefit assistance. To a significant extent, those efforts were successful. Yet, the Katrina experience also revealed many shortcomings.

This report seeks to build on the Katrina events and on available models from other experiences to show that it is within our reach to build an effective emergency benefits delivery system. The report will:

- Identify the elements of an effective emergency benefits system.

- Present promising practices that can be adopted or adapted as part of an effective emergency benefits system.
- Assess the management and organizational issues that must be addressed to create and maintain an effective emergency benefits system.
- Recommend improvements in management and organization, especially those involving crossing of organizational boundaries, to build an effective emergency benefits system.

Acronyms and Abbreviations

APHSA	American Public Human Services Association
ATM	Automated teller machine
CAN	Coordinated Assistance Network
EBS Council	Electronic Benefits and Services Council
EBT	Electronic Benefits Transfer
EMAC	Emergency Management Assistance Compact
FEMA	Federal Emergency Management Agency
FNS	Food and Nutrition Service (USDA)
GAO	Government Accountability Office
IHP	Individuals and Households Program (FEMA)
IVR	Interactive Voice Response
JOC	Joint Operations Center
LSIS	Lone Star Imaging System (state of Texas)
NACHA	National Automated Clearinghouse Association
NCOA	National Council on Aging
NFC	National Finance Center (USDA)
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
PIN	Personal Identification Number
POS	point-of-sale
SEIU	Service Employees International Union
SSN	Social Security Number
TANF	Temporary Assistance for Needy Families
TWC	Texas Workforce Commission
USDA	U.S. Department of Agriculture
WIC Program	Special Supplemental Nutrition Program for Women, Infants, and Children

Elements of an Effective Emergency Benefits Delivery System

Effective response to a disaster calls for different activities at each stage. The stages of response for emergency benefits delivery might be categorized as follows:

- Preparing before the disaster strikes
- Delivering emergency benefits in the immediate aftermath
- Restoring benefit payment services
- Monitoring payment integrity
- Learning lessons for the next time

Preparing Before the Disaster Strikes

Robert Childree, comptroller of the state of Alabama, is responsible for the delivery of emergency benefits in the state. Based on his experience, Childree reported at a recent Johns Hopkins conference that the preparation stage is made up of four distinct parts. The federal and state governments must:

- **Plan:** Roles and responsibilities and resource issues must be worked out in advance. For example, one federal official points out that the state of Florida, with its repeated exposure to hurricanes, has worked out an off-the-shelf plan for establishing intake centers in large areas such as sports arenas. The plan includes details on setting up tables serviced by intake personnel and screening people while they are still standing in line. Such smaller plans need to be rolled up into larger plans that are available to be taken off-the-shelf when a disaster hits.
- **Prepare:** States need to have protocols in place that permit sharing of information and resources with one another; the federal government needs

to understand its role vis-à-vis one or more states that may be unable to function normally in the face of a disaster. All relevant organizations must have capable groups in place that are ready to improvise when a disaster punches large holes in many plans.

- **Practice:** People work better together in an emergency when they know one another. Practicing together, for example in table-top exercises, helps responders to understand their respective roles and responsibilities and to try to anticipate in advance where plans may be unworkable. Training, and cross-training for multiple functions, is also essential so that staff on the ground can carry out needed tasks under emergency conditions.
- **Pre-position Resources:** For delivery of emergency financial assistance, pre-positioned resources should include plastic cards that can be loaded with benefits, secured with personal identification numbers, or PINs, and given to disaster victims; and intake resources, such as laptops and other infrastructure, ready to use for processing applications for assistance.

Preparation for effective emergency response costs money. While resources alone do not ensure effective performance, dedicating a minimum level of resources is a necessary precondition.

A catastrophic emergency is hard to prepare for because of its improbability at any particular time. Often an organization may find it attractive to skimp on resources needed to cope with an uncertain challenge so that more pressing everyday issues can be addressed.² The problem, of course, is that improbable occurrences such as Katrina or a

homeland security event do happen, sometimes with catastrophic results. The sidebar “Preparing for Disaster Recovery Costs Money: The Case of FEMA” quotes the findings of an inspector general’s report concerning the Federal Emergency Management Agency (FEMA), which had requested additional funding to enhance its capability to provide disaster assistance, but had been denied those resources.

States in the Southeast, with their repeated exposure to hurricanes, have made great progress in preparing themselves to deal with disasters. However, governments are less well equipped to deal with larger disasters, such as Katrina, that hit multistate regions. Preparation for such disasters requires attention to multistate factors such as (1) creating assistance systems that are interoperable across state lines, and (2) putting a legal infrastructure in place that permits effective response. Laws need to allow for waiver of program requirements that impede the effective provision of assistance in an emergency; laws also need to permit authorities to share information across state lines and organizational boundaries. These issues need to be addressed in advance so that trade-offs can be thought through, such as protecting the privacy rights of disaster victims versus providing assistance quickly to a large number of people who may have become scattered across many states.

Another critical area involves payment integrity, discussed in the sidebar “The Problem of Payment Integrity” (see page 14). There is a fundamental trade-off between (1) providing assistance benefits rapidly in a disaster, and (2) ensuring that assistance dollars are spent properly, without fraud, waste, and abuse. Here again, preparation is essential. The Office of Management and Budget (OMB) has issued guidelines, pursuant to the Improper Payments Information Act of 2002, that call for federal agencies to conduct risk assessments to determine where their programs may be subject to unacceptable levels of risk.³ Such analysis is especially important in the emergency context because of the need to limit major sources of risk, while accepting the costs of the limited risks that inevitably accompany delivery of benefits to huge numbers of people.

Only when the risk factors are well understood can an agency make the proper trade-offs between fast delivery of benefits and potential program losses, and then put the appropriate safeguards into place. OMB is the appropriate agency to ensure the transparency and quality of such agency judgments, as part of the criteria applied in the Program Assessment Rating Tool (PART), for example. Agency inspectors general also may be able to contribute usefully in this regard.

Preparing for Disaster Recovery Costs Money: The Case of FEMA

“In April 2003, FEMA’s Recovery Division prepared a narrative justification for ... requests for additional funding in FY 2005. The funding would allow FEMA to enhance its base capability, which FEMA stated was deficient and not in keeping with standard business practices to effectively provide assistance to disaster victims. In the narrative FEMA foreshadowed, ‘The failure to provide funding to ensure scalable recovery capability will result in a crisis of unimaginable proportions not only for individual victims and their communities and states, but also for the country as a whole.’ No additional funding was provided to FEMA in FY 2005 or FY 2006 to enhance its Recovery Division’s existing capability.

“Recognizing deficiencies in its business practices, processing systems, and ability to provide assistance to disaster victims in an efficient and effective manner, FEMA attempted to address these issues using existing resources. Its performance in response to Hurricane Katrina, however, highlighted those deficiencies and its ability to provide individual assistance to address the needs of disaster victims was not as effective or efficient as it had envisioned....

“Given the scale of this disaster and the sheer number of applicants seeking assistance from FEMA, initial efforts to augment call center sites and registration intake agents were admirable. But FEMA staff and resources need to be positioned to succeed. Additional investment is necessary to establish basic case management capabilities that are responsive to applicant needs. More resources must be afforded to FEMA and its efforts focused on attaining subject matter expertise in all levels of applicant assistance and case management activities.”

Source: Department of Homeland Security, Office of Inspector General, A Performance Review of FEMA’s Disaster Management Activities in Response to Hurricane Katrina, March 2006, pp. 87, 90–1.

The Problem of Payment Integrity

In the aftermath of Katrina, the Government Accountability Office (GAO) and others found that significant problems had occurred in the disbursement of emergency benefits. GAO found that about one out of every six dollars disbursed by the Federal Emergency Management Agency was an improper and potentially fraudulent payment. Much of the loss to fraud occurred in FEMA's Individuals and Households Program (IHP), which provides up to \$27,200 in benefits for a period of up to 18 months to individuals and households who are uninsured or underinsured and lack the personal resources to meet expenses.

GAO recommended that FEMA take the following corrective actions to promote payment integrity:

1. Establish an identity verification process for IHP registrants applying via both the Internet and telephone.
2. Develop procedures to improve the existing review process of duplicate registrations containing the exact same Social Security Number (SSN).
3. Establish an address verification process for IHP registrants applying via both the Internet and telephone.
4. Explore entering into an agreement with other agencies to periodically authenticate information contained in IHP registrations.
5. Establish procedures to collect duplicate expedited assistance payments or to offset these amounts against future payments.
6. Ensure that any future distribution of IHP debit cards includes instructions on their proper use.⁴

GAO also pointed to misuse of emergency funds by recipients: "We found that although debit cards were used predominantly to obtain cash, food, clothing, and personal necessities, a small number were used for adult entertainment, bail bond services, and weapons purchase, which do not appear to be items or services that are essential to satisfy disaster-related needs."⁵

Long experience shows that electronic disbursement through branded debit cards or EBT cards is much less susceptible to misuse than disbursement by check or in cash. Electronic disbursement allowed program officials and GAO investigators to review the locations where expenditures were made, a tracking process that is unavailable when an agency such as FEMA makes payments by check or in cash.

Thus it will be important that federal officials do not learn the wrong lessons from the GAO report: There is a danger that some programs will resist electronic disbursement for fear that misuse can be traced and publicized. Instead, of course, the better approach is for program agencies to disburse electronically and take steps—such as cutting off access to unwelcome categories of merchants, as were noted in the GAO report—in advance through branded debit cards. In addition, electronic cards permit other protective steps to be taken. Thus, it may be wise to provide only limited benefits in the early days after a disaster, and then to reload benefit cards only after applicants' identities can be validated through more thorough processes.

The research for this report has shown that electronic delivery of benefits has many advantages for payment integrity that are not available with respect to payments by cash or check. Also needed are a sound design for delivery of benefits, linking the amount of a benefit payment to the thoroughness of anti-fraud measures, for example, and a strong post-payment review system that in itself may help to deter fraud.

Finally, as with most efforts to address problems across jurisdictional boundaries, organizations need to group themselves into networks that function

according to rules that were put into place before a disaster. These essential organization and management issues are addressed in the section "Management and Organization Issues in Emergency Benefits Delivery: Promising Practices," which begins on page 30.

Delivering Emergency Benefits in the Immediate Aftermath

While different analysts may categorize these differently, there are three basic components of the delivery of emergency benefits in the aftermath of a disaster:⁶

- **Intake:** Intake is the function of receiving an application for assistance, determining the applicant's eligibility for particular forms of assistance, and registering the applicant to receive that assistance. In an emergency, many of the usual forms of verifying applicant eligibility may be irrelevant. Not only are there a press of applicants and a shortage of intake workers, but many people may have lost the forms of identification that could help establish their eligibility for particular programs. Intake may take place in person, by telephone, or over the Internet.
- **Disbursal of Benefits:** Benefits can be disbursed in a number of forms. Cash and checks generally do not work well, especially because of the security risks to disaster recipients who, if they could cash their checks at all, would be required to carry around large amounts of cash in a chaotic environment. The two preferred forms of disbursing assistance are (1) electronic debit cards, and (2) Electronic Benefits Transfer (EBT) cards. Applicants can use both types of card to obtain goods and services at retailers as soon as they reopen for business, and also can use the debit card and EBT cards of most states to access available ATMs for withdrawal of increments of cash.
- **Information Sharing:** Effective service delivery requires that each state or federal program agency be able to monitor the provision of emergency benefits to applicants. This is important to promote payment integrity, for example, so that redundant benefits are not disbursed to an applicant who applies at several intake centers and so that applicant identity and eligibility can be determined after disbursal, if there was not time to do an adequate job at intake. Program agencies also need to be able to use information from the electronic cards to determine patterns of use, both for payment integrity purposes and to obtain a picture of the extent that applicants are able to use their emergency benefits, and in which geographic areas.

Restoring Benefit Payment Services

In a disaster such as Katrina, power and telecommunications can be disrupted over a broad area. Under those conditions, emergency responders need to provide basic services such as food, temporary shelter, and security. Intake workers also can begin to set up to deliver benefits once power and communications

are available, even on a preliminary basis with generators and wireless telecommunications. People displaced by the disaster are likely to go to places where power and telecommunications are available, and intake services will be needed there as well.

In the disaster area itself, some power and telecommunications services soon may return to partial working order. In Louisiana after Katrina, half of the state's 3,100 retailers had no electricity. However, a number of larger stores had their own generators. Some larger stores also had access to satellite communications to process electronic transactions. These stores were able to process emergency food stamps and other transactions as soon as people could be furnished with EBT cards for food stamps or electronic debit cards for other emergency benefits. Manual processing of EBT cards was cumbersome but possible at some retailers.

Once again, prior planning pays. States need to ensure that electronic records for benefit programs are available at backup sites, known in the banking business as "hot sites," located far from the locus of a foreseeable disaster. States also must verify that their primary and backup telecommunications systems for electronic transactions are routed through geographically separate areas. That way, if one set of lines goes down, the other set may continue to operate.

Wherever basic electricity and telecommunications services become available in the disaster area, the delivery of emergency benefits can proceed. In addition, emergency benefits delivery must be established at points remote from the disaster where large numbers of evacuees may have relocated. In the case of Katrina, Texas and Florida received large numbers of evacuees who needed to be furnished with emergency benefits. Katrina hit the Gulf Coast on August 29; by September 9, the state of Texas alone had received 200,000 food stamp beneficiaries from the affected states.

The restoration of emergency benefits delivery services is important for disaster victims. Commercial banks have taken the lead in restoring bank services, even in areas without complete access to telecommunications or electricity. The Financial Management Service of the U.S. Treasury Department has facilitated restoration of bank services through guidance and regulations issued after Katrina. Treasury announced that it would relieve

depository institutions from liability for cashing forged or unauthorized endorsements as long as the bank made prudent efforts to verify the identity of someone seeking to cash a check.⁷ Treasury also issued regulations allowing the Treasury to establish and administer bank accounts for disaster victims so that they may receive their benefits payments even if their usual bank or bank account is inaccessible.⁸

States have worked with one another and with USDA's FNS to assure interoperability of most EBT systems so that holders of EBT cards from one state can access their emergency food stamp benefits in other states as well. Access to benefits is essential if disaster victims are to be able to purchase the goods and services that they need to support their families and begin to get back on their feet.

Monitoring Payment Integrity

As the sidebar "The Problem of Payment Integrity" on page 14 described, there has been much criticism of the payment integrity of some disaster assistance programs, including payments made by FEMA and by the American Red Cross.⁹ Payment integrity involves not only the problem of fraud against the federal and state governments, but also fraud against individual recipients. This occurred, for example, when elderly or incapacitated beneficiaries gave up their cards and PINs to people who offered help in accessing an ATM, but who then simply absconded.

Several points deserve to be made in this regard. First, the delivery of emergency benefits to unprecedented numbers of people in a major disaster inevitably means that improper payments will exceed the levels that are customary in normal times. As was discussed earlier, state, federal, and nonprofit organizations concerned with emergency benefits delivery will need to make trade-offs between the extent that program safeguards are imposed and the extent that applicants can be served quickly. In response to Hurricanes Katrina and Rita, the federal government adopted a policy of expediting the provision of benefits without the usual verification measures, but of making those expedited benefits time-limited and then conducting post-payment reviews.¹⁰ However, this was a general policy rather than one that was tailored to the particular risk profile of each benefit program.¹¹

Second, the delivery of benefits electronically provides additional program safeguards that are not available when benefits are paid in cash or by check. For example, if a post-disbursement review indicates that a recipient has received redundant benefits or suggests that fraud may be involved, and the relevant laws and regulations permit, then the benefits can automatically be curtailed or terminated, preferably before the recipient draws down all of the available assistance. Similar to the process when a private vendor shuts off access to a person's credit card because of suspicion of misuse, the result can be a call with a retailer, bank, or recipient, as the case may be, to obtain the necessary clarification or to prompt the recipient to visit the nearest intake office for further discussions. Some change to the legal infrastructure of federal programs may be required in this regard.

Moreover, to the extent that emergency benefits are delivered through an EBT card or a branded card such as through Visa or MasterCard, it is possible to restrict the merchant codes that are eligible to offer point-of-sale (POS) terminals where the cards may be used. While this is not a complete safeguard against misuse of benefit assistance, it does provide a helpful additional layer of protection.

The provision of benefits electronically also permits them to be tracked. It has been the experience of the food stamp program, for example, that the conversion to electronic payment has meant that trafficking in food stamps—i.e., the sale of food stamp benefits by the recipient in return for cash that can be used for purchases of ineligible items—has been greatly reduced. In addition, program agencies can monitor the patterns of use of the electronic cards to detect anomalies that could indicate fraud or abuse. None of this is possible if emergency assistance comes in the form of cash or check.

On the other hand, the ability of auditors and others to track payments electronically does pose some initial risk to the program agency. Using electronic records, it is possible for an auditor to obtain evidence and publicize a wide range of potential misuse of a benefit card, and thereby embarrass the program agency in a way that would not be possible if it made its payments in cash or by check, which cannot be tied to purchasing behavior. The trade-off, of course, is that a program agency can begin to

reduce misuse of electronic benefits payments by learning lessons from patterns of use and crafting increasingly improved systems for payment integrity even under emergency conditions.

Finally, the problem of fraud committed against beneficiaries relates to the larger problem of many people who remain without access to bank accounts or bank-type accounts. The expansion of reloadable debit cards, such as the Service Employees International Union (SEIU) reloadable payment card (see page 23), and associated training of cardholders in how to use the cards while safeguarding themselves against fraud, will help to mitigate this problem in future disasters.

Learning Lessons for the Next Time

Katrina was a painful experience, in part because of the many lessons that organizations needed to learn about responding to such a large-scale disaster. State and federal agencies, nonprofits, and private vendors all have been reviewing lessons from Katrina, and many are putting into practice some of these lessons.

In particular, states in areas affected by disasters with some frequency have drawn the appropriate conclusions. When Katrina hit, Louisiana had some 75,000 cards in stock; to cope with the disaster, the state needed some 500,000 cards. The state of Florida now is stockpiling 1 million emergency benefit cards to be available in an emergency. Either because of Katrina or other disaster experiences, a number of states have availed themselves of the opportunity to work with their EBT vendor to implement improvements in their disaster planning for delivering benefits by EBT.

This report is part of that learning effort. The following section presents a number of promising practices that, if properly adapted and supplemented, could be pulled together to help create an integrated process for delivering benefits in an emergency. The subsequent section discusses some of the organizational issues that have been addressed in past efforts at coordination and derives lessons for the future.

Building an Effective Emergency Benefits System: Promising Practices

The following are some of the promising practices that, if properly adapted, might help to promote effective emergency benefits delivery. These practices meet three criteria: (1) they have actually been implemented, (2) they have resulted in demonstrated improvements in management of benefit delivery, and (3) they have the potential to be adopted or adapted by other organizations with similar emergency benefit functions and responsibilities. Some of these promising practices (listed earlier on pages 9–10) were applied in Katrina; others can help to cope with future disasters. Consider the promising practices according to the elements of an emergency benefits system that were presented in the previous section.

Preparing Before the Disaster Strikes

Developing an Appropriate Legal Infrastructure

Here, two important practices stand out: (1) statutory waiver authority to make program regulations more flexible at the time of a natural disaster or other emergency, and (2) agreements among states to provide assistance in the event of an emergency.

PROMISING PRACTICE AREA ONE: Statutory Waiver Authority

The Practice—Food Stamp Program Waiver

Authority. Under the law, the FNS may grant waivers to states to improve the effectiveness of the intake process for delivery of emergency food stamp benefits. The text of the relevant provision of law is reproduced in the sidebar “Emergency Waiver Authority in the Food Stamp Program.” When a major disaster occurs, it is standard operating procedure for states to request waivers under this section of law. Waivers may include permitting food stamps to be used to purchase hot food (which otherwise

would not be allowed), advancing the date for releasing program benefits, permitting transactions when the beneficiary does not have a card, and converting regular food stamp benefits to emergency food stamps, with more liberal access to benefits. Some of these waivers benefit current food stamp recipients while others assist new recipients who qualify for disaster benefits.

Building on the Practice—Next Steps. It will be important, in the aftermath of Katrina, for lawmakers to review other benefit programs and enact similar laws that grant increased flexibility in the event of a disaster. With such flexibility, programs such as the Special Supplemental Nutrition Program for Women, Infants, and Children (better known as the WIC Program), Social Security, Supplemental Security, and state-managed programs such as workers’ compensation and unemployment could streamline their operations to meet emergency conditions. The granting of waiver authority should be accompanied by a risk assessment of each program to ensure that granted waivers do not introduce unacceptable levels of risk. Provided that such risk assessments are undertaken in advance, the federal government should work with program agencies to develop a standardized waiver approach that could be proposed for enactment into law to govern all financial benefits provided in emergencies, perhaps as part of the Stafford Act, which currently governs much of the federal government’s response to disasters.¹² The law might also provide for improved authority for program agencies to suspend assistance payments when a suspicious pattern of use is detected, and require that the cardholder either reapply for a card or contact the program agency through a toll-free number to explain the anomaly and have the benefit assistance restored.

Emergency Waiver Authority in the Food Stamp Program

7 U.S.C. Section 2014 (h). Temporary emergency standards of eligibility; Food Stamp Disaster Task Force; direct assistance to State and local officials

- (1) The Secretary shall, after consultation with the official empowered to exercise the authority provided for by sections 5170a and 5192 of title 42, establish temporary emergency standards of eligibility for the duration of the emergency for households who are victims of a disaster which disrupts commercial channels of food distribution, if such households are in need of temporary food assistance and if commercial channels of food distribution have again become available to meet the temporary food needs of such households. Such standards as are prescribed for individual emergencies may be promulgated without regard to section 2013(c) of this title or the procedures set forth in section 553 of title 5.
- (2) The Secretary shall—
 - (A) establish a Food Stamp Disaster Task Force to assist States in implementing and operating the disaster program and the regular food stamp program in the disaster area; and
 - (B) if the Secretary, in the Secretary's discretion, determines that it is cost-effective to send members of the Task Force to the disaster area, the Secretary shall send them to such area as soon as possible after the disaster occurs to provide direct assistance to State and local officials.
- (3)
 - (A) The Secretary shall provide, by regulation, for emergency allotments to eligible households to replace food destroyed in a disaster. The regulations shall provide for replacement of the value of food actually lost up to a limit approved by the Secretary not greater than the applicable maximum monthly allotment for the household size.
 - (B) The Secretary shall adjust issuance methods and reporting and other application requirements to be consistent with what is practicable under actual conditions in the affected area. In making this adjustment, the Secretary shall consider the availability of the State agency's offices and personnel, any conditions that make reliance on electronic benefit transfer systems described in section 2016(i) of this title impracticable, and any damage to or disruption of transportation and communication facilities.

PROMISING PRACTICE AREA TWO: Interstate Cooperation

The Practice—Emergency Management Assistance Compact (EMAC). One current law of great importance is the Emergency Management Assistance Compact, a mutual aid agreement among the states that enables states to provide assistance to one another in an emergency or disaster. States may request assistance from other states and, under EMAC, may provide reimbursement once the emergency is over.¹³ While EMAC does not require one state to assist another, it provides a framework to help resolve important issues of liability and reimbursement that are involved when one state sends its personnel to work in another state.

EMAC was extremely important in the aftermath of Katrina. Affected states requested National Guard resources, law enforcement personnel, medical team support, search and rescue services, and commodities

such as ice and water. EMAC was also important in facilitating the deployment of intake personnel who came from out of state to assist the states of Louisiana and Alabama to process the hundreds of thousands of applications for emergency food stamps. Cities are also beginning to establish EMAC-type cooperative relationships with each other.¹⁴

Building on the Practice—Next Steps. Under EMAC, a state stricken by disaster must request assistance from another state. The requesting state must specify the number and type of personnel it requests; this level of detail is important for reimbursement. While a state that offers resources may find it easy to bring its EMAC coordinator together with the relevant program people (in this case, officials responsible for delivery of emergency food stamps), a receiving state may find it more difficult to bring these people together to fashion a useful request in the midst of a disaster.

The states need to train the relevant officials in using EMAC and should facilitate communication between program officials and the staff responsible for EMAC. States also should develop basic material, such as draft request letters, that can be pulled off the shelf in an emergency. FNS, as the federal agency responsible for the emergency food stamp program, could usefully conduct a post-mortem on the use of EMAC by Louisiana and Alabama and add a comprehensive discussion of EMAC—and how to use it—to its otherwise quite informative *EBT Disaster Plan Guide*, published in October 2000.

Preparing an Effective Infrastructure for Delivery of Emergency Benefits

Promising practices stand out that relate both to intake and to the electronic delivery of benefits.

PROMISING PRACTICE AREA THREE: Debit Cards and EBT Cards

Table 1 presents an overview of the ways that financial assistance can be delivered electronically.¹⁵ Four forms of electronic delivery, with possible

Table 1: Alternative Forms of Disbursement of Emergency Benefits: Advantages and Disadvantages

Method	Multiple Program Delivery	Convenience for Beneficiary	Tracking Transactions	Payment Integrity	Ease of Implementation
Traditional Methods					
Cash	Minus	Plus	Minus	Minus	Minus
Paper Check	Minus	Minus for the unbanked	Minus	Minus	Plus
Electronic Methods					
Direct Deposit with ATM	Plus	Minus for the unbanked	Minus	Plus	Plus
Branded Debit Card (e.g., MasterCard, Visa)	Plus	Plus	Plus	Plus	Neutral
EBT Quest	Plus	Plus	Plus	Plus	Plus
Branded Stored Value Cards (e.g., MasterCard, Visa)	Minus	Minus	Plus	Plus	Plus
Delivery Approach Comments					
<ul style="list-style-type: none"> • <i>Cash</i>. Not recommended because it is prone to theft and leaves no audit trail. • <i>Paper Check</i>. Not recommended because checks are prone to fraud and do not work well for the unbanked, who will be charged a check-cashing fee. • <i>Direct Deposit</i>. Recommended for individuals and families who have a regular banking relationship and an ATM card; does not work for the unbanked and leaves a limited audit trail. • <i>Branded Debit Card</i>. Recommended if a beneficiary bank account is not available. Requires limited program infrastructure but may be costly in terms of subscription costs and transaction fees. An option could include piggy-backing a debit card with a branded mark onto an EBT card, which would provide an additional point of access to benefits by merchants who are members of Visa or MasterCard or other brand networks. • <i>EBT with Quest Mark</i>. Recommended because it streamlines delivery, is a well-founded convenience, has tracking capability, proven integrity, and ease of implementation. Additional capability can be provided by adding a branded mark. • <i>Branded Stored Value Card</i>. Not recommended because the one-time, non-reloadable card would be inconvenient to beneficiaries. 					
Source: Adapted from work by Thomas P. Stack, S & S Consulting, LLC, and Brian Kibble-Smith, JPMorgan Chase.					

variations as can be seen in the table, are most relevant in an emergency:

- **Direct Deposit:** For disaster victims who have access to bank accounts at functioning banks, direct deposit is a highly effective way to provide access to benefits, employer payments, and other funds. After Katrina, banks cooperated to issue new ATM (i.e., debit) cards to disaster victims, even if they were not customers of the issuing bank. To the extent that such people qualify for emergency benefits, these can be sent electronically to the applicant's existing bank account.
- **Electronic Benefits Transfer Cards:** States use EBT cards to deliver food stamps and some other cash benefits, depending on the state, such as unemployment insurance and Temporary Assistance for Needy Families. EBT cards are not tied to an existing bank account. States and the FNS monitor use of EBT cards for purposes of promoting payment integrity.
- **Emergency Debit Cards:** For people without a bank account, federal and state program agencies can issue electronic payment cards. An agency can purchase these cards in advance, load them with a specified amount of program benefits, and make them available, along with an assigned PIN, after a disaster. Like an EBT card, the contributing agency or nonprofit may reload the card from time to time with access to additional benefit amounts.
- **Stored Value Cards:** A stored value card allows for the loading of a specified amount of assistance onto a plastic card that can be used in ATMs or at retail points of sale. A stored value card is like cash; a consumer may spend the money any way he or she wishes up to the amount of value stored on the card. Retail gift cards are a common commercial example of the stored value card.

There are promising practices in the payment of benefits electronically. With respect to direct deposit, GAO points to the National Finance Center (NFC) in New Orleans, part of the U.S. Department of Agriculture, which undertook effective planning to provide continuity of payments in the disaster. The NFC paid more than half a million federal workers on time despite the impending hurricane and then moved to backup locations to resume making

payments. GAO reports that within 50 hours, the NFC had its data center recovered and began catch-up processing to make timely payments.¹⁶ Another example, restoration of payment services by Parish National Bank, is presented on page 26.

When affected people have bank accounts at functioning banks, mobile resources such as the satellite bank branches discussed below can provide a quick opportunity to recover access to payment funds after a disaster. The applicant merely needs the checking account number and an ATM card to be able to withdraw funds at any operating ATM or point-of-sale terminal. Banks can cooperate to provide new cards and new PINs to people with bank accounts even when these people have their accounts at another bank.

By contrast, people without bank accounts face much greater difficulty in obtaining payments from existing sources; “[M]ail service disruptions made it impossible to deliver Social Security or supplemental security income, private pensions, and child support or alimony payments to recipients not using direct deposit. As displaced residents, evacuees no longer had permanent addresses, likely causing future delays in receiving income checks.”¹⁷ Indeed, some residents refused to evacuate for fear of losing the checks that would be delivered to their homes. Tulane University Professor Douglas Brinkley found that many low-income people remained in their New Orleans homes without evacuating because they needed to receive their end-of-the-month Social Security or welfare checks.¹⁸

Electronic Benefits Transfer is a payment system that serves many people without bank accounts. State intake centers can furnish new EBT cards and PINs to enrolled people who have lost their cards. Emergency assistance can be loaded onto the card, in addition to benefits such as food stamps that may already be included. As with people who obtain a new bank card, the key issues for people who receive EBT benefits relate to the proper identification of individuals to ensure that they are in fact already enrolled. For people who become eligible for EBT because of the disaster, key issues relate to determining their identity and eligibility so that they can be enrolled.

The EBT system represents an excellent example of the results that can occur when states work with a

Figure 2: The Florida EBT Card

federal agency to overcome jurisdictional issues and create an interoperable benefit payment system. The organizational model that developed and now supports EBT is discussed in the next section; here the EBT system itself is presented as a promising practice.

The Practice—State EBT Cards. States and the federal government jointly developed the EBT card as a substitute for food stamp coupons or paper checks. Instead, state governments furnish beneficiaries with a debit-type card that contains the value of their food stamp or cash benefits and that can be used at retailers and ATMs. Unlike the commercial debit card, an EBT card is not branded—for example, with a Visa or MasterCard or other commercial mark—and is not subject to the rules that govern such commercial payment networks. Also, because the benefit funds are held by the program agency until they are actually spent, EBT accounts are not governed by consumer protections of federal banking regulations.¹⁹

EBT is based on a common mark called the Quest mark, which appears on participating state cards and is backed by operating rules and agreements as to rights, responsibilities, and liability to govern transactions using the EBT card. Currently all of the states and the District of Columbia offer statewide EBT programs, and 40 of these use the Quest service mark and the operating rules developed by the EBT Council.²⁰ Under a federal law enacted in 2000, EBT must be interoperable across the entire country for food stamps, but not for other programs.²¹

States are adding to the functions that are served through their EBT card systems, including payments for Temporary Assistance for Needy Families, Medicaid, and child care.²² The U.S. Department of

Agriculture announced in 2004 that the delivery of food stamps has now shifted completely into electronic form. USDA contemplated renaming the program because the term “food stamps” has become an anachronism.²³

EBT cards showed their value in the aftermath of the recent disasters. In Louisiana, nearly 500,000 households received more than \$400 million in disaster food stamp benefits after Hurricanes Katrina and Wilma; 650,000 households in Florida, including over 2 million people, received more than \$269 million in disaster food stamp benefits after Hurricane Wilma. Using an electronic geographic information system, Louisiana was able to create daily reports that mapped the status of card users and retailers based on purchases using the EBT card. State officials could track which stores were operational and where Louisiana beneficiaries had moved.²⁴

EBT cards also showed their benefit in protecting against fraud and abuse. Because users of the cards leave electronic records, agencies such as the Food and Nutrition Service can monitor use and detect misuse much more readily than would be possible with paper food stamps, for example. When a card displays a suspicious pattern of use, it is possible, depending on applicable law and regulations, to cut off benefits and invite a call from the user to explain.

Building on the Practice—Next Steps. States are adding to the range of benefits provided through EBT. In the area of benefits payments, as in funds transfers generally, electronic forms are proving their general superiority to paper transactions. In addition, some states are beginning to develop disaster backup plans so that backup computer and telecommunication systems are available, as well as to stockpile a prudent number of blank cards, so-called “vault cards,” so that a state does not need to rush to try to create cards after an emergency has hit. States also may need other standby capabilities such as expanded or enhanced live operator or interactive voice response (IVR) telephone support. While the FNS *EBT Disaster Plan Guide* does require each state to develop and test such disaster plans, it does not set standards for the states or prescribe the content of those plans. The issue of federal-state relations in this area is explored further in the following section.

The Practice—SEIU Reloadable Debit Card. The Service Employees International Union (SEIU) recently adopted a debit card for its members. This is a branded MasterCard. Especially because of the number of SEIU workers who do not have access to bank accounts, SEIU is working with employers to promote the use of electronic payments through such cards. The employer can deposit a worker's wages onto the card weekly and thereby create a virtual account for the worker.

An important feature of the SEIU card is that it can be loaded, and reloaded, with access to benefits from multiple sources. The card accepts deposits from multiple sources, including cases where the worker wants to increase the stored value by making a cash deposit.

An SEIU brochure lists the benefits for workers: They can access their funds worldwide, wherever MasterCards are accepted. This helps unbanked workers to avoid expensive check-cashing services. It also allows workers to send additional cards to relatives out of the country for use there. This helps to avoid use of expensive cash-remittance services that workers otherwise would need to use to send money.

For unbanked workers, the cards also offer benefits in terms of personal security. Workers have 24-hour access to ATMs. That allows them to withdraw only as much money as they need at the moment. Unlike workers who use check-cashing services, card users do not need to cash the entire amount of their paycheck. Also, workers using a branded debit card can protect themselves from the cost of lost or stolen cards by reporting the loss to the card issuer, which then cancels the card and issues a replacement.

The debit card has other benefits for unbanked workers. They can use it to pay bills or shop online. Under the terms of the card, they also may create up to three accounts on the card, and control access by others to each of the accounts. Modest fees are associated with use of the cards compared with a basic bank account and especially with check-cashing services.²⁵

Finally, the reloadable debit card provides a useful bridge for people without bank accounts to enter the world of electronic transactions and receive training and experience in using their cards safely and effectively.

Building on the Practice—Next Steps. It is widely recognized that debit cards provide special benefits to people without bank accounts. Debit cards proved to be especially valuable for unbanked people displaced by Katrina and other disasters. J. P. Morgan, working as a contractor, reports, for example, that it issued over 300,000 cards to Louisianans who were newly unemployed after Katrina or who were receiving unemployment but lost their permanent address at which to receive a check. These cards were issued both to people within the state and to Louisianans who had relocated to other states.²⁶ The American Red Cross, which had some 70,000 debit cards in stock when Katrina hit, ultimately dispensed about 200,000 cards to make assistance payments.

It would be appropriate to consider the creation of a national debit card that might be deployed in an emergency and that could receive payments from a variety of federal sources. The creation of such a card can help to overcome some of the diseconomies of scale that affect individual states. While individual states may not find it worthwhile to stockpile many cards, for example, a common stockpile of available debit cards can provide backup capacity for any state affected by disaster. Similarly, a common national emergency debit card could overcome some of the differences that continue to exist in interoperability of EBT across some states. A national debit card also could provide a common case number for people receiving assistance, thereby improving payment integrity; currently each state has its own case identification number that is not shared with the federal government.

With Katrina, the affected states had at least one advantage: Their state benefit program records and information systems were intact after the hurricane. A federal assistance card could provide the overlay of a federal system that helps to make benefit assistance available even if state systems go out of service.

PROMISING PRACTICE AREA FOUR: Intake Systems

The Practice—ACCESS FLORIDA. ACCESS FLORIDA is an Internet-based application system that permits people to apply for food stamps, TANF benefits, and Medicaid online. The Florida Department of Children and Families adopted the system in the aftermath

of an overwhelming number of paper-based applications for emergency food stamps after Hurricanes Charley, Frances, Ivan, and Jeanne hit the state in summer 2004. After Katrina, the department expanded the system so that it could provide simplified access to emergency food stamps, TANF, and Medicaid to evacuees from Alabama, Mississippi, and Louisiana.

This program was implemented in-house, rather than by contractors. The department reports that the new web-based application has allowed staff to deal with an increased caseload despite a reduction of 40 percent in staff levels in the Florida Economic Self-Sufficiency Program since 2002. A February 2006 user feedback survey indicates that the experience of users was largely very positive in terms of ease of use, time to complete, experience with the screens, and willingness to use the process again.²⁷

Building on the Practice—Next Steps. Given the surge in applications following a major disaster such as Katrina, the use of a combination of approaches, including walk-in intake centers, Internet, and telephone-based programs, seems advisable. Wherever electricity, Internet, and telephone services are available, the Florida experience would seem to indicate that an Internet-based application process may be the most effective and cost-efficient method for many people. For those people who are not computer literate or who do not have access to the Internet, one of the other intake methods would be appropriate. A payment integrity issue is important here: Before providing funds to an applicant, intake workers need to verify the applicant's identity and ensure that they do not provide funds that duplicate assistance that the applicant has obtained through another intake system.

Needed now is a means of sharing the Florida system and experience with other states and nonprofit organizations. Again, because of the volume of food stamp benefits accessed through the system compared with other benefit programs, FNS would seem to have an opportunity to showcase the Florida system to other states and encourage development of interoperable systems along similar lines.

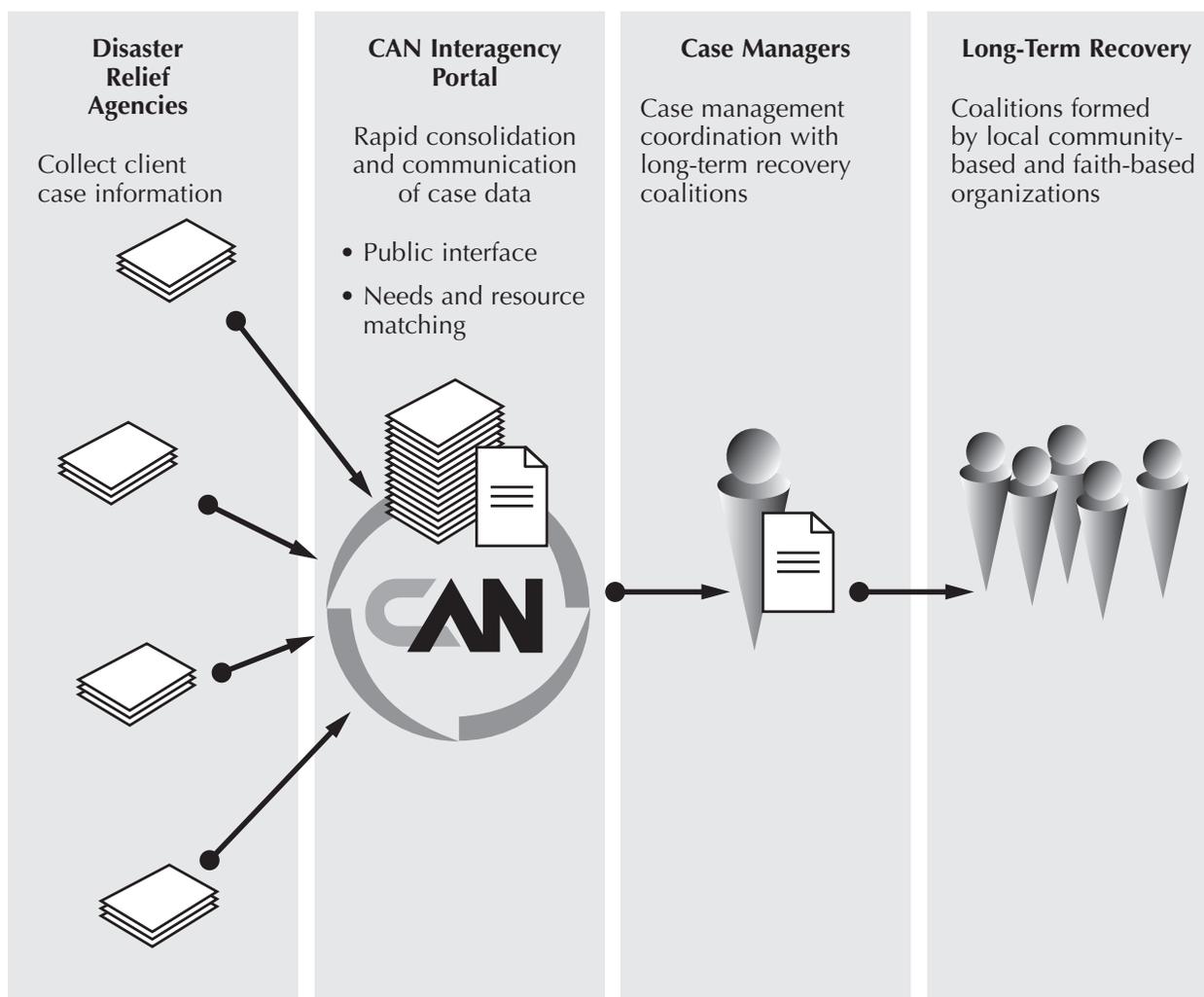
The Practice—Coordinated Assistance Network (CAN). The Coordinated Assistance Network is an integrated intake portal that permits nonprofit

assistance organizations to collect information from and about applicants. Once information is collected, it is available to all partner organizations so that each intake worker can obtain up-to-date information about the applicant and available services. This helps to reduce the incidence of organizations providing services that duplicate those that other organizations may have already provided. In addition, when an applicant appears, the intake worker may be able to access relevant information already in the system, thereby saving time and effort and avoiding the need to input the information once again. CAN partner organizations sign a rigid privacy policy that precludes sharing of this information with parties outside of the network.²⁸ Figure 3 shows schematically how the CAN portal works.

The seven founding partners of CAN are themselves networks of service organizations: the Alliance of Information & Referral Systems (AIRS), the American Red Cross (which currently houses CAN), 9/11 United Services Group, National Voluntary Organizations Active in Disaster (NVOAD), Safe Horizon, the Salvation Army, and the United Way of America. Seven other local agencies joined the CAN network. Also, CAN incorporated the FEMA database into the CAN system, thereby giving intake workers access to information about 850 agencies and services. However, because of CAN's strict privacy rules, CAN does not share information from its database with FEMA or other government organizations.

Building on the Practice—Next Steps. The CAN model is an important first step in building a common intake portal for all assistance workers responding to a major disaster. It helps to avoid provision of duplicate benefits, makes the intake process faster, and helps assistance organizations to better match applicants with the benefits that they need. However, some important issues remain to be addressed. The most important of these involves the need to reconcile the CAN privacy policy with the need for creation of an expanded common intake portal that allows federal, state, and local government organizations to share information with nonprofits. Expansion of CAN's network of nonprofit organizations is also needed. Finally, if CAN could be expanded to link to government assistance providers, then it would be useful to consider joining the CAN intake system to some form of a benefits

Figure 3: The Coordinated Assistance Network Portal



assistance program, such as BenefitsCheckUp, developed by the National Council on Aging and discussed next.

The Practice—BenefitsCheckUp. The National Council on Aging (NCOA) launched BenefitsCheckUp in June 2001. BenefitsCheckUp is a comprehensive Internet-based service that helps applicants and intake workers to screen individuals to determine the federal and state, and some local and private, benefits for which they may be eligible. The system uses information provided by the applicant to screen some 1,350 programs, including, on average, some 50 to 70 programs that are available to applicants from a particular state or the District of Columbia.²⁹

The system provides a customized benefits report with detailed program descriptions, downloadable

application forms, instructions on how and where to apply for programs, and up-to-date contact information. NCOA reports that BenefitsCheckUp has already helped provide customized benefits information on financial assistance, healthcare, and prescription medication programs, among others, to over 1.9 million older adults.

The BenefitsCheckUp webpage is easy to navigate. Screening can be completed in about 30 minutes. Since applicants do not enter information that would identify them personally, the system raises no privacy concerns. NCOA updates all information approximately every four weeks.

Building on the Practice—Next Steps. NCOA is a service organization for senior Americans. That means that BenefitsCheckUp provides access to

eligibility and enrollment information primarily for programs that concern seniors. However, the idea could easily be expanded to include a broad range of programs rather than just those of interest to seniors. Another interesting idea would be to link the BenefitsCheckUp concept to the CAN concept and generate program eligibility and enrollment information for applicants in an integrated process. This would serve disaster assistance purposes for people who apply after the emergency period has passed, rather than those who seek assistance in the immediate aftermath of a disaster.

Restoring the Service Infrastructure After Disaster Strikes

Preparation and training are the keys to effective restoration of payment services in the aftermath of a disaster. Several examples, from the private and public sectors, provide models for action after future disasters.

PROMISING PRACTICE AREA FIVE: Restoring Bank Services

The Practice—Restoring Bank Payment Capacity.

Parish National Bank is a community bank with \$800 million in assets, operating offices in the Jefferson, St. Tammany, Tangipahoa, and Washington Parishes of Louisiana. Katrina hit Louisiana three days before the end of the month, which is when companies make their payments electronically to workers through use of direct deposit.

The bank had prepared a disaster recovery plan, and had equipped its operations center with a portable generator and satellite telephone. After the storm hit, the bank's cash management manager went door-to-door to the bank's corporate customers, collecting disks loaded with payment files; other corporate customers brought laptops with payment files to the operations center. The manager hand-delivered these files to Parish Bank's correspondent bank in Baton Rouge, where just 48 hours after the storm, the bank was able to begin processing payroll payments.

In May 2006, the National Automated Clearinghouse Association (NACHA) presented an award to the chief operating officer of Parish National Bank in recognition of the outstanding achievement of the bank in meeting its electronic payment obligations despite suffering significant adversity in the hurricane.³⁰

This promising practice was replicated at other banks in the affected areas that were able to restore operations as quickly as the restoration of electricity and telecommunications would permit.³¹

Building on the Practice—Next Steps. The financial sector is much better prepared than many sectors to deal with emergencies. Banks, thrifts, and credit unions are all required to maintain "hot sites" in other areas so that they can continue operations even if their usual places of business cannot function. However, to make payments based on future transactions, such as Parish Bank's processing of payroll payments that became due shortly after disaster struck, requires the kind of continuity of operations planning and available infrastructure—in this case, a portable generator and satellite communications—that Parish Bank had in place. The question now becomes whether a greater number of other establishments, such as retail merchants, can be brought into the disaster planning process. In addition, community and regional cooperation is required, as is discussed below.

The Practice—Providing Emergency Mobile

Payments Services. Bank of America deployed a small fleet of satellite bank branches to Texas to help restore banking services for people displaced by the hurricanes. These satellite branches were full-service branches mounted on 18-wheel tractor trailers. They included ATMs and customer service representatives at a workstation. The trucks carried their own generators and had satellite communications with the rest of the Bank of America network elsewhere in the country.

The satellite bank branches helped provide check-cashing services, mostly of government checks, helped people to open checking accounts so that they could access their government assistance and other benefits, and provided ATM services for people in possession of debit or payment cards. The bank backed its satellite branches with specialists for infrastructure such as ATMs and plastic cards.

Also important, Bank of America staff helped provide current information, both to inform deployment of bank resources and also for the Financial Management Service of the United States Treasury Department. Bank staff went to key locations such

as the Houston Astrodome and the New Orleans Superdome and helped to provide a current map of every Bank of America facility in Texas. About 200 bank staff people participated in conference calls twice or three times daily to provide status reports and decide what needed to be done next to meet emerging needs.

The bank was able to roll out its satellite branches quickly because it had a prearranged internal infrastructure—including organization, staffing, and hardware—ready to provide disaster recovery services. A national leader was in place to coordinate the bank’s disaster recovery activities in each affected area. Employees of the bank volunteered from other states to staff FEMA intake centers. The disaster recovery staff were people experienced in critical areas such as logistics or trauma.

Building on the Practice—Next Steps. The Bank of America effort was entirely voluntary. It was limited to Texas because the bank was not licensed to provide banking services in Louisiana, Alabama, or Mississippi. JPMorgan Chase also provided similar services in Texas, setting up about a dozen ATMs at the Houston Astrodome. Needed is a more comprehensive disaster recovery plan to allow and encourage mobile bank branches to deploy to any disaster area to meet the needs of affected people who may lack access to their usual sources of banking services. While debit cards and EBT cards can be used at many retail merchants, affected people also need access to check-cashing services, deposit accounts, and ATMs to obtain the amount of cash they need to cope with the emergency.

PROMISING PRACTICE AREA SIX: Interstate Cooperation to Serve Displaced People from Another State

In the aftermath of Katrina hundreds of thousands of people from the affected states dispersed across the country. Many of these people were unemployed, often because the hurricanes had destroyed their places of work. Interstate cooperation was needed to enroll these people so that they could receive unemployment assistance to help tide them over until they again found work. Under the law, the states disburse emergency unemployment benefits but the federal government pays for them. The critical question is whether a state is able to provide the

intake services needed to furnish people with the benefits to which they are entitled.

The Practice—Texas Workforce Commission Support of the Louisiana Unemployment Program. To assist the many people who streamed from Louisiana to Texas, the Texas Workforce Commission created a special toll-free telephone number for Louisiana callers. The number was staffed both by Texas claims representatives and by intake volunteers from other states who had volunteered to take calls for TWC. The Texas intake system, which included Voice Over Internet Protocol connections to other states, allowed applicant calls to be routed seamlessly to intake workers in other states.

The special hotline took some 2.6 million calls, of which about half were served from states other than Texas. TWC also helped Louisiana to develop an Internet application for both regular and disaster unemployment benefits that would be filled out either by applicants or by intake workers. As of April 2006, TWC reported that it processed nearly 68,000 unemployment claims for Louisiana.³² TWC accepted the applications and transmitted them to the contractor for the Louisiana Labor Department, who would issue branded debit cards under the Louisiana unemployment compensation program.

Building on the Practice—Next Steps. There were other examples of interstate cooperation as well. The states of Georgia and Tennessee issued between 20,000 and 30,000 EBT cards to provide emergency food stamp assistance to displaced Gulf state residents. Needed now is more general creation of backup capacity both to provide surge capacity for a single state, the way that TWC had arranged for backup from intake workers in other states, and to assist surges of new arrivals from other states, the way that Texas was able to serve displaced Louisiana residents. Once again, for very large disasters, the creation of a federal backup system to provide intake services by telephone or over the Internet would be extremely helpful.

Monitoring Payment Integrity

The problem of payment integrity has been highlighted in a number of reports. As was noted in the sidebar “The Problem of Payment Integrity” on page 14, GAO reports that perhaps one out of every six

dollars of FEMA's benefit assistance was taken improperly and potentially fraudulently.³³ GAO found payment integrity issues related to specific practices. They found that FEMA failed to:

- Validate the identity of the applicant, the physical location of the damaged address, and the ownership and occupancy of places where the applicant claimed to live.
- Detect and prevent duplicate applications.
- Ensure that expenditures were made only for purchases that are allowed under FEMA regulations.

In addition, the American Red Cross discovered not only that some funds were disbursed based on fraudulent applications, but also that some Red Cross contractors and volunteers took funds fraudulently.

For most of these problems, solutions do exist. For example, the American Red Cross used an outside vendor to install a remote system of applicant verification and authentication. However, the Red Cross reports that an unexpectedly high proportion of applicants lacked public record entries that could be used to verify their identities.³⁴ In addition, where sufficient telecommunications capacity was lacking, it may have been difficult or impossible for intake workers to meet the demands of a surge of applications if they denied applications until adequate information was available. Where communications and sufficient time were available, some Red Cross intake workers used sources such as GoogleEarth to validate applicants' statements about their residences—for example, by asking about nearby landmarks that the intake worker saw on the computer screen.

There are also some answers to the issue of ensuring that assistance payments are properly used for purposes allowed by law. As was noted earlier, electronic payment provides many more safeguards than are possible with assistance that is provided in cash or by check. The EBT program, for example, allows applicants to use their EBT cards only for eligible items authorized under the food stamp program. Branded debit cards can be issued to limit access so that the card cannot be used in designated kinds of establishments such as bars, gambling casinos, or gun stores. Branded cards come with "merchant codes" that allow the imposition of

these limits. Also, electronic payments can be tracked to provide feedback to program officials, both as to potential cases of fraud and as to shortcomings that must be addressed in future modifications to the payment system.

That said, some forms of fraud can be limited but not stopped. In a major emergency such as Katrina, intake workers are likely to be overwhelmed by a surge of applicants on the one hand and a lack of resources on the other. Thus FEMA turned off electronic controls that could have prevented some forms of duplicate payments. "FEMA stated that they deactivated the system edit check in order to process disaster claims more quickly, because the manual review process that they had intended for these duplicate registrations would have held up many eligible payments."³⁵

Another problem occurred when FEMA provided rental assistance funds to over 100 state and local governments to help expedite the provision of assistance to people needing housing. This helped to provide the funds more quickly, but made it difficult for intake workers or later auditors to monitor whether duplicate payments were being made.³⁶

Many checks on identity that are available to a program in normal times may be unworkable in a disaster. For example, the state of Texas has adopted a biometric system, the Lone Star Imaging System (LSIS), which the Texas Health and Human Services Commission uses to obtain biometric information on over 50,000 applicants each month. This system helps to minimize the chances for duplicate applications and also can help to check an applicant's identity against other records, such as those of law enforcement agencies.

While such an identity system may be helpful in normal times, it cannot be used in a major emergency. The time that it takes to process individual fingerprints is far too slow to be helpful to intake workers faced with a long line of applicants. Moreover, biometric systems require a face-to-face meeting; they cannot be used for telephone or Internet applications for assistance.

Even the merchant codes on branded debit cards have their limitations. When an applicant uses the debit card at a large retailer, one cannot determine

the nature of the particular goods that the applicant purchased. This is also a shortcoming of assistance payments in cash or by check or direct deposit; once applicants have the assistance money in hand, they can use it as they best see fit to recover from the disaster or to make purchases that many would consider frivolous or inappropriate under the circumstances.

To list these issues is not to say that delivery of benefit assistance cannot be improved: Some of the GAO findings, such as the issuance of assistance to people in penal institutions or to post office boxes and the issuance of benefits to multiple applicants from the same post office box, would seem to be easy to check once communications links are established. As the Red Cross noted in “From Challenge to Action: American Red Cross Actions to Improve and Enhance Its Disaster Response and Related Capabilities for the 2006 Hurricane Season and Beyond,” its excellent response to the lessons learned from providing assistance after Katrina, a number of cost-effective measures are available.³⁷ To adapt these slightly:

- Improve available systems for quickly verifying and authenticating the identity of applicants for assistance, especially at call centers.
- Train intake workers and provide computerized scripts for dealing with assistance issues.
- Inculcate a sense of payment integrity among intake workers (making the appropriate judgment about the needed balance between speed of intake and degree of controls imposed).
- Conduct background checks on all volunteers, including spontaneous volunteers who appear at an intake center and offer to help.
- To limit fraud by contractors and volunteers, control passwords and user IDs and ensure capacity for generating new passwords and IDs to incoming intake workers.

In addition, as program managers and analysts mine the data from electronic transactions, other lessons are likely to emerge. Among the most important of these would be the generation of screens to help prompt detection of fraudulent use of an electronic card and the incorporation of these into systems that are available for use by intake workers in the next major disaster. Also important may be to change

applicable laws and regulations to permit program officials to shut off electronic cards temporarily in cases where suspicious behavior is detected and to require applicants or merchants, as the case may be, to contact the program office through a toll-free number to explain the anomaly and restore benefits in appropriate cases.

Finally, many people interviewed for this report commented that the standard \$2,000 FEMA assistance benefit was far too high. It may be best to adopt a tiered structure and provide, say, \$500 in benefits on a debit card based on limited controls against fraud and abuse. Then, when the initial intake surge has passed, applicants can undergo a more rigorous screening process before their cards are reloaded with access to additional benefits. This kind of trade-off between the speed with which assistance is provided and the quality of internal controls needs to be made thoughtfully after considering all of the lessons regarding assistance that was disbursed in the aftermath of Katrina.

Management and Organization

Issues in Emergency Benefits

Delivery: Promising Practices

While practical issues such as available telecommunications, electricity, intake capacity, and internal controls all are important features of an emergency benefits delivery system, the organizational and management issues are just as critical. That is one of the most important learnings to emerge from the painful Katrina experience.

Traditional hierarchical government departments and agencies acting alone are no longer adequate to meet the challenges of effective governance, especially in a disaster situation. The Katrina experience shows that effective disaster response requires the design, creation, maintenance, and management of nonhierarchical networks that include private as well as public actors and all levels of government.³⁸ Three promising practices stand out with respect to organizational infrastructure. They concern themselves with (1) creation of an effective electronic payment system, (2) use of a network to enhance intake capacity, and (3) restoration of financial services after a disaster.

PROMISING PRACTICE AREA SEVEN: Establishing and Using an Effective Network

The Practice—Using a Network to Create an Effective Electronic Benefits Delivery System. The Electronic Benefits Transfer (EBT) Council began in September 1995 as an organization composed of federal agencies, states, merchants, payments networks, financial institutions, and other EBT service providers, including consultants and processors. The federal government, through the Office of Management and Budget, encouraged these stakeholders to meet in a deliberative group to develop operating rules for the electronic delivery of government benefits, including food stamp and cash

benefits. OMB and other federal agencies also furnished the council with a letter recognizing its work.

The EBT Council was structured to ensure that no government, federal or state, is required to give up its authority to make decisions. Rather, the EBT Council provides an opportunity for federal and state agencies and private parties to fashion a set of rules that may be more suitable for participating parties than the federal government might have been able to devise by itself or through a formal notice-and-comment rule making. If the federal government declines to accept the work product of the EBT Council, it always retains the option to issue its own regulation. Similarly, if states do not want to accept the work of the EBT Council, they are not required to use the council's system or operating rules in their own EBT systems.

The EBT Council obtained a common mark, called Quest, that appears on participating state cards. The council developed operating rules and agreements as to rights, responsibilities, and liability to govern transactions using the Quest EBT card. To achieve interoperability across state programs and institutions was not easy. The EBT Council needed to adopt operating rules that specify which technical standards must be used so that there can be a rapid response when an EBT card is presented at a retailer or ATM. Also, operating guidelines were required that specify how the receiving retailer is to use the card and what to do in special circumstances such as if the system goes down. Finally, the EBT Council needed to develop a set of legal operating rules that set forth the liability of the parties issuing, using, and receiving the EBT card; that govern the operating standards; and that prescribe the rules for dispute resolution.

Currently all of the states and the District of Columbia offer statewide EBT programs, and 40 of these use the rules developed by the EBT Council. Now that EBT has proven successful, the council has renamed itself the Electronic Benefits and Services Council to reflect an expanded mission of enhancing government electronic payments and services. Electronic Benefits Transfer was a critical means of delivering assistance to hundreds of thousands of people in the aftermath of Katrina.

Building on the Practice—Next Steps. As states move an increasing number of benefit programs onto the EBT system, it will be important to ensure the seamless transfer of benefit payments across state lines. States must ensure that their contracts contain provisions for resumption of EBT services after a disaster, including requirements, incentives, and sanctions, to ensure that contractors cooperate with one another to provide quick relief to disaster victims. A disaster is the wrong time to try to work out such issues across organizational lines.

Another issue deserves mention in this regard. That is the need, once a large majority of states have adopted EBT systems for similar programs, for states that have not participated to be urged or indeed required to join the common network. Federal law now requires interoperability and portability of electronic delivery of food stamp benefits across state lines, but does not mandate similar requirements for other federal programs that the states manage. Especially in disasters that involve homeland security, but also natural disasters such as Katrina, the nation cannot afford to have weak links in geographic areas where states somehow have neglected to adopt programs that operate effectively across state lines. Respect for the role of states in the federal system is essential; however, given the large amount of federal money at stake in many programs such as TANF and emergency unemployment benefits that are delivered by the states to their residents, the federal government also has a legitimate interest in ensuring the quality of benefit delivery services across the country.

The Practice—Using a Network to Strengthen Intake Capacity. The American Public Human Services Association (APHSA) is an organization representing state and local human services agencies of the 50 states.³⁹ The state chief human services officers—department secretaries or commissioners of

the relevant agencies—meet regularly to discuss problems of common concern. The organization, either directly or through one of its affiliate organizations, presents testimony and otherwise advocates on behalf of human services programs, agencies, and beneficiaries.

When Katrina hit, APHSA contacted the chief human services officers of the affected states to obtain an assessment of the situation. Then APHSA, acting through Deputy Executive Director Gary C. Cyphers, issued a call to the membership. Chief human services officers of other states, outside of the disaster area, responded favorably. In a series of communications, APHSA requested its members to assess their capabilities to provide assistance. APHSA also maintained contact with the Food and Nutrition Service of USDA.

APHSA realized that the Emergency Management Assistance Compact, described earlier, was essential to establishing the ground rules for any state-to-state assistance. This then required placing the EMAC officials of the affected states on notice as to the services that the other human services agencies were willing to provide. Under EMAC, if a request is to have binding validity, the requesting state must state specifically which resources it requests. Both Louisiana and Alabama stated that they required intake officials with experience processing food stamps, and preferably emergency food stamps.

The 10 contributing states sent their intake workers to Louisiana and Alabama without payment, but with the expectation that, under EMAC, they ultimately would be reimbursed. The FNS Southwest Regional Office worked with local organizations to find housing for the incoming workers in private homes, churches, and shelters.

Some 163 intake workers came to the two affected states, worked long hours for one week, and then rotated back home. Many more people wanted to come than could be accommodated by the receiving states. The binding constraint in the early days after Katrina was housing; there simply were not enough places for workers to stay. Also, the incoming workers had to be trained before they began work.

The secretary of the Louisiana Department of Social Services, an APHSA member, reported afterwards

that food stamp applications were processed on a 24-hour basis for one week after Katrina. While the department normally would process fewer than 2,000 food stamp applications in a month, the agency processed over 200,000 applications in that single week period.⁴⁰

Building on the Practice—Next Steps. By all accounts, it took time for both the receiving and the contributing states to understand how to use EMAC for the first time. Needed is increased familiarity with EMAC by first-response agencies. State human services officials must get to know their state EMAC coordinator personally so that, whether they are to receive or contribute resources, their cooperation in an emergency goes smoothly. Again, as with all emergency response issues, prior planning, preparation, and training are preconditions to effective action. Finally, it might be useful if FEMA, and not just FNS, involved itself with APHSA so that state-to-state support for intake services might be expanded beyond food stamps to incorporate the broader range of benefit assistance that applicants need after a disaster.

The Practice—Using a Network to Restore Regional Financial and Payment Capacity. Individual institutions acting by themselves are not nearly as effective as coordinated efforts to address issues such as evacuation plans, maintenance of operations during an emergency, access to timely and accurate information, and plans for returning essential personnel to restore operations in the affected area. Here, a model is the regional coalition known as ChicagoFIRST. Key financial institutions in Chicago began discussions in early 2003 to address these issues in conjunction with city and state authorities.⁴¹

The range of financial institutions that established ChicagoFIRST is quite broad: LaSalle Bank/ABN AMRO, the Chicago Board Options Exchange, the Chicago Mercantile Exchange, Northern Trust Bank, UBS Warburg, Harris Bank, Archipelago, the Chicago Stock Exchange, BankOne, William Blair & Company, Mesirow Financial, Mizuho Securities, the Options Clearing Corporation, and Bank of America.

ChicagoFIRST works with a range of federal, state, and local governmental and private organizations including the city of Chicago, Department of Treasury, Department of Homeland Security, BITS,

Securities and Exchange Commission, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Illinois Commissioner of Banks and Real Estate, Federal Reserve Bank of Chicago, Board of Governors of the Federal Reserve, Office of the Comptroller of the Currency, U.S. Secret Service, Federal Bureau of Investigation, Financial Services Sector Coordinating Council, and the Futures Industry Association.

The organization participates actively in networks of relevant organizations. ChicagoFIRST sought and received a place in Chicago's Joint Operations Center (JOC) to facilitate crisis communication. This will give the coalition direct information about a disaster and the city's response plans. ChicagoFIRST periodically tests crisis management and coordinating procedures with the center.

ChicagoFIRST also established a working team with the city of Chicago, the Chicago Police Department, and Chicago's Building Owners and Management Association to develop an interim system to provide credentials for essential staff. ChicagoFIRST also works closely with the city of Chicago and the state of Illinois to integrate evacuation procedures of the financial community with those of the government. The organization has also participated in exercises with the city to test evacuation procedures; more exercises are planned. ChicagoFIRST also plans to develop best practices for sheltering in place, in coordination with the city of Chicago and the Federal Emergency Management Agency.

Building on the Practice—Next Steps. It is appropriate for other regions of the country to establish such close coordination between the financial services sector and federal, state, and local organizations responsible for disaster planning and response. There are clear economies of scale in having a single representative on the region's joint operations center rather than requiring individual institutions such as Parish Bank to fend for themselves in preparing and implementing an effective disaster recovery plan.

Conclusions and Recommendations

Promising practices and positive models exist. It is time to build on them so that citizens are properly protected from the consequences of another catastrophe in the future. The conclusions of this report can be summarized as follows:

- To mitigate the consequences of a future large-scale disaster, whether natural or man-made, we need to develop and maintain an effective emergency benefits system (among other systems).
- Basic components are available on which to build an effective emergency benefits system.
- The necessary organizational structure, i.e., functioning network, is lacking to bring together the disparate efforts of multiple federal, state, and local government agencies, nonprofit organizations, and private firms, with a common focus on providing emergency benefits effectively.
- In the management and organization of delivering emergency benefits, positive models exist.
- Leadership is needed for the effective creation and operation of an emergency benefits network. Inevitably it must come from the federal government because of its strength, capabilities, and ultimate responsibility for the safety, health, and welfare of the people of the United States.
- Needed is leadership at the federal level, preferably from a strong agency such as OMB. Leadership, backed by strength, is needed to bring especially the more influential stakeholders to the table.

These conclusions lead to the recommendations of this report:

Recommendation 1: The federal government should take the lead, pursuant to the recent Executive

Order, to create the legal, organizational, and other preconditions for more effective delivery of emergency benefits the next time around.

Recommendation 2: The federal government should undertake a quick assessment of (1) the key elements of an effective emergency benefits system, (2) the extent that such elements already exist, (3) gaps that need to be filled, and (4) preliminary judgments about how those gaps should be filled.

The preliminary document should be reviewed and modified by informed stakeholders, including state and local governments, nonprofit organizations, and private firms, at a series of meetings to produce a working blueprint within several months.

Recommendation 3: The federal government should encourage formation of a new council, composed of federal, state, and local agencies, nonprofits, and private organizations, to consider establishment of a broad-based system of emergency benefits delivery. This council would be comparable in its workings to the EBT Council that emerged with federal encouragement and recognition in 1995.⁴²

The task of the council would be to determine whether and how federal and state agencies and the other council members could work together to build on the EBT model to provide for electronic delivery of benefits from multiple programs through an EBT card or a branded debit card or both.

It is a lesson of past such efforts at collaboration that the federal government, possibly through the Office of Management and Budget, will need to encourage active participation in this effort by federal agencies and other program stakeholders within a set timetable.

The federal government also will need to prescribe standards of payment integrity that govern the disbursement of federal funds. These standards should take account of the trade-off between the intended speed of disbursement and volume of applications on the one hand, and the extent that program controls should be applied on the other.

Recommendation 4: Needed for the effective creation and operation of an emergency benefits network is leadership, which inevitably must come from the federal government because of its strength, capabilities, and ultimate responsibility for the safety, health, and welfare of the people of the United States.

Effective emergency benefits delivery requires federal and state agencies, nonprofit organizations, and for-profit firms to cooperate and coordinate their efforts. One lesson of this survey of promising practices is that such cooperation and coordination is not unprecedented. Important building blocks for a coordinated system already exist.

Across the spectrum of government activity, especially as it relates to homeland security and other emergency scenarios, agencies and organizations are reaching out to one another to coordinate their activities more effectively and overcome organizational boundaries. However, given organizational imperatives, often backed by elected officials and their constituencies, federal executive branch leadership is needed to induce stakeholders to make the working compromises that are necessary for effective coordination of activities.⁴³

Recommendation 5: Federal planners may want to build a two-track system. The first track would attempt to build on the success of the EBT Council, as described earlier, in an effort to expand the range of benefits to be delivered electronically through the states.

The second track would be a complementary federal emergency benefits delivery system, operating through federally issued branded debit cards and backed by federal systems, people, and other resources. For a major disaster that rendered state systems inoperable, the federal emergency benefits system would provide welcome relief; for a Katrina-type emergency, the federal emergency benefits system might be a complement to state services

provided through EBT and debit cards. The internal controls established for the federal cards might also provide a benchmark against which the payment integrity of the cards and systems of states and nonprofit organizations might be measured.

Recommendation 6: As Katrina showed in a number of important dimensions, the federal government and state governments need to improve the ground rules that they believe should guide their relationships in an emergency.

On the one hand, despite its ultimate constitutional responsibility and the substantial proportion of funding that it provides for emergency benefits, the federal government cannot afford to try to dictate the terms of federal-state relationships. On the other hand, the federal government cannot afford to adopt a hands-off approach to benefit delivery in the hope that states affected by disasters should be left to make their own decisions without the federal government assuring at least a minimum set of standards. As occurred in the context of the development of Electronic Benefits Transfer in the 1990s, these relationship issues need to be deliberated among the stakeholders.

Recommendation 7: At each level of government too, coordination needs to be improved. State EMAC coordinators and state benefits officials need to become more familiar with one another. At the federal level, it will be important to work toward coordination of benefit delivery; in a disaster, the intake function is such a clear potential bottleneck that it does not make sense for separate agencies each to establish redundant intake functions.

As often is the case, technology can help; establishing a common intake portal that links applicants to the multiplicity of federal disaster assistance programs is an important priority. A common intake portal can help to verify applicants' identities, determine eligibility, and reduce duplicate payments.

Recommendation 8: The legal infrastructure needs to be improved. The relevant stakeholders—federal, state, and local organizations, nonprofits, and for-profit firms—need to consider how to establish an appropriate legal and regulatory framework to address cross-cutting issues such as (1) waiver of less important program requirements, (2) applicant privacy, and (3) payment integrity.

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