

Katrina victims may have to repay money

By JOHN MORENO GONZALES, AP 3/29/08

Imagine that your home was reduced to mold-covered wood framing by Hurricane Katrina.

Desperate for money to rebuild, you engage in a frustrating bureaucratic process, and after months of living in a government-provided trailer that gives off formaldehyde fumes you finally win a federal grant.

Then a collector announces that you have to pay back thousands of dollars.

Thousands of Katrina victims may be in that situation.

A private contractor under investigation for the compensation it received to run the Road Home grant program for Katrina victims says that in the rush to deliver aid to homeowners in need some people got too much. Now it wants to hire a separate company to collect millions in grant overpayments.

The contractor, ICF International of Fairfax, Va., revealed the extent of the overpayments when it issued a March 11 request for bids from companies willing to handle "approximately 1,000 to 5,000 cases that will necessitate collection effort."

The bid invitation said: "The average amount to be collected is estimated to be approximately \$35,000, but in some cases may be as high as \$100,000 to \$150,000."

The biggest grant amount allowed by the Road Home program is \$150,000, so ICF believes it paid some recipients the maximum when they should not have received a penny. If ICF's highest estimate of 5,000 collection cases — overpaid by an aver-

age of \$35,000 — proves to be true, that means applicants will have to pay back a total of \$175 million.

One-third of qualified applicants for Road Home help had yet to receive any rebuilding check as of this past week. The program, which has come to symbolize the lurching Katrina recovery effort, has \$11 billion in federal funds.

ICF spokeswoman Gentry Brann said in an e-mail Friday that the overpayments are the inevitable result of the Road Home grant being recalculated to account for insurance money and government aid given to Katrina victims.

Brann said there was a sense of urgency in paying Road Home applicants, and ICF knew applicants would have to return some money.

"The choice was either to process grants immediately or wait until the March 2008 deadline (for submitting Road Home applications) before disbursing any funds," Brann said in her e-mail.

Brann pointed out that 5,000 collections cases would represent a 4-percent error rate for the Road Home that is "quite good for large federal programs."

Frank Silvestri, co-chair of the Citizen's Road Home Action Team, a group that formed out of frustrations with ICF, sees it far differently.

"They want people to pay for their incompetence and their mistakes. What they need to be is aggressive about finding the underpayments," he said. "People relied, to their detri-

ment, on their (ICFs) expertise and rebuilt their houses and now they want to squeeze this money back out of them."

The prospect of Road Home grant collections comes less than two weeks after the Louisiana inspector general and the legislative auditor said they were investigating why former Gov. Kathleen Blanco paid ICF an extra \$156 million in her waning days in office to administer the program. With the increase, ICF stands to earn \$912 million to run Road Home, a contract that also sweetened its initial public stock offering, and helped it buy out four other companies. It now reaches into government contracting sectors that include national defense and the environment.

Paul Rainwater, executive director of the Louisiana Recovery Authority, the state body that asked for the Blanco-ICF investigations, acknowledged the collections could be painful for applicants, many of whom have used up their nest eggs to rebuild.

"The state must walk a fine line of treating homeowners who have been overpaid with fairness and compassion and ensuring that all federal funds are used for their intended purpose," said Rainwater, an appointee of new Gov. Bobby Jindal.

Upon receiving money from Road Home, grantees sign forms that say they must refund any overpayments.

Melanie Ehrlich, co-chair of Citizen's Road Home Action Team, which has documented Road Home cases that appear littered with mistakes, said she had no confidence that ICF had correctly calculated overpayments. She charged that the company

was more likely using collections as retribution against people who had appealed their award amounts in effort to get the aid they deserved.

"I think they are looking for ways to decrease awards and that's part of dissuading people," she said.

Brann said applicants are told an appeal could boost or diminish their award. She called Ehrlich's charge "a totally unfounded assertion."

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