



FEMA

W-12038

June 20, 2012

MEMORANDUM TO: WYO Company Executive Officers and Principal Coordinators

Donnie Shepard for Dennis Kuhns

FROM: Dennis Kuhns
Risk Insurance
Division Director, FEMA

SUBJECT: WYO Company Nonpayment of Amounts Due FEMA

Pursuant to its obligations and responsibilities set forth in 44 C.F.R. Section 62.23 and the Financial Assistance/Subsidy Arrangement, 44 C.F.R. Part 62, App. (A) (the "Arrangement"), FEMA reviews programmatic operational expenses and, when warranted, identifies nonjudgmental errors that result in overpayments of claims and amounts due to the Federal Treasury as a result of the administration of the National Flood Insurance Program (NFIP). We typically identify overpayment amounts through Operation Reviews, reinspections by NFIP General Adjusters, and the IPIA/IPERA Audit. If FEMA determines that funds are owed, FEMA will notify a participating Write Your Own Company's Principal Coordinator and Vendor of the amounts due, together with a schedule for payment.

There have been recent increases in both the number of companies with outstanding debts to the Program and in the total amount of outstanding debt. In addition, recovery notices to some companies have been ignored — and some debts have been pending since before 2009.

DHS/FEMA cannot allow further delay in the collection of amounts due. The Arrangement requires WYO Companies to meet all requirements of the Financial Control Plan, the WYO Accounting Procedures Manual, the NFIP Transaction Record Reporting and Processing Plan, and FEMA's written standards, procedures, and guidelines, including timely repayment of improperly paid claim amounts. The Arrangement also provides FEMA with a remedy for failure to comply. Specifically, Article V. D of the Arrangement provides that nonpayment of any amounts due FEMA may result in the cancellation of the Arrangement. FEMA also may seek recourse under the Debt Collection Act of 1982, as implemented by 44 C.F.R. Section 11.1.

When improper overpayments of other debts have come to FEMA's attention, we have sent letters notifying the appropriate WYO Company of the liability and amounts owed, and of the opportunity

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to appeal our determination of debt. The time and opportunity to rebut any amounts due FEMA have long passed. **FEMA will send a final notice to all WYO Companies with outstanding amounts owed by June 22, 2012, and expects that all outstanding debts will be paid in full by July 31, 2012.** FEMA will consider any outstanding obligations when deciding whether to offer a Company an Arrangement for the upcoming fiscal year. Further, if necessary, FEMA will refer Companies that have not paid amount due by this date for collection under the Debt Collection Act of 1982, as amended.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: All Departments

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