



Hurricane Katrina Fraud Task Force

A Progress Report to the Attorney General

October 2005

Table of Contents

Letter from Assistant Attorney General Alice S. Fisher to the Attorney General	i
Letter from the President’s Council on Integrity and Efficiency to the Attorney General	iii
Letter from the American Red Cross to the Attorney General	iv
Task Force Background and Mission Statement	1
Task Force Members	3
Accomplishments of the Task Force	5
Overall Accomplishments	5
Criminal Prosecutions and Investigative Coordination	6
Procurement Fraud and Corruption	13
Public Education and Prevention	16
Command Center and Other Operational Coordination	21
Reporting Hurricane-Related Fraud	24
Conclusion	25

LETTER FROM ASSISTANT ATTORNEY GENERAL ALICE S. FISHER TO THE ATTORNEY GENERAL

The Honorable Alberto R. Gonzales
Attorney General

Dear Attorney General Gonzales:

I am pleased to submit the attached report to you on the progress of the Department of Justice's Hurricane Katrina Fraud Task Force. At your direction, the Task Force was created on September 8, 2005, to ensure that the money intended for the victims of Hurricane Katrina – and now Hurricane Rita – actually reaches those victims. With your leadership, the Task Force has implemented a plan that will allow all our members to work in a coordinated and effective manner towards achieving that goal.

A cornerstone of the Task Force's strategy to deter fraud has been to signal unequivocally and immediately, through aggressive investigation and prosecution of disaster-related federal crimes, that the United States will not tolerate fraud related to Hurricanes Katrina and Rita. To date, 36 individuals have been charged with crimes ranging from impersonating American Red Cross volunteers, to creating a fraudulent website to solicit donations by promising to fly supplies into the affected regions.

The Task Force has developed a comprehensive plan to prevent fraud through public education and awareness. More specifically, through the efforts of its members, the Task Force has utilized flyers, print advertisements, and radio public service announcements to educate the public as to how they can avoid being victimized by these hurricane-related fraud schemes.

The early success of the Task Force reflects our commitment to preserve the integrity of the relief and reconstruction efforts in the affected areas. This success can be traced to the close cooperation between the Task Force partners, including the 94 U.S. Attorneys' Offices, the Federal Bureau of Investigation (FBI), 20 Inspector Generals from federal agencies, the United States Secret Service (USSS), the United States Postal Inspection Service (USPIS), the Federal Trade Commission (FTC), the Internal Revenue Service (IRS), the Department of Homeland Security (DHS), the Securities and Exchange Commission (SEC), the American Red Cross, and state and local law enforcement. For example, the Task Force created a joint Command Center in Baton Rouge to better coordinate efforts to prevent and detect procurement fraud and public corruption. This has been a team effort to ensure that we are effectively carrying the Task Force's mission.

I thank you for the opportunity to chair such an important and vital Task Force and I look forward to continuing to work with all of its members and partners as we move forward in our efforts to combat disaster-related fraud in the wake of Hurricanes Katrina and Rita.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alice Fisher".

Alice S. Fisher
Chairman
Hurricane Katrina Fraud Task Force

Letter from the President's Council on Integrity and Efficiency to the Attorney General



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY

October 14, 2005

The Honorable Alberto R. Gonzales
Attorney General
Washington, D.C. 20530

Dear Mr. Attorney General:

I want to thank you and the Department of Justice for creating the Hurricane Katrina Fraud Task Force. The President's Council on Integrity and Efficiency, which is composed of the Federal Inspectors General, is proud to be an active participant in the Task Force which has been charged with investigating and prosecuting fraud and public corruption cases directly related to relief, recovery and reconstruction efforts resulting from the recent natural disasters. I also want to express our appreciation for the exceptional leadership of Ms. Alice Fisher, Task Force Chairman and Assistant Attorney General of the Criminal Division.

The Federal Inspector General community considers stewardship of Federal hurricane disaster relief funds to be one of its highest priorities. The members of the President's Council on Integrity and Efficiency are working as a team to ensure that our response to the human tragedy associated with Katrina is aggressive and effective. As members of the Task Force, our collaborative work with Ms. Fisher and her colleagues ensures that the investigative resources of our community are focused on disaster-related issues – those pertaining to the mission of our respective agencies and those cross-cutting issues involving multiple Federal agencies. While my colleagues and I work regularly with Department of Justice personnel at both Headquarters and in the field, the level of cooperation in this matter is extraordinary.

On behalf of the President's Council on Integrity and Efficiency, we are committed to the Katrina Fraud Task Force partnership in the hope that our collective efforts will benefit those citizens who have suffered greatly during these disasters.

Sincerely,

A handwritten signature in cursive script that reads "Greg Friedman".

Gregory H. Friedman
Vice Chair
President's Council on Integrity and
Efficiency



Printed with soy ink on recycled paper

Letter from the American Red Cross to the Attorney General



Office of the General Counsel
2025 E Street, N.W.
Washington, DC 20006

(202) 303-5433
(202) 303-0143 (Fax)

October 17, 2005

Honorable Alberto Gonzales
Attorney General of the United States
U.S. Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Dear Judge Gonzales,

I am writing to express the appreciation of the American Red Cross for the significant contributions of the Department of Justice Hurricane Katrina Task Force. The FBI and the Department of Justice have been extremely responsive to fraudulent activity that has occurred during the relief and recovery efforts of the recent Gulf Coast hurricanes. By working together, the Red Cross and the Department of Justice have been able to shutdown fraudulent websites and thwart unscrupulous individuals from improperly receiving Red Cross benefits.

We appreciate the lead taken by the Department of Justice and look forward to continuing to work with all levels of law enforcement. This coordination assures that the dollars donated to the Red Cross by the American public and businesses reach their intended recipients, the survivors of the most devastating hurricanes to befall the United States. Thank you again on behalf of the American Red Cross.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mary S. Elcano".

Mary S. Elcano

Together, we can save a life

TASK FORCE BACKGROUND AND MISSION STATEMENT



“We cannot allow the kindness of Americans to be exploited in this time of disaster and crisis. The Hurricane Katrina Fraud Task Force is helping to ensure that those offering a helping hand do not themselves become the victims of fraud, and that the money and support so generously being offered goes to the intended recipients.”

Attorney General Alberto R. Gonzales

On September 8, 2005, in the immediate aftermath of Hurricane Katrina, United States Attorney General Alberto R. Gonzales established the Hurricane Katrina Fraud Task Force. The Task Force is charged with deterring, detecting, and prosecuting unscrupulous individuals who try to take advantage of the Hurricane Katrina and Hurricane Rita disasters. The overall goal is to stop people who seek to illegally take for themselves the money that is intended for the victims of the hurricanes and the rebuilding of the Gulf Coast Region. The Task Force has mobilized to bring prosecutions as quickly as possible to send a strong message of deterrence. The Task Force tracks referrals of potential cases and complaints, coordinates with law enforcement agencies to initiate investigations, and works with the appropriate United States Attorneys’ Offices to ensure timely and effective prosecution of Katrina- and Rita-related fraud cases. By casting a broad net and using the investigative assets of federal law enforcement agencies, federal Inspectors General, and state and local law enforcement – together with the prosecution resources of the 94 United States Attorneys’ Offices – the Task Force is positioned to act quickly and aggressively to bring to justice those who would further victimize the victims of these natural disasters.

The Task Force will combat all types of fraud relating to the government’s efforts to help the victims of Hurricanes Katrina and Rita and to rebuild their communities. While its initial focus is on specific types of fraud, the Task Force will adapt to combat whatever fraudulent schemes criminals may create to exploit the hurricanes’ effects on the Gulf Coast Region. The principal types of fraud on which the Task Force is now concentrating include:

- *Fraudulent Charities:* Cases in which individuals falsely hold themselves out as agents of a legitimate charity, or create a “charity” that is in fact a sham;
- *Identity Theft:* Cases in which the identities of innocent victims are “stolen” and assumed by criminals who convert the funds of, or otherwise defraud, the victims;

- *Government-Benefit Fraud:* Cases in which individuals file false applications seeking benefits to which they are not entitled;
- *Government-Contract and Procurement Fraud and Public Corruption:* Cases in which individuals and companies engage in fraud and public corruption relating to federal funds provided for the repair and restoration of infrastructure, businesses, and government agencies in the affected region; and
- *Insurance Fraud:* Cases in which false or inflated insurance claims are filed.

Task Force members will also work to ensure that the public is kept informed about fraudulent schemes and to arm them with the information needed to avoid becoming a victim of fraud. The Task Force will also tell the public about its criminal prosecutions, so that would-be fraudsters think twice about engaging in this type of criminal activity.

In sum, the Task Force's goal is to ensure that the victims of these terrible disasters are not victimized again by criminals attempting to profit from the hurricanes. It is similarly committed to ensuring the integrity of relief and reconstruction efforts and guarding against the unlawful diversion of federal and charitable funds intended to rebuild the region and help its residents.

TASK FORCE MEMBERS

The Task Force includes the following members:

- The Federal Bureau of Investigation (FBI);
- The Criminal Division of the Department of Justice;
- The Executive Office for United States Attorneys;
- United States Attorneys' Offices in the Gulf Region and throughout the country;
- The Antitrust Division of the Department of Justice;
- The Civil Division of the Department of Justice;
- The Internal Revenue Service Criminal Investigation Division;
- The Postal Inspection Service;
- The United States Secret Service;
- The Department of Homeland Security (DHS);
- The Federal Trade Commission (FTC);
- The Securities and Exchange Commission (SEC);
- The President's Council on Integrity and Efficiency, the Executive Council on Integrity and Efficiency, and numerous Inspectors General, including –
 - the Department of Agriculture;
 - the Department of Commerce;
 - the Department of Defense;
 - the Department of Education;
 - the Department of Energy;
 - the Department of Health and Human Services;
 - the Department of Homeland Security;
 - the Department of Housing and Urban Development;
 - the Department of Justice;
 - the Department of Labor;
 - the Department of Transportation;
 - the Department of the Treasury (for Tax Administration);

- the Environmental Protection Agency;
 - the Federal Deposit Insurance Corporation (FDIC);
 - the General Services Administration;
 - the National Aeronautics and Space Administration;
 - the Small Business Administration;
 - the Social Security Administration;
 - the United States Postal Service;
 - the Veterans Administration; and
- Representatives of state and local law enforcement, including –
 - the National Association of Attorneys General; and
 - the National District Attorneys Association.

The Task Force also operates in close partnership with the American Red Cross and a variety of private-sector organizations that have been assisting law enforcement in identifying new hurricane-related schemes.

ACCOMPLISHMENTS OF THE TASK FORCE

OVERALL ACCOMPLISHMENTS

The Task Force has worked quickly to set up a cohesive structure that maximizes its potential to counter the hurricane-related fraud that lies at the heart of its mission. As the membership of the Task Force indicates, it has been inclusive, casting a broad net. The Task Force has promoted cohesiveness and cooperation through a number of Task Force meetings and through ongoing dialogue. It is in constant communication with the Inspector General community-at-large, and with the non-Inspector General law enforcement members and partners to share ideas and information and promote coordination. It also has worked individually with those members and partners to further its goals and mission. It has worked with the American Red Cross to systemically address incidents of relief-benefit fraud involving their charitable funds. It has worked with the Federal Emergency Management Agency (FEMA) to address similar incidents involving its relief-benefit program. It has developed flyers, advertisements, and radio spots – designed to inform and deter – with the Postal Inspection Service and the FTC. It has consulted with the SEC, the Department of the Treasury, the IRS, and others to coordinate their efforts to combat potential fraud.

The Task Force also is communicating with the state Attorneys General and District Attorneys, as well as the National Association of Attorneys General and the National District Attorneys Association to promote vertical coordination between local, state, and federal authorities. The Department, and importantly, the U.S. Attorneys in the Gulf Coast Region, have worked closely with state and local law enforcement partners and the community of the Inspectors General on the ground.

In addition, members of the Task Force have created a joint Command Center in Baton Rouge to closely coordinate Task Force efforts to stave off procurement fraud and corruption. The Task Force has coordinated hotlines and fraud reporting mechanisms and has shared and referred tips. It has created links to other agencies' websites. In sum, the Task Force has made great strides to ensure that it is marshaling individual strengths into a collective and more effective response to fraud in the wake of Hurricanes Katrina and Rita.

CRIMINAL PROSECUTIONS AND INVESTIGATIVE COORDINATION

In the six weeks since the Task Force was established, United States Attorneys' Offices and a variety of investigative agencies – including the FBI, the Postal Inspection Service, the Secret Service, and the DHS Office of Inspector General (DHS-OIG) – have pursued a significant number of prosecutions stemming from Hurricanes Katrina and Rita. As of October 17, 2005, 36 persons have been charged in 17 separate cases with hurricane-related fraud. The prosecutions span eleven Federal districts from Oregon to Florida and many places in between. This large number of prosecutions, brought in such a short period, exemplifies the Task Force's commitment to send a strong message of deterrence through aggressive prosecution. The cases themselves, often involving low-dollar fraud, underscore that the Task Force will not tolerate fraud.

The examples of state and local prosecutions exemplify the critical role and commitment of state and local law enforcement – particularly those in the affected region – to this important common cause. They also reflect a cooperative and coordinated approach between law enforcement at the federal, state, and local levels in the investigation and prosecution of these crimes.

A. Criminal Prosecutions

The following list contains a wide range of hurricane-related criminal prosecutions. It does not purport to be a complete list of such cases, as investigations and prosecutions have been continuing during the preparation of this report.

Examples of federal prosecutions include the following:

California - Central District (United States Attorney Debra Wong Yang)

- On September 29, 2005, a federal grand jury returned an indictment against two individuals, charging them with violating the American Red Cross fraud statute (18 U.S.C. § 917) by allegedly pretending to be American Red Cross volunteers and soliciting funds on behalf of the American Red Cross for Katrina relief. The FBI, with the cooperation of the Burbank Police Department, is investigating the case.

California - Eastern District (United States Attorney McGregor W. Scott)

- On October 13, 2005, a federal grand jury returned 13 indictments against a total of 15 Bakersfield, California residents, charging them with wire fraud (18 U.S.C. § 1343) for their alleged roles in a scheme to defraud the American Red Cross of funds intended for Hurricane Katrina victims. The indictments allege that the defendants participated in a plan or scheme to defraud the American Red Cross by submitting or causing others to submit a fraudulent claim through the American Red Cross call center located in

Bakersfield. The complaint explains that the American Red Cross, in an attempt to expedite payments to actual victims of Hurricane Katrina, set up at least two call centers in the United States, the largest of which is located in Bakersfield. According to the complaint, when a person contacts the call center to request assistance, their personal information, including an address within the area affected by the hurricane, is verified by call center employees. Once that information is verified, the caller is provided instructions on how to obtain financial assistance from the American Red Cross. Once assistance is approved, a victim is given instructions on how to obtain that assistance at their closest Western Union branch. According to the indictments, seven of the defendants were employed at the Bakersfield call center, and the other eight defendants were closely associated with someone who was employed at the call center. They were allegedly able to obtain false claim information and, using that information, obtain payment from Western Union. The FBI is investigating the case.

Florida - Southern District (United States Attorney R. Alexander Acosta)

- On September 29, 2005, a federal grand jury returned a four-count indictment against an individual, charging him with wire fraud (18 U.S.C. § 1343) for allegedly using the website airkatrina.com to fraudulently solicit donations to help Katrina victims. This is the first federal case in the country involving a fraudulent charity website related to Katrina. The FBI is investigating the case.

Georgia - Northern District (United States Attorney David E. Nahmias)

- On September 21, 2005, an individual was arrested on the basis of a criminal complaint charging her (under 18 U.S.C. §§ 641 and 1341) with a fraudulent application for FEMA emergency benefits. The individual allegedly submitted an online application to FEMA falsely claiming that she was a New Orleans resident and a hurricane victim. The FBI, the Postal Inspection Service, and the DHS-OIG are investigating the case.

Louisiana - Middle District (United States Attorney David R. Dugas)

- As of October 17, 2005, three individuals have been arrested and charged in criminal complaints with fraudulent applications for FEMA emergency benefits. The DHS-OIG and the FBI are investigating the cases.

Louisiana - Western District (United States Attorney Donald W. Washington)

- As of October 17, 2005, four individuals have been arrested on the basis of criminal complaints charging them with fraudulent application for FEMA emergency benefits. Agencies investigating these cases include the DHS-OIG, the FBI, the Postal Inspection Service, the Webster Parish Sheriff's office, and the Caddo Parish Sheriff's office.

Mississippi - Southern District (United States Attorney Dunn O. Lampton)

- As of October 7, 2005, the United States Attorney's Office for the Southern District of Mississippi had filed criminal complaints against four individuals for allegedly making false claims to FEMA for hurricane-relief funds. The DHS-OIG, the Postal Inspection Service, and the FBI are investigating the cases.

Oregon (United States Attorney Karin J. Immergut)

- On October 12, 2005, a federal grand jury returned an indictment against a Portland, Oregon man under the mail fraud statute (18 U.S.C. § 1341) for allegedly making a false claim to FEMA. The indictment alleges that the defendant falsely represented that he suffered hurricane-related damage to a property located in Baton Rouge, Louisiana. As a result, a FEMA check for \$2,000 was mailed from a government office in Texas to a post office box controlled by the defendant in Portland. The Postal Inspection Service with the DHS-OIG, the FBI, and the Secret Service are investigating the case.

Texas - Eastern District (United States Attorney Matthew D. Orwig)

- On October 4, 2005, a federal grand jury returned a two-count indictment against an individual (under 18 U.S.C. §§ 287 and 1341) for allegedly making a false claim to FEMA for hurricane-relief funds. The FBI and the Tyler, Texas Police Department are investigating the case.
- On October 5, 2005, an individual was arrested on the basis of a criminal complaint, charging him with mail fraud (18 U.S.C. § 1341) for allegedly filing a false claim with FEMA for disaster-assistance benefits. The Postal Inspection Service is investigating the case.

Texas - Southern District (United States Attorney Chuck Rosenberg)

- On September 21, 2005, a federal grand jury returned a two-count indictment against an individual charging him (under 18 U.S.C. §§ 287 and 1001) with fraudulent application for FEMA benefits. The defendant allegedly filed an online application with FEMA in which he falsely claimed that he was a New Orleans resident and a Hurricane Katrina victim. The Treasury Inspector General for Tax Administration, with assistance from the DHS-OIG, is investigating the case.

Texas - Western District (United States Attorney Johnny K. Sutton)

- On October 12, 2005, two individuals were arrested on the basis of criminal complaints charging them (under 18 U.S.C. § 287) with filing a false and fraudulent claim for FEMA benefits. The FBI and the Secret Service are investigating the case.

Examples of state and local prosecutions reported to the Task Force include the following:

California

- On September 29, 2005, a Napa County, California man was arrested by Postal Inspectors on state charges of mail fraud, impersonating a medical doctor, and identity theft. The man allegedly claimed to be a medical doctor and solicited Internet users for tax-deductible contributions of money and medical supplies for victims of Hurricane Katrina. He also allegedly requested the donation of an RV – which he received – to transport the medical supplies and a team of 20 doctors to New Orleans where they would aid “the poorest people there with free, badly needed medical services.” The man was not a doctor but allegedly impersonated a retired medical physician and surgeon from Pennsylvania who had the same name. This investigation, which is being led by the Napa County District Attorney’s Office and the Postal Inspection Service, with assistance from the Napa County Sheriff’s Department, is continuing.

Louisiana

- Louisiana Attorney General Charles Foti announced the arrests of two individuals in connection with false promotional activity that targeted more than 2,500 New Orleans police officers, Orleans Parish Sheriff’s deputies, firefighters and emergency personnel, Jefferson Parish police and sheriffs’ officials, as well as state and federal law enforcement personnel. The suspects, posing as Salvation Army volunteers, allegedly convinced local police officers to sign up for debit vouchers worth \$5,000 each.

New Mexico

- New Mexico Attorney General Patricia A. Madrid and FBI Special Agent in Charge Thomas C. McClenaghan announced the arrest of an Edgewood, New Mexico man on two counts of embezzlement. The man is alleged to have represented that he was collecting money to pay for fuel for flights that reunited individuals who had been separated from their families as a result of the recent hurricanes. He also is alleged to have falsely told prospective contributors that he was affiliated with Angel Flights, a national organization of volunteer pilots, and had flown numerous missions with them.

Many states, and the Federal Trade Commission, report that they are pursuing civil actions. Alabama, Connecticut, Florida, Illinois, Louisiana, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Tennessee, Texas, and Wisconsin report that they have brought civil enforcement actions for activity such as alleged price gouging, false websites, and other schemes to defraud. The FTC receives consumer complaints, reviews them and refers complaints for criminal prosecution where appropriate. Informal action by FTC staff has already resulted in a

web site removing possible deceptive claims and a referral of a possible charity scam to a state Attorney General.¹

B. Investigative Coordination

The Task Force members and partners have closely coordinated investigative activities. At the local level, United States Attorneys are working with state Attorneys General, District Attorneys, state and local police, and locally-stationed federal law enforcement and Inspector General special agents on a daily basis. Each local group works closely with the relevant entities at the national level, including the headquarters elements for the United States Attorneys (the Executive Office for United States Attorneys), the Criminal Division, the FBI, and other Department of Justice components; the Offices of the Inspectors General; the other participating federal law enforcement agencies; and the national associations representing state and local law enforcement, such as the National Association of Attorneys General and the National District Attorneys Association.

Recent instances of coordination and investigative efforts include the following:

1. United States Attorneys

The Executive Office for United States Attorneys has been instrumental in coordinating the efforts of the U.S. Attorneys' Offices and ensuring close coordination between their on-the-ground efforts and the overall mission of the Hurricane Katrina Fraud Task Force. Examples of the local coordination efforts that United States Attorneys in the affected areas are reporting include the following:

- **Louisiana - Eastern and Middle Districts.** The U.S. Attorneys from both districts have partnered with the FBI Special Agent in Charge of the New Orleans Division and other members of the law enforcement community, through the Law Enforcement Coordination Center (LECC), to advance the goals and mission of the Hurricane Katrina Fraud Task Force, including the goal of aggressive prosecution. Their on-the-ground strategy has included co-location of prosecutors and investigators to facilitate aggressive prosecutions.

The U.S. Attorneys also met with elected District Attorneys throughout Louisiana at the Louisiana District Attorneys Association, and with representatives of the Inspector General community, including the Inspector General of DHS, to promote close cooperation in the goals and mission of the Hurricane Katrina Fraud Task Force.

¹ While the Hurricane Katrina Fraud Task Force is focused on criminal fraud resulting from the disasters and the disaster relief efforts, it is worth noting that there may be several areas, including consumer and procurement fraud, where civil enforcement by state Attorneys General or regulatory authorities may play a significant role.

The Middle District of Louisiana has ongoing investigations with the Department of Homeland Security OIG, the FBI, the Social Security Administration OIG, the Defense Criminal Investigative Service, the U.S. Army Criminal Investigation Command, and the Department of Commerce OIG, as well as several state and local law enforcement agencies that have enforcement responsibilities within the Middle District of Louisiana.

- Louisiana - Western District. The United States Attorney's Office has established FBI-led law enforcement working groups to address frauds related to hurricane relief and recovery efforts and government funds. The District has contacted every Sheriff and District Attorney in the 42 parishes comprising the District to elicit assistance and support in prosecuting cases involving American Red Cross/FEMA benefits fraud, identity theft, program and procurement fraud. The District has initiated several investigations and prosecutions of fraud or attempted frauds in the application for, or receipt of, emergency federal funds provided by FEMA. To date, four persons have been arrested after making fraudulent application for FEMA emergency benefits. Finally, the District has also coordinated with the United States Attorneys in the Middle and Eastern Districts of Louisiana.
- Mississippi - Southern District. The United States Attorney's Office is progressing on several fronts with its efforts to combat fraud during the post-Katrina recovery effort. To deter criminal conduct, it has sought to publicize the work of the Hurricane Katrina Fraud Task Force. The district has arrested five individuals for making false statements to FEMA and has several other investigations pending relating to other types of Katrina fraud. The district is coordinating its response to hurricane-related fraud with 20 state and federal law enforcement agencies and has mobilized the Law Enforcement Coordinating Committee in its efforts to coordinate the district's response.
- Texas - Southern District. The United States Attorney's Office has been vigorously pursuing allegations of Katrina- and Rita-related fraud. It filed the first indictment in the country in a Katrina-related FEMA fraud case, and is committed to pursuing additional cases stemming from both Katrina and Rita. To that end, the office has organized its response by bringing together a number of law enforcement partners, including the FBI, IRS-CI, Secret Service, Houston Police Department, Offices of the Inspector General for Postal, Treasury, Homeland Security, and Labor.

2. Other Components of the Department of Justice

- The **Federal Bureau of Investigation** has initiated investigations into hurricane-related fraud in the Gulf Coast Region and across the country. These investigations involve both online and traditional forms of fraud. With respect to online fraud, the Internet Crime Complaint Center (IC3) – a joint venture of the FBI and the National White Collar Crime Center – has worked closely with other law enforcement agencies and private-sector entities to identify potentially fraudulent charity websites and other forms of online fraud

and make referrals to law enforcement. In some cases, FBI Legal Attaches abroad are assisting in gathering information and working with foreign law enforcement authorities.

Recognizing the potential for large-scale procurement fraud and public corruption to arise during the rebuilding of damaged areas, the FBI initiated its 1-800-CALLFBI fraud hotline to receive information regarding wire fraud, false claims for FEMA cash assistance, false claims to FEMA for lost/damaged property, contract fraud, and public corruption. The FBI is now sharing information and coordinating investigative activities with other federal, state, and local law enforcement, as well as the community of Inspectors General. It is also working with the Louisiana State Police and the Special Investigative Units of the insurance companies to identify fraudulent insurance claims. The FBI has plans to send additional investigators to the region to investigate allegations of fraud and corruption.

- The **Antitrust Division** is focused on ensuring that consumers in the areas affected by Hurricanes Katrina and Rita are not further victimized by bid rigging, price fixing, and other anticompetitive cartel activity. The Division will work closely with FEMA to assist them in preventing or identifying possible collusive activity in the competitive bidding process. It will also offer the same assistance to the Alabama, Mississippi, Texas, and Louisiana Attorneys General Offices. Later this month, the Division intends to distribute handouts to procurement officials and law enforcement agents to help them to prevent and identify collusion in the bidding process. If collusive conduct is discovered, the Antitrust Division will investigate and, if appropriate, criminally prosecute the individuals and corporations seeking to unjustly profit from this tragedy.

3. Other Federal Law Enforcement

- The **Postal Inspection Service**, across the country, is aggressively pursuing tips and leads provided by partnering agencies as well as consumers concerning a variety of potentially fraudulent schemes including charities, identity theft, and government benefit fraud. To date, these efforts have resulted in five arrests and one indictment. Several additional investigations are underway.
- The **United States Secret Service** has been active in pursuing both fraudulent charity websites and more traditional forms of fraud stemming from the hurricanes. It has already effected the administrative shutdown of 10 fraudulent websites, including multiple “phishing” websites (i.e., sites that appear to be operated on behalf of legitimate organizations, that are intended to harvest victims’ personal data for identity theft and fraud). The Secret Service is conducting a number of ongoing Katrina-related criminal investigations.
- **IRS-Criminal Investigation** (IRS-CI) is working with other Task Force partners in Louisiana and Mississippi and reviewing fraud-related activities to identify violations of

the tax laws and related offenses. IRS-CI is concerned about possible false claims being submitted on tax returns by those attempting to take advantage of the recent initiatives put in place by the IRS to assist those impacted by Hurricane Katrina. The Tax Exempt and Government Entities division of the IRS is closely reviewing new applications for tax exempt status from Katrina-related organizations.

PROCUREMENT FRAUD AND CORRUPTION

Through the President's Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable, the Inspector General community has been working together to coordinate the respective oversight efforts of Offices of Inspector General (OIGs). Collectively, the OIGs have prepared plans to provide oversight for 99 percent of the \$63 billion appropriated to date for Hurricane Katrina relief efforts.

The overriding objectives of the OIG plans are to ensure accountability, promote efficiencies, and to detect and prevent fraud, waste, and abuse. Insofar as the bulk of the funds obligated to date have been or will be spent for contractor support, both at the federal and local levels, the OIGs' plans will naturally focus on contract management. This includes performing internal control assessments of procurement systems, monitoring contract transactions, and reviewing the award and management of all major contracts, particularly no bid or limited competition contracts. In this regard, the OIGs will be looking at the evidence to support the no-bid decision, the criteria used to select one contractor over another, the reasonableness of the costs associated with the service or product to be delivered, the qualifications of the contractor selected, and the support for the payments made to the contractor. Also, using data-mining techniques, the OIGs will be reviewing the use of the "expanded micro purchase authority" on a real-time basis.

The work of the respective OIGs will be coordinated through regular meetings of the PCIE Homeland Security Steering Group. The overall effort will be coordinated with GAO through regular meetings with GAO senior officials. The Department of Justice, as the lead in the Hurricane Katrina Fraud Task Force, has been invited to, and attends, the regular meetings of the PCIE Homeland Security Roundtable.

As discussed in more detail later in the report, the community of OIGs is working closely with other Task Force partners, including the Department of Justice, to ensure the integrity of the procurement process. The Inspectors General are full participants in the Hurricane Katrina Fraud Task Force Joint Command Center.

Some examples of the activities of the community of Inspectors General reported to the Task Force include:

- **Department of Homeland Security Office of Inspector General (DHS-OIG):**
 - The DHS-OIG reports that it has undertaken several initiatives to promote economy, efficiency, and effectiveness of disaster relief efforts, and to prevent and detect fraud, waste, and abuse:
 - ▶ The DHS-OIG has assigned more than 60 auditors, investigators, and inspectors, and will be hiring more than 30 additional ones over the next two months. Many of DHS-OIG's personnel are on the ground at FEMA headquarters and at the Joint Field Offices (JFO) in Louisiana, Mississippi, Texas, and Alabama.
 - ▶ *Audit Initiative.* DHS-OIG auditors are monitoring operations at the FEMA Emergency Operations Center (EOC) and other DHS headquarters efforts to stay current on all disaster relief operations and provide on-the-spot advice. The objective of this effort is to help DHS design and implement internal controls and advise them on the potential ramifications of its precedent-setting decisions as emergency response and recovery activities continue. Auditors will also closely monitor FEMA's assignment of responsibilities and funding to other federal organizations under mission assignments, in coordination with the respective agency OIGs. Reviews will continue through project execution to identify questionable activities early, prevent misspending, and ensure compliance with federal laws and FEMA regulations. The auditors are on-site to provide oversight and technical assistance to FEMA, state, and local officials.

The auditors will provide advice and perform proactive procedures related to the JFOs' internal activities to ensure the appropriate control and use of FEMA funds. The emphasis will be to provide a visible OIG presence to prevent misspending on questionable contracts and grants. The auditors will also review the award and administration of all major contracts, including those let in the first two weeks, and each Department's implementation of expanded micro-purchase authority to ensure that appropriate federal acquisition regulations and guidelines are being adhered to, and expenditures are necessary and reasonable. Data mining techniques will provide continuous oversight of purchase card transactions to identify spending anomalies for further review. Financial statement auditors will provide oversight of their agency's control environment, financial and operational processes, and the effectiveness of internal controls to identify financial reporting issues early. Under this effort, where material, auditors will identify, document, and test key internal controls for operating effectiveness. Finally, DHS-OIG auditors are closely monitoring FEMA's approval of Public Assistance projects. Reviews will start early in project execution and remain ongoing to identify questionable activities early, prevent misspending, and ensure compliance with federal laws and FEMA regulations.

- ▶ *Fraud Hotline.* To streamline the reporting of allegations of fraud associated with the recovery effort, the DHS-OIG has established the DHS Katrina Hurricane Relief Fraud Hotline – (866) 720-5721 – that is managed by the Department of Defense (DOD) OIG at the Pentagon. In addition to the toll-free telephone number, complaints are received by fax, mail, and email at katrinafraud@dodig.mil.
 - ▶ *Investigative Initiative.* Agents have established excellent working relationships with law enforcement counterparts at the local, state, and federal levels. Equally important, the agents maintain regular contact with the respective United States Attorney's Offices as well as state and local prosecutors. As of October 14, 2005, 14 persons have been arrested for violating fraud statutes in connection with Katrina-related FEMA benefits.
- **Department of Health and Human Services Office of Inspector General (HHS-OIG):** The HHS-OIG's agents in the Gulf Coast Region are conducting several investigations involving health care fraud and quality of care violations. It is working jointly with other law enforcement at the state and federal levels in investigating allegations that hospital patients and nursing home residents (Medicare and Medicaid beneficiaries) did not receive the care that was up to expected standards and for which the Medicare and Medicaid programs paid. HHS-OIG is anticipating the initiation of procurement and contract fraud cases as further allegations are brought to light.
 - **Department of Housing and Urban Development Office of Inspector General (HUD-OIG):** In connection with the federal response to Hurricane Katrina, HUD was provided \$1.525 million from DHS funds for mission critical tasks. In addition, HUD is administering the Katrina Disaster Housing Assistance Payments (KD HAPS) consisting of \$79 million in initial funding with the possibility of almost \$2 billion for housing vouchers that could extend over 18 months.

HUD also faces a number of challenges involving existing appropriated funds in ongoing programs in Public Housing Authorities, FHA single-family and multi-family programs, and Community Planning and Development. In order to address (1) existing HUD appropriated funding, (2) mission-critical DHS funding, (3) DHS HAPS for temporary housing, and (4) preparation for an anticipated funding in the amounts of billions of dollars to rebuild housing authorities, FHA multi-family developments, and city infrastructure, and create economic opportunities for communities for the Gulf States area, the Office of Inspector General has created a HUD-OIG Hurricane Recovery Task Force. The Office of Audit and the Office of Investigation have created new entities to address substantial estimated workload increase in the area.

HUD-OIG has already deployed eight of its employees in New Orleans, and plans to increase that deployment up to as many as 40 employees over the next year.

- **Department of Transportation - Office of Inspector General (DOT-OIG):** On September 2, shortly after Hurricane Katrina struck, 34 DOT-OIG criminal investigators were on the ground in Mississippi and New Orleans protecting DOT assets and people, assisting DOT with damage assessments, and conducting liaison with other law enforcement agencies. The Office continues to have agents assigned to the region and, as efforts move from immediate relief to longer-term recovery and reconstruction, its agents are actively engaged in conducting outreach with departmental and state and local oversight officials in support of OIG fraud prevention and awareness activities. Its primary objective is to prevent fraud, waste, and abuse and detect and prosecute fraud.

DOT-OIG is currently conducting a procurement fraud risk assessment to identify and prioritize DOT resources (or fraud targets) with the greatest potential for fraud. This includes providing fraud awareness training to, and discussing oversight issues with, departmental and state and local procurement officials. The types of fraud DOT-OIG has historically investigated on infrastructure projects include false claims, product substitution, bid-rigging, Disadvantaged Business Enterprise (DBE) fraud, and bribery schemes.

DOT-OIG is coordinating closely with the law enforcement and prosecution community through the Hurricane Katrina Fraud Task Force and through on-the-ground coordination with its members in Baton Rouge and New Orleans. In addition, agents have met with Federal and state highway officials in Louisiana, Mississippi, and Alabama and are obtaining information on all reconstruction projects, locations, and dollar amounts that will be funded or reimbursed by the Federal Highway Administration, Federal Transit Administration, or the Federal Aviation Administration.

PUBLIC EDUCATION AND PREVENTION

The Task Force has engaged in an extensive program to educate the public about various types of hurricane-related fraud schemes. Public education and outreach is a cornerstone of the Task Force's strategy of deterrence. First, through public education, potential victims learn how they can avoid being victimized. Second, by bringing prosecutions quickly and without regard to the dollar amount, *and by widely disseminating appropriate information about those prosecutions*, some would-be fraudsters may be deterred from criminal activity in the first place. The methods that Task Force members use for public education and outreach include:

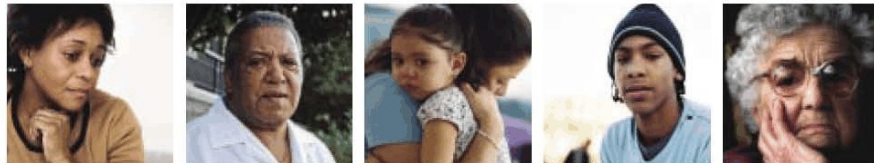
- ***Print Advertisements.*** In cooperation with the Task Force, the Postal Inspection Service arranged for display advertisements (see Figure 1), warning the public about various fraud schemes stemming from Hurricane Katrina, to be placed in 12 national and Gulf-region

newspapers, as well as five national magazines, with a combined circulation of more than 21 million people.²

- **Radio Public Service Advertisements.** The FTC distributed radio public service announcements relating to Katrina fraud in the Gulf Coast Region and nationally. The FTC sent copies of the announcements to 507 English language stations and 77 Spanish-language stations in Alabama, Louisiana, Mississippi, and Texas, and 2,107 English-language stations and 100 Spanish-language stations in other states.
- **Flyers.** The FTC arranged for the distribution of flyers with information for Hurricane Katrina victims (see Figure 2) and the general public (see Figure 3) about recognizing, avoiding, and reporting disaster-related fraud.
- **Websites.** The Department of Justice, the FBI, the Postal Inspection Service, the DHS-OIG, the FTC, the FDIC, and the Commodity Futures Trading Commission, among others, have information on their respective websites to warn the public about Katrina- and Rita-related fraud schemes and inform them on how to report such schemes to appropriate law enforcement and regulatory agencies. In addition, nearly every state attorney general issued consumer alerts on fraudulent charitable solicitations relating to the hurricanes.

² The newspapers were the *Birmingham (AL) News-Post*, the *Boston Globe*, the *Chicago Tribune*, the *Houston Chronicle*, the *Jackson (MS) Clarion-Ledger*, the *New York Times*, the *New York Daily News*, the *Los Angeles Times*, the *Philadelphia Inquirer*, the *Shreveport (LA) Times*, *USA Today*, and the *Washington Post*. Most of the newspapers ran the advertisements in their September 29 issues. The *Washington Post* ran the advertisement in its October 2 issue, and *USA Today* ran the advertisement in its September 30 issue. *Entertainment Weekly*, *Newsweek*, *People*, *U.S. News & World Report*, and the *Week* ran the advertisements from October 10 through October 17.

Figure 1 - Example of Magazine Advertisement



They Need Your Help...

Don't Let Scam Artists Take It Away.

Identity Theft
Insurance Scams
Charity Fraud
Phony Benefit Seekers

Disasters bring out the best in people who want to help. Unfortunately, they also bring out the worst – those who prey on victims and seek to profit from the disaster.

The Hurricane Katrina Fraud Task Force has been established to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, identity theft, and insurance fraud.

If you are planning to contribute to relief efforts, make sure you know where your donation dollars go.

- Avoid cash gifts. It's best to pay by credit card or check.
- Check out the charity, company, or organization before giving.
- Be cautious of solicitations from companies with names similar to those of well-known charities. Legitimate charity Web addresses typically end with **.org**, not **.com**.

If you suspect a disaster-related fraud, report it to *ic3.gov* or 1-877-FTC-HELP.

A message from the United States Postal Inspection Service in cooperation with the Department of Justice Hurricane Katrina Fraud Task Force.

Figure 2 - Example of Flyer for Hurricane Katrina Victims

**Hurricane Katrina
Recovery**

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer & Business Education

IF YOU ARE AFFECTED BY HURRICANE KATRINA...

- ✓ Communication is more important than ever. Call your creditors. Many are putting programs in place voluntarily to defer your loan payments, waive late fees, or raise your credit limit temporarily while you get back on your feet. If you've lost your records and need help identifying your creditors, get your credit report. It's free from **www.annualcreditreport.com** or 1-877-322-8228.

- ✓ Many people will be asking you for your personal information. Ask them for appropriate identification before you give it out. Government officials will not ask you for money in exchange for your information or the promise of a check.

- ✓ Be on the alert for scams. Advance-fee credit arrangements, where you are required to pay a fee for a credit card or some other line of credit before you receive it, are illegal.

Once the immediate hazards of a natural disaster are over, it's inevitable that other problems surface. Among these are scams, frauds, and other consumer protection issues.

Visit **www.ftc.gov** for important information about scams you may encounter, your rights, and links to other organizations that have news about relief for Hurricane Katrina victims. And if you think you've been a victim of fraud or identity theft, you also may want to contact your local FBI office.

This message is from the Federal Trade Commission and the Department of Justice Hurricane Katrina Fraud Task Force

Figure 3 - Flyer for the Public



Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer & Business Education

IDENTITY PROTECTION

Guarding Against Identity Theft in the Aftermath of Hurricane Katrina

- ✓ If you are recovering from the effects of Hurricane Katrina, you will need to share your personal information to get relief benefits from government agencies or other organizations, or replacement identification documents. Be cautious. Identity thieves may be posing as government officials or representatives for government agencies. Ask for identification, and when possible, initiate contact yourself using information posted on official websites or in official information dissemination areas.

- ✓ If you find that you inadvertently gave out your personal information to a thief, if your wallet was stolen, or if you are concerned that your information may be accessible to thieves, contact your financial companies about closing your accounts. When you open new accounts, place passwords on them. Avoid using your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers.

- ✓ If you inadvertently gave out your Social Security number to a thief or know that it was stolen, you may want to place a fraud alert on your credit reports. Fraud alerts can help prevent identity thieves from opening new accounts. But note that when you place a fraud alert on your credit file, companies take certain steps to verify your identity before they issue you credit. You may experience a delay in getting credit, especially if you have lost some or all of your identification documents. If you decide that placing a fraud alert is appropriate, call the toll-free fraud number of one of the following credit bureaus:
 - Equifax: 1-800-525-6285
 - Experian: 1-888-397-3742
 - TransUnion: 1-800-680-7289

- ✓ If you're concerned that you may be a victim of Hurricane-related identity theft, check your credit report. If an identity thief is opening new credit accounts in your name, these accounts are likely to show up on your credit report. You can get your report free from www.annualcreditreport.com, or 1-877-322-8228. Check your report to make sure it is accurate.

For more information about guarding against identity theft and resolving problems, visit www.consumer.gov/idtheft or call 1-877-IDTHEFT. If you think you've been a victim of fraud or identity theft, you also may want to call your local FBI office.

This message is from the Federal Trade Commission and the Department of Justice Hurricane Katrina Fraud Task Force

COMMAND CENTER AND OTHER OPERATIONAL COORDINATION

To date, the principal focus of initial enforcement efforts has been on fraudulent solicitations for charitable donations, both in person and via the Internet, and fraud schemes involving emergency benefits provided to hurricane victims by the American Red Cross and FEMA. In the months to come, these enforcement efforts will continue as additional schemes of these types are uncovered and prosecuted. At the same time, the Task Force and its members are well underway in developing full and effective coordination at all levels of law enforcement for any and all types of possible hurricane-related fraud, including contract-fraud, procurement-fraud, and insurance-fraud schemes.

One of the most significant developments is the establishment of a joint Command Center for the Task Force. The Hurricane Katrina Fraud Task Force Command Center is located at Johnston Hall on the campus of Louisiana State University in Baton Rouge. (See Figure 4). At the Task Force Command Center, the principal investigative agencies and Inspectors General are co-located, efficiently combining their respective resources (including investigative authority and criminal intelligence) for maximum effectiveness in investigating and prosecuting procurement fraud and corruption.

The Task Force's Executive Director for Procurement Fraud and Integrity, Salvador Perricone, will coordinate the efforts to deter and combat procurement fraud and public corruption. He will work closely with the federal law enforcement and the Inspector General community on-the-ground and at the headquarters level and will coordinate the day-to-day operations of the joint Command Center. Mr. Perricone recently has served as Chief of the Organized Crime Strike Force with the United States Attorney's Office in the Eastern District of Louisiana. Previously, he served with distinction as a Special Agent with the FBI and as a New Orleans Police Officer. Mr. Perricone's unique background and skills as a police officer, agent, and prosecutor will serve to complement the unique collaborative mission of the Command Center.

Figure 4 - Johnston Hall, Site of Hurricane Katrina Fraud Task Force Command Center



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The Task Force Command Center will play three critical roles in effective coordination of investigations and prosecutions from the national to local levels:

SHARING INFORMATION

The Task Force Command Center will permit law enforcement, Inspectors General, and prosecutors access to a shared database permitting a fully integrated response when evidence of fraud and corruption is detected. Because Hurricanes Katrina and Rita affected such a wide area of the Gulf Coast Region, it is essential that law enforcement, Inspectors General, and prosecutors have access to trends, intelligence, and evidence uncovered during procurement fraud and corruption investigations. Through the use of shared intelligence and investigatory protocols, the Task Force Command Center will enable law enforcement, Inspectors General, and prosecutors to eliminate redundancies and focus on areas of specific concern to timely investigate and prosecute contractors engaged in procurement fraud.

SHARING RESOURCES

Experience from prior disasters has shown that the coordination of law enforcement resources is essential to both deter and efficiently prosecute procurement fraud and corruption. The Task Force Command Center will permit law enforcement across the affected region to meet regularly and discuss recognized trends and methods of fraud evidenced by their investigations. This knowledge will permit the use of specialized training to address the recognized areas of fraud and abuse. Moreover, this approach will enable law enforcement to focus resources quickly and to allocate those resources to areas of concern by coordinating the placement of auditors and monitors in areas prone to fraud and corruption. Finally, the Task Force Command Center will permit coordination of prosecutorial resources, allowing real-time enforcement and maximum deterrence.

SHARING RESULTS

The Task Force Command Center will serve to pool law enforcement resources and efficiently prevent and detect corruption and fraud across affected areas. Timely prosecutions combined with the debarment of corrupt contractors and subcontractors will serve as both a deterrent and model for the efficient use of precious government resources. With billions of dollars in federal contracts destined for the affected areas, there is the potential for contractors and subcontractors who may seek to victimize the government. The Task Force Command Center will ensure the most efficient use of law enforcement and prosecutive resources by efficiently and quickly shutting down schemes and prosecuting the schemers.

REPORTING HURRICANE-RELATED FRAUD

- Charity Fraud, Emergency-Benefit Fraud, and Other Types of Consumer Fraud:
 - Call the FTC’s Consumer Response Center, toll-free, at 1-877-FTC-HELP (1-877-382-4357), or
 - File an online complaint with the Internet Crime Complaint Center (a joint project of the FBI and the National White Collar Crime Center) at <http://ic3.gov>
- Identity Theft:
 - Call the FTC’s Identity Theft Hotline, toll-free, at 1-877-ID-THEFT (1-877-438-4338), or
 - File an online complaint with the FTC at <http://www.consumer.gov/idtheft/>
- Government Fraud and Public Corruption:
 - Call the FBI’s tipline, 1-800-CALL FBI (1-800-225-5324)
 - Call the DHS Katrina Hurricane Relief Fraud Hotline (operated by the Department of Defense OIG) at 1-866-720-5721

CONCLUSION

I am pleased to make this report on the progress of the Hurricane Katrina Fraud Task Force. I want to take this opportunity to thank the many members and partners who have worked tirelessly to ensure that we fully avail ourselves of this opportunity to join forces to maximize our ability and potential to deter, identify and prosecute opportunistic fraud in the wake of Hurricanes Katrina and Rita. I also want to give special thanks to my staff in the Criminal Division who have also worked tirelessly to turn the Attorney General's vision of good government and strong law enforcement response into a reality.

Alice S. Fisher
Chairman
Hurricane Katrina Fraud Task Force