



Hurricane Katrina Fraud Task Force



First Year Report to the Attorney General

September 2006

Table of Contents

Letter from Assistant Attorney General Alice S. Fisher to the Attorney General	i
Task Force Members	iii
I. Task Force Background and Mission Statement	1
II. Trends and Patterns in Hurricane-Related Fraud	4
A. Cycles of Fraud After Disasters	4
B. Exploitation of Systemic Weaknesses	5
C. Exploitation by Insiders	6
III. Suggested Best Practices for Law Enforcement After Future Disasters	7
A. Pre-Disaster Preparation	8
B. Post-Disaster District Level Response	8
C. Post-Disaster Multi-District or National Response	10
D. Prosecution	11
IV. Accomplishments of the Task Force	13
A. Summary of Accomplishments	13
1. Prosecution and Enforcement	13
2. Deterrence and Returned Funds	13
3. Increased Coordination	13
4. Training and Proactive Detection	13
B. Prosecution and Enforcement	14
C. Deterrence and Returned Funds	27
D. Increased Coordination	28
1. The 2006 New Orleans Conference	28
2. The Joint Command Center	28
3. Other Investigative Coordination and Assistance	32
a. Investigative Agencies	32
b. Inspectors General	34
c. Other Agencies and Organizations	40
E. Training and Proactive Detection	43
V. Future Plans and Responses	45
A. CDBG Grants	46
B. Infrastructure Rebuilding and Public Assistance Grants	47
C. SBA Loans	47
Reporting Hurricane-Related Fraud	48

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 First Year Report of the Hurricane Katrina Fraud Task Force. Having recently passed the first year anniversary of your creation of the Task Force, the Task Force's mission remains the detection, deterrence, prevention and punishment of fraud related to the devastation caused by Hurricanes Katrina, and later Rita and Wilma. Although we have realized great success this year, after recently visiting the affected areas again I know that there is still considerable work to be done. I pledge that the Task Force will continue to investigate and prosecute fraud wherever we find it.

The dedication of all the Task Force members and United States Attorney's Offices across the country to the mission of the Task Force is demonstrated by the Task Force's prosecutions. Since the establishment of the Task Force in September 2005, 30 United States Attorneys across the country have charged more than 400 people with various hurricane fraud-related crimes involving millions of dollars. These prosecutions have sent a powerful message of deterrence to those who might otherwise seek to benefit from these disasters. Indeed, since your formation of the Task Force, the Federal Emergency Management Agency (FEMA) and the Red Cross report that more than \$18.2 million has been returned by recipients of individual-assistance benefits, a sign that our prosecutions are deterring fraud.

These prosecutions are made possible by the exemplary investigation and cooperation among federal law enforcement, Inspectors General from impacted agencies, and state and local law enforcement. Working through the Task Force's Joint Command Center, which is led by David Dugas, the United States Attorney for the Middle District of Louisiana, the Department of Justice, investigative agencies, and Inspectors General are coordinating and cooperating in a wide range of operational and investigative matters. In particular, I want to recognize the contributions of the FBI, under the direction of Chip Burrus, Assistant Director of the Criminal Investigative Division, and the Department of Homeland Security Inspector General's office, under the direction of Inspector General Richard Skinner, both of which have been instrumental in establishing the Command Center. The Command Center has reviewed and analyzed more than 6,800 fraud-related tips and complaints, and investigative agencies working through the Command Center are tracking the disbursement of disaster-related funds in the affected areas in an attempt to identify and disrupt fraudulent schemes as quickly as possible.

The Task Force is also working hard to ensure that disaster resources will flow only to those who are entitled to receive them. Although considerable amounts of individual assistance have already been disbursed, significant funds – to repair homes and neighborhoods, foster small businesses, and rebuild infrastructure – will be disbursed in the months ahead. The Task Force, in partnership with state and local officials, is encouraging the implementation of fraud-prevention measures in connection with these programs.

The Task Force has also prepared a list of Best Practices to guide the law enforcement responses to future natural disasters. These Best Practices, which are included in this report, set out the most important lessons learned by law enforcement in responding to Hurricanes Katrina, Rita, and Wilma, and should be an invaluable tool to prevent fraud in the wake of future natural disasters.

Thank you for your leadership in forming and then setting clear objectives for the Task Force. It is my privilege to work with you and so many dedicated and resourceful law enforcement representatives, at all levels of government, in this important endeavor. On behalf of all of our law enforcement partners, I assure you that we will continue to carry out the vital mission you have entrusted to us.

Sincerely,

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

Alice S. Fisher
Chairman
Hurricane Katrina Fraud Task Force

TASK FORCE MEMBERS

The Hurricane Katrina Fraud 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 Attorney's Offices in the Gulf Coast 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 United States 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 fraud schemes.

I. TASK FORCE BACKGROUND AND MISSION STATEMENT



“To take advantage of the devastation and recovery efforts in the Gulf Coast is both shameful and illegal. We must ensure that the criminals who have exploited this time of human suffering are brought to justice, and that their crimes do not undermine the programs intended to rebuild the homes, businesses, and communities destroyed by Hurricanes Katrina, Rita and Wilma. The Department of Justice will continue to vigorously investigate and prosecute fraud, in whatever form it may take, and work with our partners to prevent fraud in the future.”

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 Katrina, Rita, and Wilma 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 send a strong message of deterrence by bringing prosecutions as quickly as possible. 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 Attorney’s Offices to ensure timely and effective prosecution of fraud cases related to Hurricanes Katrina, Rita, and Wilma. 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 93 United States Attorney’s 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.

Since Hurricane Katrina made landfall on August 29, 2005, vast numbers of people have needed help from government and private-sector entities. Throughout the Gulf Coast region, hundreds of thousands of people were displaced, hundreds of thousands of homes and other housing units were destroyed or damaged, and residents suffered tens of billions of dollars in

losses because of storm damage.¹ As of August 17, 2006, FEMA had received more than 2.5 million applications for disaster assistance relating to Hurricanes Katrina and Rita.

The vast majority of these applicants have legitimate need for the assistance they are seeking. The Task Force's work to date, however, has shown that numerous people have committed fraud in seeking benefits to which they are not entitled. Disaster-relief organizations have reported to law enforcement that they have identified thousands of questionable or possibly fraudulent payments to purported hurricane victims. In addition, the Task Force is already prosecuting instances of contract fraud and public corruption.

The Task Force is combating all types of fraud relating to private-sector and government efforts to help victims of Hurricanes Katrina, Rita, and Wilma to rebuild their lives and their communities. 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:

- *Government-Contract and Procurement Fraud:* Cases in which individuals and companies engage in fraud relating to federal funds for the repair and restoration of infrastructure, businesses, and government agencies in the affected region;
- *Public Corruption:* Cases in which public officials participate in bribery, extortion, or fraud schemes involving federal funds for the repair and restoration of infrastructure, businesses, and government agencies in the affected region;
- *Government and Private-Sector Benefit Fraud:* Cases in which individuals file false applications seeking benefits to which they are not entitled, and file fraudulent claims for insurance;
- *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; and
- *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.

The Task Force has ongoing investigations and prosecutions in each of these areas.

¹ See FEMA, Press Release, *By the Numbers - One Year Later*, August 2, 2006, available at <http://www.fema.gov/news/newsrelease.fema?id=29109>.

The Task Force is 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 are working to keep the public informed about fraudulent schemes, and to give them the information they need to avoid becoming victims of fraud. Similarly, the Task Force is widely publicizing its criminal prosecutions, so that would-be fraudsters think twice about engaging in this type of criminal activity.

II. TRENDS AND PATTERNS IN HURRICANE-RELATED FRAUD

In the year since Hurricane Katrina made landfall, the Task Force's Joint Command Center has reviewed and analyzed more than 6,000 fraud-related tips and complaints. Federal authorities have charged more than 400 individuals in fraud cases related to Hurricanes Katrina, Rita, and Wilma. State and local authorities have prosecuted additional cases throughout the country. Based on the Task Force's investigative and prosecutive experience to date, certain trends and recurring patterns of disaster-related criminal activity appear evident.

A. Cycles of Fraud After Disasters

It is a truism among fraud investigators that "fraud follows the money." Criminals tend to pursue opportunities for fraud in any situation where they observe that there is a prospect of significant personal gain, particularly where they believe that the risk of successful prosecution is low. In the case of disaster-related fraud, recent experience has shown that there are several distinct cycles of fraud after any major disaster.

The first cycle of fraud – charity-fraud schemes – begins at (or even shortly before) the time that a disaster strikes. With Katrina and Rita, for example, criminals exploited the outpouring of private and public support for hurricane victims by obtaining domain names for websites and then establishing fraudulent websites to which they tried to persuade the public to send their charitable donations for hurricane victims. The lifecycle for these charity-fraud schemes extends from the onset of the disasters for four to six weeks thereafter.

The second cycle of fraud – emergency-assistance schemes – begins as soon as the public is informed that the federal government and private entities are providing emergency-assistance funds for disaster victims, as well as funds for damage to their homes and businesses. This period may extend from the first day or two after the disaster subsides for a period of several months or more, depending on the eligibility criteria that public and private agencies establish and the deadlines they select for applications. FEMA, for example, disbursed more than \$6 billion directly to Hurricane Katrina victims for housing and other needs assistance through the Individuals and Households Assistance Program, approved nearly \$975 million in Community Disaster Loans for municipalities in Louisiana and Mississippi to help local authorities maintain essential services, and paid \$650 million for hotel and motel rooms to provide hotel and motel rooms to tens of thousands of families affected by Hurricanes Katrina and Rita who were in need of short-term sheltering.²

The third cycle of fraud – procurement and insurance fraud – begins as soon as the public

² See FEMA, Press Release, *By the Numbers - One Year Later*, August 2, 2006, available at <http://www.fema.gov/news/newsrelease.fema?id=29109>.

is informed that funds are being made available for recovery and reconstruction of the affected areas. Even in the initial phases of recovery, such as debris removal (see Figure 1 below), criminals seek to develop opportunities for fraud. Just last month, for example, four individuals were indicted in the Southern District of Mississippi for conspiracy to defraud the United States in connection with the creation and submission of fraudulent debris removal load slips in the amount of \$716,677. In this case, the load tickets were submitted even though the trucks at issue were not being used on the roadways or at the dumps indicated. In another case, the Task Force saw similar conduct when another debris hauler submitted falsified load tickets for trucks that were actually in another state at the time. Public corruption is often associated with procurement fraud, as schemes by contractors to submit false or fraudulent invoices or documentation often succeed only because they bribe or compromise the public employees and officials whose oversight is essential for the conduct of the program.

Figure 1 - Hydraulic Excavator Filling Debris-Removal Truck in Pass Christian, Mississippi



[Source: Mark Wolfe/FEMA]

B. Exploitation of Systemic Weaknesses

The Task Force prosecutions have shown that with disaster-related fraud, as with other types of fraud, criminals often seek out and exploit any perceived systemic weaknesses in oversight or internal controls associated with disaster relief programs. In a number of cases throughout the country, initial prosecutions of individuals who filed a single fraudulent claim for disaster relief soon led to evidence that individuals were filing multiple fraudulent claims for benefits, and in some cases even recruited neighbors, friends, and family members to participate

in the scheme. This trend has held true in federally funded disaster relief programs, as well as private charitable relief programs. The experience gained by the Task Force member agencies over the past year, and the unprecedented information-sharing among those agencies, have enabled investigators to better identify and investigate these fraud rings.

C. Exploitation by Insiders

A particularly distressing pattern of criminal activity has involved individuals who use their positions with governmental agencies and charitable organizations to exploit the disaster relief programs that they are supposed to protect. The Task Force is prosecuting employees or contractors of FEMA, the Army Corps of Engineers, the Louisiana Department of Labor, and the American Red Cross for fraud committed by those individuals against the very programs that they were entrusted to administer.

III. Suggested Best Practices for Law Enforcement After Future Disasters

The past year has provided Task Force members with numerous challenges in their efforts to combat disaster related fraud arising from Hurricanes Katrina, Rita, and Wilma. The Task Force has overcome those challenges through the implementation of innovative practices and techniques, through unprecedented inter-agency cooperation and through the sheer hard work and dedication of the members of the Task Force. This section is intended to memorialize some of the lessons learned by the Hurricane Katrina Fraud Task Force. It is not intended as an exhaustive statement of all potential anti-fraud measures that should be taken following a disaster.

Depending on the size and scope of the disaster, federal law enforcement and relief agencies will be faced with some or all of the following challenges. First, numerous federal agencies and private charities will respond with an outpouring of disaster relief aid. Fraudsters will exploit any weaknesses in disaster relief programs. Relief agencies will be faced with the challenge of providing assistance in a timely manner while adequately verifying eligibility and entitlement.

Second, the relief response will involve programs and procedures with which most United States Attorney's Offices (USAOs) and federal law enforcement agency field offices (Field Offices) have little or no experience. In order to deal with the fraud that will likely accompany the relief efforts, it will be necessary for supervisory and line personnel to quickly gain an understanding of how these relief programs work, the eligibility requirements for the programs, the legal and regulatory framework of the programs, the types of fraud typically associated with the programs, the evidence that will be needed to investigate and prosecute that fraud, and how that evidence can best be located and collected.

Third, the USAOs and the Field Offices impacted by the disaster will be the front line of the anti-fraud effort. Experience teaches that disaster related fraud begins even before the effects of the disaster itself begin to subside. The affected federal law enforcement offices will be faced with responding to that fraud while still recovering from the effect of the disaster on their offices and districts.

Fourth, auditors and investigators from various Inspectors General offices (OIG) will flood into the area and begin conducting audits and investigations. Most will be unfamiliar with the affected area and will not previously have dealt with the USAOs, the federal law enforcement field offices or the state and local law enforcement authorities in the area. They will be unaware of pending public corruption or other white collar crime investigations and will have little knowledge of how federal, state and local law enforcement historically interacts in the affected area. Their activities must be integrated into the pre-existing law enforcement structure in the affected area to avoid conflicting or redundant investigations.

Finally, if the disaster is large enough, it will attract the attention and interest of criminals across the nation and even around the world. Information sharing, data gathering and coordination at the national level may be required.

To deal with these challenges, the following best practices should be considered:

A. Pre-Disaster Preparation

Assistance Pre-planning

- Best Practice: Disaster relief agencies should establish clear standards for assistance eligibility with verification procedures, including certification, where possible.
- Best Practice: Disaster relief agencies should establish protocols for coordination to avoid duplication of benefits.

Standardized Training

- Best Practice: The Department of Justice and other agencies with expertise in disaster-related fraud investigation should participate in training at the new OIG Institute.
- Best Practice: The Office of Legal Education should present disaster fraud training for Assistant United States Attorneys (AUSAs) at the National Advocacy Center. The training should be designed in coordination with the Criminal Division Fraud Section and the President's Counsel on Integrity and Efficiency (PCIE) Homeland Security Roundtable.

Pre-Packaged Training Modules

- Best Practice: The Office of Legal Education and the Criminal Division should work with the PCIE Homeland Security Roundtable to design pre-packaged training modules (both hard-copy and digital) that can be delivered to federal law enforcement in the affected areas to familiarize USAOs and federal agents with disaster relief programs.

B. Post-Disaster District Level Response

Public Outreach to Prevent and Deter Fraud

- Best Practice: The U.S. Attorney, Field Office supervisors, and OIG representatives should immediately conduct press conferences and press interviews to caution the public about post-disaster fraud and to establish a visible law enforcement response to potential fraudulent activity.

Creation of District Anti-Fraud Working Group

- Best Practice: The U.S. Attorney should immediately establish a district anti-fraud working group. At a minimum, the working group should include representatives from any of the following federal agencies present in the district:
 - Federal Bureau of Investigation;
 - Department of Homeland Security, Office of Inspector General (DHS-OIG);
 - United States Secret Service;
 - Social Security Administration, OIG;
 - Department of Housing and Urban Development, OIG;
 - Department of Labor, OIG;
 - U.S. Postal Inspection Service;
 - U.S. Postal Inspection Service, OIG;
 - Internal Revenue Service, Criminal Investigative Division;
 - Treasury Inspector General for Tax Administration;
 - Department of Health and Human Services, OIG;
 - Environmental Protection Agency, OIG;
 - Environmental Protection Agency, Criminal Investigative Division;
 - Department of Agriculture, OIG;
 - Department of Commerce, OIG;
 - Department of Defense (OIG and Defense Criminal Investigative Service);
 - Department of Energy, OIG;
 - Department of Transportation, OIG;
 - General Services Administration, OIG; and
 - Small Business Administration, OIG.

The working group, once established, should consider the inclusion of representatives from state and local law enforcement agencies (and major charitable organizations such as the American Red Cross), and determine how best to coordinate activities with those agencies and organizations in order to ensure a cooperative and coordinated attack on disaster related fraud at all levels.

Establishment of Protocol for Data Access by the Working Group

- Best Practice: The District Working Group should, through the OIG representatives on the Working Group, contact all federal agencies providing relief services in the affected area and agree on protocols for the Working Group to obtain information on disaster relief programs and other information that will be useful in the investigation and prosecution of disaster related fraud. Similar outreach should be conducted by the USAO or FBI with charitable organizations and other non-governmental organizations operating in the affected area.

Devising of Data Management System

- **Best Practice:** The District Working Group should devise a data management system that will hold and manage all disaster fraud information gathered by the Working Group and make that information available to members of the Working Group. Such a data management system will be particularly important to manage tips and leads provided by the public or gathered by investigative agencies and will also be needed to de-conflict law enforcement anti-fraud efforts.

C. Post-Disaster Multi-District or National Response

National Task Force

- **Best Practice:** If the post-disaster fraud is likely to be national in scope, the Attorney General may decide to establish a national task force similar to the Hurricane Katrina Fraud Task Force. If the disaster affects more than one district, but does not warrant the creation of a national task force, then the U.S. Attorneys in the affected districts should confer to decide whether a multi-district task force is warranted.
- **Best Practice:** Because local conditions in the affected areas may vary following a disaster, the U.S. Attorney and the local working group is best situated to determine how state and local law enforcement authorities should be integrated into the disaster fraud working group. If a national task force is established, then the Attorney General for each state affected by the disaster, the National Association of Attorneys General, the National District Attorneys Association, and other national and state level law enforcement associations should be asked to participate in those activities of the Task Force that will affect state and local law enforcement authorities.

Hotlines and Complaint Referral Procedure

- **Best Practice:** The public can be an excellent source of tips and leads about fraudulent activity, particularly if fraud is widespread following a disaster. Hotlines, if properly managed, can be useful in gathering information from the public. However, because fraud following a disaster will likely involve multiple disaster relief programs, a single hotline will not be effective unless the agency operating the hotline has the ability to refer hotline complaints to all agencies with jurisdiction over disaster related fraud. If referrals are made to multiple agencies, then the agency operating the hotline should maintain a record of the nature of each complaint and the agency to which the complaint has been referred.
- **Best Practice:** The Department of Justice should conduct outreach with the nonprofit sector, especially headquarters of charitable organizations most likely to be providing emergency assistance on a continuing basis in the affected region, to facilitate coordination and establish protocols for referral of possible criminal violations to law

enforcement.

Referral and Deconfliction Database

- **Best Practice:** To properly log hotline complaints and track their referral, a standard complaint referral form should be used by hotline operators and the information recorded in the complaint referral form should be entered into a single database that can be used to de-conflict complaint referrals and maintain a record of complaint referrals for tracking purposes. This database should be accessible by law enforcement officers nationwide.

Command Center

- **Best Practice:** The Hurricane Katrina Fraud Task Force Joint Command Center has provided a centralized data-gathering, information-sharing, deconfliction, and coordination mechanism for the Task Force. Because of the number of agencies and programs involved in disaster relief, future national disaster fraud task forces should establish a joint command center with the ability to receive, screen, de-conflict and refer all complaints and leads related to disaster fraud.

Analytical Resources

- **Best Practice:** If a joint command center is established, then the command center can serve as a central collection point for information on disaster relief programs and data on potential fraudulent activity. If the command center is used for that purpose, then those agencies with primary jurisdiction over significant disaster related crimes should assign analysts or auditors to the command center in order to analyze the data to detect patterns or trends that may point investigators to evidence of fraudulent conduct.
- **Best Practice:** Because local conditions in the affected areas may vary following a disaster, the U.S. Attorney and the local working group is best situated to determine how state and local law enforcement authorities should be integrated into the disaster fraud working group. If a national task force is established, then the Attorney General for each state affected by the disaster, the National District Attorneys Association and other national and state level law enforcement associations should be asked to participate in those activities of the Task Force that will affect state and local law enforcement authorities.

D. Prosecution

Information-Sharing

- **Best Practice:** Access to disaster relief agencies files and databases is critical to investigation of disaster related fraud offenses. FEMA has provided law enforcement access to the National Emergency Management Information System database which has

proven vital. Disaster relief agencies should provide a standard protocol for law enforcement to obtain information from the agencies and their files/databases.

Preservation of Evidence

- Best Practice: Disaster relief computer programs should be saved and protected. This is particularly important if the programs are upgraded or otherwise changed.

Standardization of Practices

- Best Practice: The Department of Justice should establish a comprehensive brief bank of indictments and other legal documents pertaining to all types of disaster fraud.

IV. Accomplishments of the Task Force

A. Summary of Accomplishments

1. Prosecution and Enforcement

As of September 1, 2006, the Task Force has prosecuted more than 400 individuals in 30 districts throughout the country, and additional state and local prosecutions for disaster-related fraud have been brought.

2. Deterrence and Returned Funds

In the past year, FEMA and the American Red Cross (ARC) have had a total of more than \$18.2 million in funds returned by recipients of individual-assistance benefits. FEMA received a total of \$15.82 million, and ARC more than \$2.4 million, in returned funds.

3. Increased Coordination

Investigative agencies and federal Inspectors General have expanded their cooperation and coordination on hurricane-related investigations. A vital component of coordination has been the Task Force's Joint Command Center, which has been in full operation in Baton Rouge, Louisiana for a number of months. The Command Center, to which the FBI has provided personnel and logistical support, has proved to be a major source of support for hurricane-related investigative efforts throughout the country. The Department of Justice and investigative agencies are making sound use of the Command Center for receipt, deconfliction, and referral of complaints; review and analysis of potentially fraudulent applications for disaster-related benefits; and timely information-sharing with relevant law enforcement agencies. The Department is also working closely with federal Offices of Inspectors General to advise them of systemic weaknesses and vulnerabilities that agents are identifying through their criminal investigations.

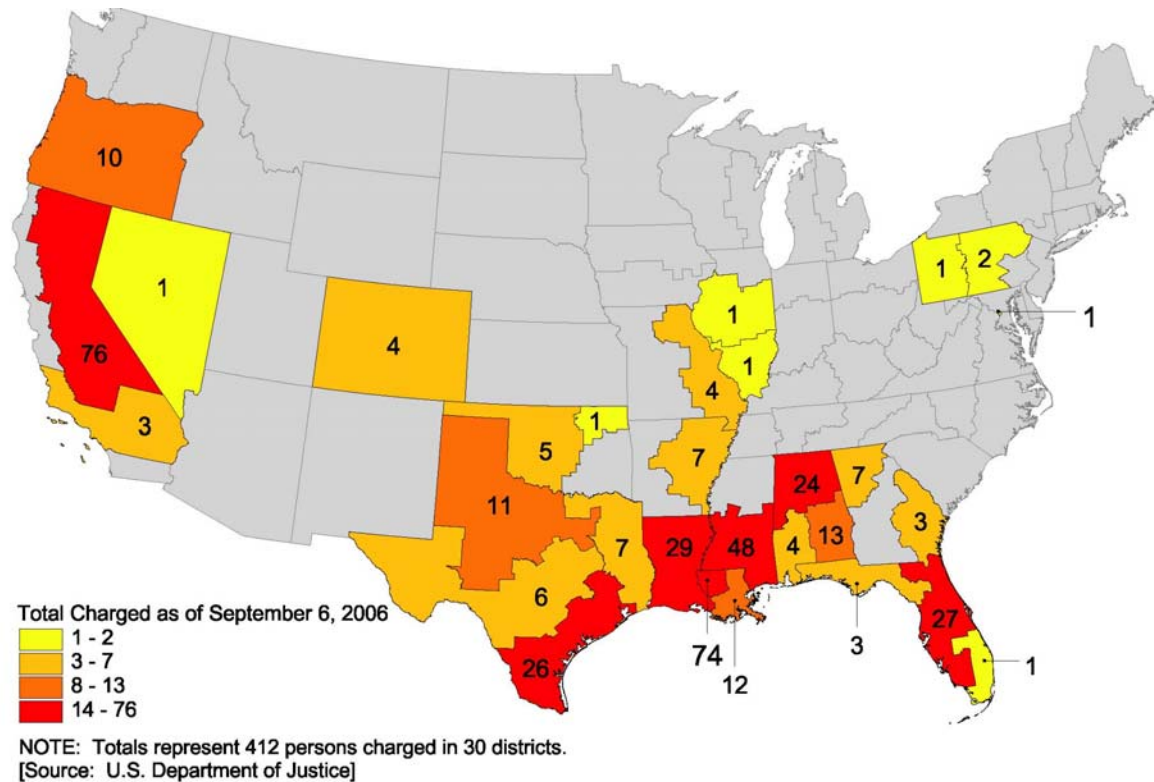
4. Training and Proactive Detection

The Command Center has continued to host training by Department of Justice prosecutors for federal agencies, and has conducted more extensive training for Gulf Coast-based Assistant United States Attorneys and other agencies at the Command Center. It continues to play a significant role in proactively identifying patterns of potentially fraudulent activity in applications for disaster-related benefits. The Department of Justice is also planning to publish a disaster-fraud manual for federal prosecutors.

B. Prosecution and Enforcement

The most tangible proof of their commitment is the dramatic increase in the number of prosecutions stemming from Hurricanes Katrina and Rita. As of October 17, 2005, the date of the first progress report, the Task Force had charged 36 people in 17 separate cases with hurricane-related fraud. As of September 6, 2006, more than 400 people have been federally charged with hurricane-related fraud. (See Figure 2 below.)

Figure 2 - Federal Criminal Prosecutions, September 1, 2005 - September 6, 2006



These prosecutions span 30 federal districts in all regions of the United States. State and local prosecutors' offices have also continued to bring criminal cases involving hurricane-related fraud.

While the majority of Task Force prosecutions in the past year still involve fraud to obtain individual assistance benefits from FEMA and the American Red Cross, the Task Force is seeing more cases involving identity theft, procurement fraud, and public corruption. The following summaries of recent disaster fraud-related cases from a variety of United States Attorney's Offices are offered as a sample of the fraudulent schemes being successfully

investigated and prosecuted.

Alabama - Middle District (United States Attorney Leura Garrett Canary)
[13 Persons Charged]

- On March 1, 2006, a federal grand jury indicted a woman for fraudulently obtaining disaster assistance from FEMA in the wake of Hurricane Katrina and then threatening a witness who was to testify against her about her FEMA claims. The defendant is also charged with using a gun while threatening the witness.³

Alabama - Northern District (United States Attorney Alice H. Martin)
[24 Persons Charged]

- On August 28, 2006, a federal grand jury indicted 15 individuals on charges relating to filing false claims with FEMA. Six of the defendants, for example, filed with FEMA, claiming to be residents of Texas during the landfall of Hurricane Rita. They reported property damage on their claims for emergency relief funds. A \$2,000 U.S. Treasury check was issued to each individual based on the fraudulent information provided. The defendants allegedly cashed the checks knowing the information they provided was false.⁴
- On August 17, 2006, a defendant was sentenced to 19 months imprisonment for defrauding FEMA, after posing as a Hurricane Katrina evacuee, stealing another woman's identity, and forging that woman's name to obtain \$2,000 in disaster relief funds.⁵

Alabama - Southern District (United States Attorney Deborah J. Rhodes)
[4 Persons Charged]

- On July 27, 2006, a federal grand jury indicted a woman in an 66-count indictment alleging mail fraud, wire fraud and aggravated identity theft. The indictment alleges that from September 8, 2005 through May 11, 2006, the defendant applied for disaster

³ See United States Attorney's Office, Middle District of Alabama, Press Release, March 6, 2006, *available at* http://www.usdoj.gov/usao/alm/Press/willis_indictment.html.

⁴ See United States Attorney's Office, Northern District of Alabama, Press Release, August 29, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-29-06USAO_ALN.pdf.

⁵ See United States Attorney's Office, Northern District of Alabama, Press Release, August 17, 2006, *available at* <http://www.usdoj.gov/usao/aln/Docs/August%202006/AUGUST%2017,%202006%20IMPRISONMENT%20GIVEN%20IN%20FEMA%20FRAUD%20CASE.html>.

benefits from FEMA using false Social Security numbers and variations of her name and address. As a result of the fraudulent claims, the defendant allegedly received from FEMA a total of \$277,377, which she used to purchase real estate, a mobile home, automobiles, electronics and other personal property. The defendant allegedly lived in Jackson, Mississippi at the time of Hurricane Katrina. DHS-OIG, the FBI, and the U.S. Postal Inspection Service investigated the case.⁶

Arkansas - Eastern District (United States Attorney Bud Cummins)
[7 Persons Charged]

- On May 2, 2006, a federal grand jury returned a seventeen-count indictment against a defendant, alleging that the defendant, while entitled to lodging for himself, rented 17 hotel rooms and sublet them to other individuals. The defendant then allegedly caused 17 false claims to be submitted to FEMA. The FBI investigated the case.⁷

California - Eastern District (United States Attorney McGregor W. Scott)
[76 Persons Charged]

- The United States Attorney's Office for the Eastern District of California and the FBI have aggressively continued their ongoing investigation into a scheme to defraud the American Red Cross of funds intended for Hurricane Katrina victims by submitting or causing others to submit a fraudulent claim through the American Red Cross call center located in Bakersfield. To date, 72 persons have been federally charged in this investigation, 64 of those defendants have pleaded guilty (all to felonies), and 54 have been sentenced. According to the indictments, when a person contacted the call center to request assistance, call-center employees allegedly verified their personal information, including an address within the area affected by the hurricane. Once that information was verified, the caller was given instructions on how to obtain financial assistance from the American Red Cross and, on approval of financial assistance, how to obtain that assistance at the closest Western Union branch. The indictments further allege that a number of temporary contract employees at the Bakersfield call center, and some close associates of those temporary contract employees, obtained false claim information and, using that information, obtained payment from Western Union.⁸ In a separate case, one

⁶ See United States Attorney's Office, Southern District of Alabama, Press Release, July 27, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jul/07-27-06_ALS.pdf.

⁷ See United States Attorney's Office, Eastern District of Arkansas, Press Release, May 2, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/may/05-02-06andersonindicted.pdf.

⁸ See, e.g., United States Attorney's Office, Eastern District of California, Press Release, October 27, 2005, available at http://www.usdoj.gov/usao/cae/PRESS/pdf_2005/

defendant was charged with fraudulently applying for and receiving thousands of dollars in hurricane assistance from the American Red Cross and other organizations. The FBI investigated the cases.

District of Columbia (United States Attorney Kenneth Wainstein)
[1 Person Charged]

- On August 28, 2006, a man pleaded guilty to charges of bank fraud, mail fraud, and money laundering from September to December of 2005, relating to a scheme to defraud FEMA of more than \$100,000 in relief funds intended for victims of Hurricanes Katrina and Rita. According to the government's evidence, between about September 13, 2005, and about December 31, 2005, the defendant applied for emergency FEMA funds using the names, birth dates, and Social Security numbers of other individuals, none of whom had given him permission to apply for such benefits on their behalf. He obtained most of this information through the Martindale-Hubbell legal directory and various other public databases, as well as through his previous job at a construction company. The defendant admitted that on the portion of the application that asked for the address of a property damaged by Hurricane Katrina or Hurricane Rita, he would fill in addresses that he found on the Internet or that he made up.

As a result of this scheme, FEMA mailed 38 United States Treasury checks, made out to the individuals the defendant specified, to motels where he was staying or private mailboxes that he had rented in the names of other individuals, using false identification in the names of those individuals, but bearing his own photograph. He then forged the signatures of the payees and deposited the checks into bank accounts that he had opened in the names of other people without their permission, but that he controlled. In particular, the defendant opened an account at an E*Trade Financial Corporation Branch in Northwest Washington, D.C., into which he deposited five of the fraudulently obtained checks, intending to withdraw the money and convert it to his own use at a later date. The U.S. Secret Service, the Postal Inspection Service, the Treasury Office of Inspector General, FEMA, and DHS-OIG investigated the case.⁹

10-27-05katrinarelease.pdf, Press Release, February 2, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/2-2-06USAOEDCA.pdf.

⁹ See United States Attorney's Office, District of Columbia, Press Release, August 28, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-28-06Rothschild.pdf.

Florida - Middle District (United States Attorney Paul I. Perez)
[27 Persons Charged]

- In May 2006, a total of 26 individuals were charged in 23 separate indictments and one information in connection with fraudulent claims for hurricane assistance. The 26 individuals charged allegedly submitted fraudulent claims to FEMA totaling more than \$170,000. Of that amount, they were successful in obtaining more than \$150,000 in FEMA funds. The U.S. Secret Service, the Postal Inspection Service, and DHS-OIG (with assistance from the U.S. Marshals Service) investigated the cases.¹⁰

Florida - Southern District (United States Attorney R. Alexander Acosta)
[1 Person Charged]

- On May 7, 2006, a defendant who had pleaded guilty to wire fraud in connection with his fraudulent solicitation of charitable donations supposedly intended for Hurricane Katrina relief was sentenced to 21 months imprisonment. According to the indictment, the defendant falsely claimed in conversations on the Internet, and ultimately via the website www.AirKatrina.com, that he was piloting flights to Louisiana to provide medical supplies to the areas affected by Hurricane Katrina and to evacuate children and others in critical medical condition. He further claimed that he had organized a group of Florida pilots to assist him in his supposed relief efforts. In just two days, the defendant received almost \$40,000 in donations from 48 different victims from around the world. The FBI investigated the case.¹¹

Illinois - Southern District (United States Attorney Randy Massey)
[1 Person Charged]

- On June 22, 2006, an indictment was unsealed against a defendant charged with various fraud offenses and aggravated identity theft. The indictment alleges that the defendant defrauded FEMA by claiming that she was displaced, even though she was residing in Belleville, Illinois at the time of Hurricane Katrina. The indictment further alleges that the defendant sent correspondence to FEMA representing that her two daughters, who did not exist, had died during the flooding in New Orleans and that she had seen them float away. The defendant allegedly represented that she would need burial money upon

¹⁰ See United States Attorney's Office, Middle District of Florida, Press Release, May 25, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/may/05-25-06FEMAOrlandopressrelease.pdf.

¹¹ See United States Attorney's Office, Southern District of Florida, Press Release, May 8, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/may/USAO_FLS_05082006.pdf, and Press Release, January 30, 2006, *available at* <http://www.usdoj.gov/usao/fls/060130-01.html>.

finding her daughters and needed to be reimbursed for counseling, due to the loss of her daughters. The Postal Inspection Service, the U.S. Department of Labor Office of Inspector General, the Social Security Administration Office of Inspector General, the U.S. Department of Agriculture Office of Inspector General, the U.S. Department of Housing and Urban Development Office of Inspector General, the U.S. Department of Health and Human Services Office of Inspector General, the State of Illinois Healthcare and Family Services Office of Inspector General – Bureau of Investigations, DHS-OIG, and the Illinois State Police Medicaid Fraud Bureau investigated the case.¹²

Louisiana - Eastern District (United States Attorney Jim Letten)
[12 Persons Charged]

- On August 30, 2006, two FEMA officials working in New Orleans were sentenced to 21 months imprisonment and fined \$20,000 for their roles in soliciting bribes as public officials. According to the criminal complaint by which they were first charged on January 27, 2006, the two officials approached a local contractor and solicited a bribe from the contractor in exchange for inflating the headcount for a \$1 million meal service contract at the Algiers, Louisiana base camp. During this meeting, the two officials allegedly told the contractor that they could inflate the “headcount” for meals served and that they would require the contractor to kick back to them (the two FEMA officials) \$20,000. During a subsequent meeting on January 19, 2006, one of the FEMA officials demanded \$20,000 from the contractor to be split evenly between him and the other FEMA official, and indicated that the other official would continue to intentionally inflate the occupancy number at the base camp falsely.

During a subsequent meeting on January 24, 2006, the \$20,000 bribe that had been demanded was further discussed, and during the same meeting, the two officials allegedly discussed various ways and means that the contractor could use to inflate the meal service count. During the same meeting and a subsequent one on the same day, both charged defendants allegedly continued to discuss various ways and means to inflate the invoices for meal service counts, and made a further bribery demand for \$2,500 per week for each of them. Finally, on the morning of January 27, 2006, the officials each took one envelope containing \$10,000 from the contractor, after confirming that these two payments were for the inflated meal service count from December 3, 2005 through January 15, 2006. Thereafter, according to the complaint, both defendants and the contractor continued to discuss the mechanics of how to continue to fraudulently inflate

¹² See United States Attorney’s Office, Southern District of Illinois, Press Release, June 22, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jun/06-22-06-WinstonCharged.pdf.

the meal service count numbers. Federal agents arrested both immediately thereafter on the scene. The FBI and the DHS-OIG investigated the case.¹³

Louisiana - Middle District (United States Attorney David R. Dugas)
[74 Persons Charged]

- On July 17, 2006, an employee of a contractor pleaded guilty to a bill of information charging him with extortion under color of official right. The bill of information alleges that the defendant, at all times relevant, was working as an employee of IIF Data Solutions, Inc., a company contracted by the Louisiana National Guard to service the needs of the Guard, Reserve, and active duty personnel, and to screen people applying with the Louisiana Department of Labor (LDOL) for financial assistance for potential recruits to the National Guard. In this capacity, the defendant was assigned to assist people who came into the LDOL office in Baton Rouge seeking employment and unemployment assistance. According to the bill of information, the defendant allegedly facilitated numerous fraudulent claims for Disaster Unemployment Assistance (DUA) benefits, which are intended to provide financial assistance to individuals whose employment has been lost or interrupted as a result of a major disaster declared by the President of the United States. The bill of information alleges that the defendant unlawfully obtained money not due him from people whose false and fraudulent DUA claims were presented. This money was obtained with the person's consent, which was induced under color of official right.¹⁴ To date, a total of 74 persons have been charged in the Middle District of Louisiana on charges relating to Hurricane Katrina relief funds.

Louisiana - Western District (United States Attorney Donald W. Washington)
[29 Persons Charged]

- On August 25, 2006, a federal grand jury indicted a federal correctional officer on charges of wire fraud and theft of public funds for claiming to be a hurricane victim in order to fraudulently obtain FEMA relief funds. The indictment alleges that in September 2005, the defendant applied for federal disaster relief, falsely claiming that due to Hurricane Katrina, his primary residence which he was purportedly renting in New Orleans, had been damaged and that his automobile had been damaged and could not be driven. He allegedly also falsely claimed in his application for federal disaster relief that

¹³ See United States Attorney's Office, Eastern District of Louisiana, Press Release, August 30, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-30-06twosent.pdf, and Press Release, January 27, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/1-27-06USAOEDLA.pdf.

¹⁴ See United States Attorney's Office, Middle District of Louisiana, Press Release, July 17, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jul/07-17-06FEMAFraud-GuiltyPlea-Lawless.pdf

he had lost work due to Hurricane Katrina. Based on the information provided to FEMA, the defendant allegedly received a wire transfer in the amount of \$10,391. The indictment further alleges that in December 2005, the defendant falsely informed FEMA that he had spent all or part of the rental assistance which had been provided by FEMA on essential needs and he lacked sufficient additional funding to address those needs. Based on his request for additional funds from FEMA, he allegedly received a wire transfer of funds from FEMA in the amount of \$2,028. The U.S. Department of Justice's Office of Inspector General and DHS-OIG investigated the case.¹⁵

- On April 26, 2006, a woman was sentenced to spend 3 months in prison and fined \$1,000 and was ordered to pay restitution in the amount of \$4,358. The defendant met an evacuee at a rescue shelter following Hurricane Katrina and gave that individual permission to use her address to receive mail. The defendant signed for a package to the evacuee using a fake name and then opened the mail, which contained two FEMA relief checks totaling \$4,358. The defendant cashed one check and used the other one to purchase a car. The FBI and the U.S. Department of Homeland Security jointly investigated the case.

**Mississippi - Southern District (United States Attorney Dunn Lampton)
[48 Persons Charged]**

- On August 24, 2006, a federal grand jury indicted four individuals for conspiracy to defraud the United States involving the creation and submission of fraudulent debris removal load slips in the amount of \$716,677. One of the defendants allegedly owned and operated a debris removal contracting company working as a sub-contractor in Pearl River County, Mississippi, and the other three defendants worked for a debris removal monitoring company operating in Pearl River County. Two of the defendants who were debris removal monitors allegedly signed false debris load slips misrepresenting that debris was loaded onto trucks on the roadway when they were not present at the loading site and, in most instances, created and signed the false load slips at their residences. The false debris load slips misrepresented that certain trucks, belonging to and under the control of the contractor defendant, were hauling loads of debris at a time when the trucks identified on the debris load slips were not in operation on the roadway or at the dump site listed on the load slips. The false debris load slips also misrepresented that loads of debris were delivered to a designated dump site in Pearl River County, Mississippi when in fact no debris was delivered to the dump site. The third debris-removal monitor defendant allegedly collected the false load slips from his co-conspirators and submitted them to the debris monitoring company who would, in turn, submit the false load slips to the prime contractor for payment to the contractor.

¹⁵ See United States Attorney's Office, Western District of Louisiana, Press Release, August 25, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-25-06pattersonindict.pdf.

The indictment also charges that the contractor, in an effort to conceal the conspiracy, would deposit the funds obtained through the conspiracy into a bank account opened in the name of one of his employees and then write a check to an unindicted coconspirator who would then pay the contractor and one of the monitor defendants, who would then pay the other two defendants who were monitors for completing and signing the false load slips along with an extra amount of money for “hush money.” The FBI and the U.S. Department of Homeland Security investigated this case.¹⁶

- On June 28, 2006, a U.S. Army Corps of Engineers (USACE) employee and a subcontractor were each sentenced to serve twelve months in prison and pay a \$5,000 fine, followed by a two-year term of supervised release. Both defendants previously pleaded guilty to Conspiracy to Commit Bribery involving debris removal in Perry County, Mississippi. The USACE employee was a Quality Assurance Representative for the USACE, and the contractor was responsible for debris removal in Mississippi following Hurricane Katrina. The USACE employee accepted cash bribes in exchange for creating false loads that the contractor did not haul or dump.¹⁷

Missouri - Eastern District (United States Attorney Catherine L. Hanaway)
[4 Persons Charged]

- On May 22, 2006, a defendant pleaded guilty to filing a false claim with FEMA for hurricane relief funds. In September 2005, the defendant applied for and received two checks for \$2,000 and \$2,358 from FEMA for Katrina disaster relief, claiming an address in New Orleans. The defendant lives in St. Louis and never resided in New Orleans. In November 2005, the defendant assisted another defendant in the application which resulted in the receipt of \$10,391 from FEMA. Neither of these defendants were victims of Katrina and were not entitled to any disaster assistance. The FBI investigated the case.¹⁸

¹⁶ See United States Attorney’s Office, Southern District of Mississippi, Press Release, August 24, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-24-06-4indictjacksonmiss.pdf.

¹⁷ See United States Attorney’s Office, Southern District of Mississippi, Press Release, June 28, 2006.

¹⁸ See United States Attorney’s Office, Eastern District of Missouri, Press Release, May 22, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/may/05-22-06WomanPleadsGuilty.pdf.

District of Nevada (United States Attorney Daniel G. Bogden)
[1 Person Charged]

- On April 26, 2006, a federal grand jury indicted an individual for making a false claim to FEMA in order to receive disaster assistance benefits. The defendant allegedly made and presented to FEMA a claim for funds for individuals displaced by Hurricane Katrina, claiming home damage and essential need for food, clothing and shelter, knowing that the claim was false. As a result, the defendant allegedly obtained rooms at seven different hotels in Las Vegas. The defendant did not stay in the rooms and instead, re-rented them to other individuals for the believed purposes of narcotics sales and prostitution. The DHS-OIG investigated the case.¹⁹

Oklahoma - Western District (United States Attorney John C. Richter)
[5 Persons Charged]

- On August 23, 2006, a defendant was sentenced to serve 24 months in prison, and to pay \$18,000 in restitution to FEMA, for theft of FEMA Hurricane Katrina disaster relief funds. According to a superseding indictment filed on February 22, 2006, the defendant cashed a Hurricane Katrina disaster relief check made out in her name on September 16, 2005. When she entered a guilty plea on May 4, 2006, she admitted that she knew when she cashed the check that she was not entitled to any disaster relief money because she lived in Lawton at the time of Hurricane Katrina and did not live at the Louisiana address on her application for FEMA assistance. She has also admitted that she played a leadership role in the activities of others who received money from FEMA through fraud. The Oklahoma Economic Crime and Identity Theft Task Force, DHS-OIG, the U.S. Secret Service, and the U.S. Postal Inspection Service investigated the case.²⁰

Oregon (United States Attorney Karin Immergut)
[10 Persons Charged]

- Between March 27, 2006 and April 6, 2006, eight Portland residents pleaded guilty in connection with the fraudulent receipt of Hurricane Katrina disaster relief funds. At his plea hearing, one of the defendants admitted that he recruited other people to allow their names to be used by himself and his girlfriend to apply for FEMA Katrina disaster relief checks, and that he would share in the proceeds of the FEMA checks. The girlfriend,

¹⁹ See United States Attorney's Office, District of Nevada, Press Release, April 26, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/apr/04-26-06hawkindict.pdf.

²⁰ See United States Attorney's Office, Western District of Oklahoma, Press Release, August 23, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-23-06perrysent.pdf.

who also pleaded guilty, made similar admissions at her plea hearing. The other defendants each admitted to participating in the scheme and receiving the proceeds of at least one FEMA check knowing it was stolen.²¹

Texas - Eastern District (United States Attorney Matthew D. Orwig)
[7 Persons Charged]

- On August 7, 2006, a 64-year-old Texarkana hotel manager pleaded guilty to hurricane related fraud charges. According to the information in the case, the Red Cross entered into an agreement with the Ramada Inn in Texarkana and agreed to pay \$54 per night for rooms provided to evacuees or their families. The defendant instructed employees to maintain evacuees for 14 days, whether they stayed that long or not. The Federal Bureau of Investigation investigated the case.²²
- On June 16, 2006, a federal grand jury indicted a 68-year-old woman on charges relating to a false application to FEMA for disaster assistance related to Hurricanes Katrina and Rita. The defendant allegedly stated that she maintained her primary residence in Diberville, Mississippi, when Hurricane Katrina hit that area on August 29, 2005, when her primary residence on August 29, 2005 was in Gainesville, Texas, and not in any area affected by a hurricane.²³

Texas - Northern District (United States Attorney Richard Roper)
[11 Persons Charged]

- On July 18, 2006, a federal jury in Fort Worth, Texas convicted a defendant for theft of government property and bank burglary, after only 90 minutes of deliberation. The government presented evidence at trial that the defendant opened a letter addressed to a hurricane evacuee that contained a check in the amount of \$21,242.00. The defendant cashed the check without permission, depositing \$10,000 into her daughter's account and

²¹ See United States Attorney's Office, District of Oregon, Press Release, April 7, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/apr/USAO_OR_04072006.pdf.

²² See United States Attorney's Office, Eastern District of Texas, Press Release, August 7, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/aug/08-07-06fuselier_bryant_plea.pdf.

²³ See United States Attorney's Office, Eastern District of Texas, Press Release, June 16, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jun/06-16-06orangeindict.pdf.

the remainder into her own account. The U.S. Secret Service and the Fort Worth Police Department investigated the case.²⁴

- On July 26, 2006, two defendants (a brother and sister), who had pleaded guilty to fraudulent use of an access device after stealing and using at least 80 Red Cross debit cards intended for hurricane evacuees, were sentenced. The brother was sentenced to 30 months imprisonment and was ordered to pay \$202,984.12 in restitution. The sister was sentenced to 26 months in this case (and 15 months in an unrelated federal case) and was ordered to pay \$23,240.00 in restitution. The U.S. Secret Service and the Postal Inspection Service investigated the case.²⁵

**Texas - Southern District (United States Attorney Donald J. DeGabrielle, Jr.)
[26 Persons Charged]**

- On June 5, 2006, a federal grand jury returned a 22-count indictment charging a 25-year old Houston man with fraudulently obtaining thousands of dollars in Hurricane Katrina and Hurricane Rita disaster assistance. The defendant allegedly filed 18 separate fraudulent applications for disaster assistance, using 18 different social security numbers and 18 unique "damaged addresses" in various areas. Based upon alleged misrepresentations, the defendant received 18 different checks in the amount of \$2,000. The General Accounting Office, DHS-OIG, and the U.S. Postal Inspection Service, with assistance from the Social Security Administration Office of Inspector General and the Small Business Administration Office of Inspector General, jointly investigated the case.²⁶
- On July 17, 2006, two Houston residents were charged with operating a fraudulent website to accept donations for Hurricane Katrina relief. The two were charged in a nine-count indictment that alleged that they had established the fraudulent website

²⁴ See United States Attorney's Office, Northern District of Texas, Press Release, July 18, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jul/07-18-06sharrisconvict.pdf.

²⁵ See United States Attorney's Office, Northern District of Texas, Press Release, July 27, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jul/07-27-06hinesredcrossfraudKatrina.pdf.

²⁶ See United States Attorney's Office, Southern District of Texas, Press Release, June 5, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jun/06-05-06greenindict.pdf.

www.salvationarmyonline@yahoo.com. The defendants are accused of transferring more than \$48,000 into their individual bank accounts. The FBI investigated the case.²⁷

Other United States Attorney's Offices that have brought hurricane-related criminal prosecutions include: Central District of California (3); District of Colorado (4); Northern District of Florida (3); Northern District of Georgia (7); Central District of Illinois (1); Northern District of Oklahoma (1); Middle District of Pennsylvania (2); Western District of Pennsylvania (1); and Western District of Texas (6).

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

Alabama

- On September 2, 2006, a contractor was reportedly arrested by the Baldwin County Sheriff's Office for allegedly bilking county residents out of about \$500,000 in a series of construction-related frauds targeting the elderly, Hurricane Katrina victims, and others. The defendant allegedly made fraudulent construction deals and promised to do work, but never finished the jobs. He is charged with three counts of first-degree theft of property and two counts of second-degree theft of property.²⁸

Florida

- The Florida Attorney General sued a company and its owner and president for increasing prices by as much as 300 percent after hurricanes; using high-pressured sales tactics and intimidation; not showing price lists or informing customers of costs; pressuring consumers into signing contracts without cancellation policies; bringing in extra equipment and leaving it in homes and billing customers for the devices; assuring consumers that costs would be covered by insurance when only a fraction of the inflated prices were covered; and placing liens on consumers' homes when consumers or the insurance companies did not pay the fees.²⁹

²⁷ See United States Attorney's Office, Southern District of Texas, Press Release, July 17, 2006, available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/jul/07-17-06SDTX_FEMAFraud_Stephens.pdf.

²⁸ See Josh Bean, *Contractor charged with fraud*, Mobile Press-Register, September 6, 2006, available at <http://www.al.com/news/mobileregister/index.ssf?/base/news/1157534532221720.xml&coll=3>.

²⁹ See Florida Attorney General, Press Release, June 23, 2006, available at <http://myfloridalegal.com/newsrel.nsf/newsreleases/ED4C5CFA4CE25AF8852571960064456A>.

Louisiana

- The Insurance Fraud Unit of the Louisiana State Police (LSP) reports that it is continuing its efforts to vigorously investigate and prosecute insurance fraud relating to Hurricanes Katrina and Rita. For example, on March 16, 2006, the Unit arrested a New Orleans couple on felony insurance fraud warrants. The couple is believed to have intentionally attempted to defraud their insurer by claiming Hurricane Katrina caused damage to their roof. The investigation revealed, however, that the couple purposely created damage to their roof to activate the mold endorsement of their homeowner's insurance policy. The couple was arrested and charged with one count of insurance fraud each and booked into a parish jail.³⁰

Mississippi

- The Mississippi Attorney General announced the arrest of an individual on charges that he accepted payments from Hurricane Katrina victims for home repairs, but failed to either begin the work or complete the work as promised.³¹

Texas

- The Texas Attorney General settled with an individual and a company, resolving allegations that they promoted a Web-based scheme through seminars during which they fraudulently promised victims of last year's hurricanes and others that they could eliminate their debt in exchange for a \$5,000 up-front deposit.³²

C. Deterrence and Returned Funds

According to FEMA and the American Red Cross, a total of more than \$18.2 million in disaster-assistance funds has been voluntarily returned to those organizations. As of August 24, 2006, FEMA had \$15.82 million in disaster-assistance checks and money orders returned to it. As of September 1, 2006, the American Red Cross had received \$2,471,350 in returned disaster-assistance funds, including \$2,401,787 in checks, \$50,021 in client-assistance cards, and \$19,542 in gift cards. While some of these returns may be due to mistaken overpayments by these organizations rather than fraud by the applicants, there are continuing indications that many of

³⁰ See Louisiana State Police Insurance Fraud Unit, <http://www.lsp.org/ifu.html#news>.

³¹ See Mississippi Attorney General, Press Release, April 5, 2006, *available at* <http://www.ago.state.ms.us/pressreleases/contractorarrest.pdf>.

³² See Texas Attorney General, News Release, July 20, 2006, *available at* <http://www.oag.state.tx.us/oagnews/release.php?id=1660>.

the recipients recognized that they were not entitled to the funds and wanted to avoid possible prosecution.

D. Increased Coordination

1. The 2006 New Orleans Conference

After a full year of vigorous activity, the Task Force has organized and scheduled its first annual conference to be held in New Orleans on September 13, 2006. The purpose of this conference will be to take stock of the year's activity, establish and review important lessons learned and discuss the future work of the Task Force. This conference will bring together close to 150 senior level and operational representatives of federal, state, and local law enforcement agencies including those represented last October and adding the offices of the Mississippi and Louisiana State Attorneys General, the Mississippi State Auditor's Office, the Louisiana Inspector General and other key state and local partners. The cross-cutting participation demonstrates the effectiveness of the Task Force's national response and its unprecedented effort in the fight against disaster-related assistance fraud.

2. The Joint Command Center

Since its creation in October 2005, the goal of the Joint Command Center has been to facilitate a fully integrated and coordinated nationwide law enforcement response to fraud and corruption associated with the unprecedented destruction of Hurricanes Katrina, Rita, and Wilma. The Joint Command Center operations, located at Louisiana State University in Baton Rouge, have steadily grown in scope and effectiveness, as federal law enforcement agencies and Inspectors General have dedicated investigative and analytical resources to the mission of the Task Force. [See Figure 3 below.] In this regard, the FBI, the DHS-OIG, the Department of Housing Office of Inspector General and the U.S. Postal Inspection Service deserve particular mention for their consistent provision of personnel and logistical support to the Command Center.

Figure 3 - Federal Agents Confer at Joint Command Center, Baton Rouge



[Source: Lyman Thornton]

The following 33 agencies and Department of Justice components currently have representatives assigned to the Joint Command Center or designated as Points of Contact for the Joint Command Center:

- Department of Justice, Criminal Division;
- Department of Justice, Civil Division;
- Department of Justice, Antitrust Division;
- Department of Justice, Office of Inspector General;
- Federal Bureau of Investigation;
- DHS-OIG;
- United States Secret Service;
- Social Security Administration, Office of Inspector General;
- Department of Housing and Urban Development, Office of Inspector General;
- Department of Labor, Office of Inspector General;
- U.S. Postal Inspection Service;
- U.S. Postal Service, Office of Inspector General;

- Internal Revenue Service, Criminal Investigation
- Treasury Inspector General for Tax Administration;
- Department of Health and Human Services, Office of Inspector General;
- Environmental Protection Agency, Office of Inspector General;
- Environmental Protection Agency, Criminal Investigative Division;
- Department of Agriculture, Office of Inspector General;
- Department of Commerce, Office of Inspector General;
- Department of Defense, Office of Inspector General (DoD-OIG) and Defense Criminal Investigative Service (DCIS);
- Department of Energy, Office of Inspector General;
- Department of Transportation, Office of Inspector General;
- National Aeronautics and Space Administration, Office of Inspector General;
- General Services Administration, Office of Inspector General;
- Small Business Administration, Office of Inspector General;
- Department of Veterans Affairs, Office of Inspector General;
- United States Attorney's Office for the Eastern District of Louisiana;
- United States Attorney's Office for the Middle District of Louisiana;
- United States Attorney's Office for the Western District of Louisiana;
- United States Attorney's Office for the Eastern District of Texas;
- United States Attorney's Office for the Southern District of Texas;
- United States Attorney's Office for the Southern District of Mississippi; and
- United States Attorney's Office for the Southern District of Alabama.

Significant Joint Command Center operational developments during the first eleven months of operation include:

- United States Attorney David R. Dugas continues to serve as the Executive Director of the Joint Command Center. In addition, through a cooperative agreement between the Department of Justice and Louisiana State University, Ms. Kathleen Wylie, the Director of the FBI's LEO National Support Center, now serves as the Deputy Director of the Joint Command Center.
- The Command Center has consolidated two national hotlines, an e-mail address, a fax number and a Post Office Box used by the Task Force to receive complaints and allegations of fraud from across the nation. The Command Center is currently receiving approximately 200 calls per week on the national hotlines.
- There has been a significant increase in the operational capacity of the Command Center through full-time staffing of 17 agents, analysts, and other staff from the FBI, DHS-OIG, HUD-OIG, the Postal Inspection Service, and the Department of Transportation Office of Inspector General, and two data entry personnel.
- A Hurricane Katrina Fraud Task Force Special Interest Group (SIG) was established on the Law Enforcement Online (LEO) website. The Task Force SIG allows the Joint

Command Center to collect information from, and disseminate information to, Task Force members around the country in a secure electronic environment. The Task Force SIG currently has 287 participating members from 43 federal, state, and local agencies and Inspectors General offices.

- A standard Task Force Complaint Referral Form was developed and is used to transmit fraud complaints and investigative leads to the Joint Command Center for screening, deconfliction, and referral to appropriate law enforcement agencies and Task Force working groups for investigation. The Complaint Referral form is accessible from the general membership section of LEO and may be used by any law enforcement officer in the country with access to LEO.
- An interagency complaint index has been deployed to collect, screen, deconflict, and refer the Task Force Complaint Referral forms received by the Joint Command Center. The information contained on the Complaint Referral forms is posted on the LEO HKFTF SIG and is accessible to designated agency representatives.
- More than 6,800 complaints and allegations of fraud have been received, screened, and referred by the Command Center to federal law enforcement agency field offices across the nation.
- An innovative Referral and Deconfliction Database (RADD) has been developed, in conjunction with Department of Justice Criminal Division and FBI technical personnel. RADD now allows automatic deconfliction of complaints and leads, merger of duplicate complaints, referral of complaints to appropriate agencies and working groups, and tracking of complaints and referrals.
- Command Center staff have done preliminary analysis of fraud trends revealed by the information contained in the complaints received by the Joint Command Center, and Task Force members have developed investigative information and shared it through their Joint Command Center representatives. This analysis has resulted in the independent generation of investigative leads by the Command Center analysts for referral to investigative agencies.
- Points of Contact have been established between the United States Attorney's Offices in the affected areas and the Joint Command Center to facilitate coordination of Joint Command Center operations with the Task Force working groups in the affected districts, as well as ongoing relationships with all 93 United States Attorney's Offices.
- Regular Joint Command Center meetings and day-to-day interaction of the Joint Command Center staff and agency representatives have produced the onsite interagency exchange of information and trends. This interaction has been particularly valuable in alerting participating agencies to fraud indicia revealed by ongoing investigations. In addition, agency representatives share information on the programs used by their

departments to disburse disaster relief assistance and discuss appropriate investigative methods to detect criminal activity related to those programs.

The LEO Support Center, located in the same building as the Joint Command Center, provides invaluable support and technical assistance to the Joint Command Center operations. For example, on August 24, 2006, the Chairman of the Task Force, Assistant Attorney General Alice S. Fisher, met with federal, state, and local members of the Southern Mississippi Working Group in Gulfport, Mississippi, to discuss ongoing enforcement activities and future plans for oversight of the disbursement of Community Development Block Grant (CDBG) funds in that state. [See Figure 4 below.]



Figure 4 - Southern Mississippi Working Group Meeting, August 24, 2006 [Left to Right: United States Attorney for the Southern District of Mississippi Dunn Lampton; Assistant Attorney General Alice S. Fisher; Criminal Division Chief for the Southern District of Mississippi John Dowdy; and Mississippi Attorney General Jim Hood]

3. Other Investigative Coordination and Assistance

a. Investigative Agencies

- **Federal Bureau of Investigation**

The FBI reports that to date, its field divisions have conducted more than 300 investigations involving fraud against the government and 24 public corruption investigations relating to Hurricanes Katrina, Rita, and Wilma. These investigations have resulted in more than 120 indictments and 30 convictions.

The FBI has played a leading role in the establishment and operation of the Hurricane Katrina Fraud Task Force's Joint Command Center in Baton Rouge, Louisiana. It has set aside more than \$230,000 in support of the Command Center's Referral and Deconfliction Database and related systems. It has also provided additional funding to field offices for equipment and

other operating costs associated with hurricane fraud investigations. Since Hurricane Katrina, the FBI has continued to supplement Public Corruption and Governmental Fraud squads in the Jackson and New Orleans Divisions with Special Agents and support personnel to address the fraud and public-corruption matters associated with the hurricanes.

The New Orleans and Jackson field divisions have also developed working relationships with numerous federal and state agencies to conduct hurricane-related public corruption and fraud investigations. The Jackson Division initiated a Memorandum of Understanding with the Mississippi State Auditor's Office, which is using a \$5 million appropriation from the Mississippi State Legislature to combat fraud associated with Community Development Block Grants.

In the past year, the FBI Cyber Division reviewed more than 5,000 website referrals from a variety of sources, including the American Red Cross, Internet Crime Complaint Center (IC3) complaints and listserv postings, Name Protect, the National Cyber Forensic and Training Alliance, and PayPal. Of these 5,000, IC3 sent out 95 referrals to FBI field offices and FBI Legal Attaches abroad. Sixty-four of these 95 referrals have been closed out to date. These 64 referrals resulted in the shutdown of 13 websites, reports by two websites that they were complying with a case-and-desist letter that the American Red Cross sent to them, and two prosecutions that resulted in guilty pleas.

- **Postal Inspection Service**

As a member of the Department of Justice's Hurricane Katrina Fraud Task Force, the U.S. Postal Inspection Service initiated a consumer education campaign, in conjunction with the Task Force, to inform the public of fraud schemes related to Hurricane Katrina relief efforts. During September and October 2005, full page advertisements were placed in 13 newspapers and five magazines nationwide, with a combined readership of more than 21 million.

The Houston Division opened a National Coordination Case due to the scope, complexity, and long-term commitment of the Postal Inspection Service to Hurricane Katrina fraud-related investigations. National coordination of these investigations has facilitated the tracking of cases and the resolution of any conflicting issues between the numerous agencies involved. This also provides a focal point for coordination with the Katrina task forces around the country and creates an effective process to interact with the Task Force in Baton Rouge.

The Postal Inspection Service has conducted 100 criminal investigations of individuals who submitted false claims to FEMA and state government agencies. The results to date include 98 indictments, 103 arrests, 73 convictions, and 13 defendants sentenced.

- **United States Secret Service**

The Secret Service continues to participate as a member of the Task Force. To date, Secret Service investigations throughout the country have contributed to more than 60 federal

arrests, with a potential fraud loss exceeding more than \$2.5 million. Its New Orleans Field Office has contributed significantly to these accomplishments. The majority of Secret Service cases involve fraud to obtain emergency benefits from FEMA and the American Red Cross. To date, the Secret Service's accomplishments in the Task Force include 22 open investigative cases and 67 arrests.

The Secret Service has continued to work in conjunction with the private sector to shut down numerous fictitious websites. With private sector assistance, the Secret Service was able to detect and effectively shut down websites that were victimizing Hurricane Katrina victims, the American Red Cross, and various donors. These shutdowns included 16 "phishing" websites (i.e., websites that purport to be operated by legitimate corporate or non-profit entities, but that are created to harvest personal data from individuals for identity theft and fraud).

- **Internal Revenue Service-Criminal Investigation (IRS-CI)**

IRS-CI continues to be an active participant in the Task Force, with agents assigned to the Baton Rouge, Louisiana, Covington, Louisiana, and Hattiesburg, Mississippi task forces. IRS-CI agents are working closely with representatives from local, state, and federal agencies and lending their expertise in analyzing suspicious financial transactions related to the recovery efforts. In addition, the agency has expedited the clean up efforts in the New Orleans Field Office and has returned to full staffing and operations.

b. Inspectors General

The federal Inspectors General community continues to make vital contributions to the work of the Task Force. Department of Justice representatives of the Task Force continue to attend the regular meetings of the PCIE Homeland Security Roundtable and the Roundtable's Contract Audit Task Force and Individual Assistance Subgroup, as well as special meetings with Inspectors General on specific issues, and to participate in review of the PCIE reports to Congress on the response to Hurricanes Katrina, Rita, and Wilma.

Various Inspectors General have reported the following fraud-related activities to the Task Force:

- **Department of Homeland Security Office of Inspector General (DHS-OIG)**

The DHS-OIG Office of Investigations reports that it has opened offices in Baton Rouge, Louisiana, Biloxi and Hattiesburg, Mississippi and Mobile, Alabama, to exclusively investigate Katrina-related cases. It is working cases involving Hurricanes Katrina, Rita, and Wilma in virtually all of its offices nationwide. Its joint partners include the FBI, the Postal Inspection Service, TIGTA, SSA OIG, HUD OIG, DCIS, Army CID and others, in addition to state and local law enforcement entities.

Figure 5 - DHS-OIG Office of Investigations Accomplishments Concerning Hurricanes Katrina, Rita, and Wilma

<i>Disaster</i>	<i>Arrests</i>	<i>Indictments</i>	<i>Open Investigations</i>	<i>Closed Investigations</i>
Hurricane Katrina	206	229	1,690	2,869
Hurricane Rita	42	37	599	3
Hurricane Wilma	0	0	35	594

[Source: DHS-OIG]

As summarized above in Figure 5, DHS-OIG currently has a total of 2,324 open investigations relating to Hurricanes Katrina, Rita, and Wilma. It also has 206 arrests and 229 indictments relating to Katrina and 42 arrests and 37 indictments relating to Rita.

- **Department of Defense - Office of Inspector General (DoD-OIG)/Defense Criminal Investigative Service (DCIS)**

The Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the Inspector General of the Department of Defense (DoD-OIG), reports that as of August 11, 2006, it has received 17 criminal allegations related to Hurricane Katrina. DCIS agents reviewed the allegations, and have opened seven cases dealing with bribery, kickbacks, and possible product substitution. One of the open cases has resulted in a successful judicial action.

As part of its mission to combat fraud and corruption, DCIS has conducted 40 mission and fraud awareness briefings at the U.S. Army Corps of Engineers (USACE) debris collection and Blue Roof distribution sites. DCIS briefed Corps and contractor employees on the deterrence of potential fraud, bribery, and kickback schemes by informing them that law enforcement officials would be monitoring illegal activity and giving them a point of contact to report suspected fraud.

In regard to the Hurricane Katrina Fraud Task Force, DCIS reports that it attends bi-weekly meetings at the Command Center to brief the other task force members on investigative efforts. DCIS also serves as the liaison between law enforcement and the USACE. DCIS is currently conducting proactive data mining with a FBI intelligence analyst assigned to the Task Force using the USACE debris mission database. The data mining will try to identify indicators of fraud and other criminal activity. DCIS has one agent assigned to the Hurricane Katrina Fraud Working Group at the FBI New Orleans office; another agent participates in a working group in Hattiesburg, Mississippi.

- **Environmental Protection Agency Office of Inspector General (EPA-OIG)**

The EPA-OIG reports that since September 2005, it has deployed six Special Agents on several missions to the affected Gulf States to participate in Hurricane Katrina Fraud Task Force efforts, meet with EPA officials, government contractors, federal prosecutors, local and state law enforcement officials, and conduct a variety of investigative steps in addressing allegations of fraud. EPA-OIG Agents are participants at the Hurricane Katrina Fraud Task Force Joint Command Center. Special Agents have access to Task Force databases, intelligence, and staff for operational support during investigations conducted in the affected Gulf States, and are engaged in periodic meetings with Task Force members to discuss investigative operations.

The EPA-OIG Financial Fraud Directorate and EPA-OIG Agents met with EPA Region 4 Response Team members to observe clean up activities, brief on-site EPA and contractor staff regarding investigative objectives and priorities, and discussed lessons learned from this response, so that future investigative efforts involving response contracts can be efficiently focused. Information was also gathered from several team members about tracking contract costs, contractor clean-up methods and billing procedures, and other areas susceptible to contract fraud. EPA-OIG Agents from EPA Region 6 have continued in the pursuit of several ongoing investigations.

To date, investigative efforts by the EPA-OIG have addressed several allegations of labor and equipment cost mischarging and the impersonation of EPA officials in furtherance of a scheme or artifice to defraud. While some allegations have been disproven or are currently pending prosecution, others have successfully resulted in administrative suspensions (pending debarment), cease and desist letters for wrongful activity, and recommendations for financial adjustments. EPA-OIG continues to aggressively pursue tips and leads concerning allegations of fraud, and is actively supported by the Task Force.

- **Department of Housing and Urban Development Office of Inspector General (HUD-OIG)**

HUD-OIG Office of Investigation reports that it established two new divisions as a result of its responsibilities to combating waste, fraud, and abuse in the Gulf Coast States - the Disaster Relief Oversight Division (DROD) in Washington, DC and the Hurricane Katrina Fraud Task Force in New Orleans, Louisiana. DROD is primarily responsible for liaison; research, analysis, and recommendations; monitoring, reporting, and dissemination; and strategic planning and implementation of HUD-OIG Office of Investigation directives and initiatives associated with disaster assistance and recovery. The Task Force has personnel assigned in Baton Rouge, Louisiana, Arlington and Houston, Texas, and Hattiesburg, Mississippi to support all HUD program fraud investigations relating to the hurricane disasters.

The Office of Investigation has developed and currently participates in a far-reaching fraud prevention program in the affected states of the Gulf Coast Region sponsoring training courses and workshops in Louisiana, Mississippi, Alabama, Florida, and Texas. These presentations and workshops are designed to educate their state agencies, as well as federal,

state, and local law enforcement to identify fraud in Community Development Block Grant (CDBG) programs as well as other affected HUD-related programs.

To date, the Office of Investigation has opened 46 hurricane-related cases, which have resulted in 9 arrests, 9 indictments, and 3 convictions. In addition, the HUD-OIG Hotline has processed approximately 90 complaints related to the hurricanes. OIG forensic auditors have been assigned to review temporary housing programs and FEMA payments made to HUD-assisted housing residents. The Office of Investigation uses its forensic auditors to inspect and evaluate programs that have not been audited by the OIG Office of Audit.

The Office of Investigation created a “Suspicious Activity Report (SAR)” that will be given to HUD grantees, subgrantees, and others associated with the disbursement CDBG disaster recovery funding. The SAR was also used effectively early on in our efforts to detect fraud in the Katrina Housing Assistance Program with the dissemination to the FEMA and HUD Disaster Relief Centers. The SAR is a useful investigative tool to help notify HUD-OIG of suspected irregularities in the delivery of HUD program money.

The Office of Investigation sponsors meetings and training sessions with industry groups such as the Mortgage Bankers Association, the Public Housing Authorities Directors Association, the National Association of Housing and Redevelopment Officials, private insurance companies, multifamily owners, public housing executive directors, state governments, and economics development agencies. To date, the Office of Investigation has performed numerous significant outreach and liaison activities designed to detect and prevent waste, fraud, and abuse of HUD CDBG disaster recovery funding.

- **Department of Justice Office of Inspector General (DOJ-OIG)**

Since August 29, 2005, the Department of Justice Office of the Inspector General (DOJ-OIG) has opened seven cases concerning hurricane-related benefit fraud. Four of the cases have been referred to the appropriate United States Attorney’s Offices and are pending a prosecution disposition. In the remaining three cases, either prosecution was declined or the case was closed because the allegations were not substantiated.

In addition, the DOJ-OIG has conducted oversight of the Department of Justice’s expenditures related to hurricane recovery through three separate audits. In one case, involving a sole-source contract awarded by the Federal Bureau of Prisons to a construction company to repair or replace roofing damaged by Hurricane Rita, the DOJ-OIG found that the decision to use a sole-source contract was appropriate and that the BOP took adequate steps to ensure that the contract was fairly negotiated and reasonably priced. The DOJ-OIG also completed an audit concerning actions of the Bureau of Justice Assistance (BJA) in following internal control procedures in awarding disaster relief grants to state and local governments. The DOJ-OIG found that while BJA was proactive in providing additional grant funding to grantees in the Hurricane Katrina affected areas, it had no assurance that funding was going to the areas of greatest need. The DOJ-OIG is currently is performing an audit of the DOJ’s purchase card

expenditures related to hurricane relief and recovery efforts, to examine whether internal controls guard against improper and wasteful purchases.

- **Social Security Administration Office of Inspector General (SSA-OIG)**

The SSA-OIG Office of Audit (OA) reports that it has initiated a review to report on the status of SSA service delivery to individuals affected by Hurricanes Katrina and Rita. As part of this review, it will assess SSA's plans to ensure that payments made under emergency procedures were appropriate and properly safeguarded. As part of its immediate response to the disaster, SSA temporarily changed or eliminated several existing control procedures to ensure continued benefit payments in the affected area. SSA-OIG will assess SSA's plans to ensure that payments made are proper and that controls are sufficient to safeguard against fraud, waste, and mismanagement.

Since the establishment of the Katrina Task Force on August 29, 2005, the SSA-OIG Office of Investigations has opened 45 cases. There have been 16 indictments, 11 arrests, and 3 pleas/convictions. The pleas/convictions resulted in 3 sentencing. From August 29, 2005 to August 7, 2006, the SSA-OIG Office of Investigations Fraud Hotline has received 88 allegations of potential fraud related to Hurricanes Katrina and Rita.

Special agents from the Office of Investigations worked with local law enforcement in several additional capacities. For example, the agents, in preparation for setting up a temporary SSA office, accompanied SSA employees to the Houston Astrodome; escorted SSA employees to restricted areas to assess damage to SSA facilities; and, upon request from SSA, ascertained the status of SSA employees being temporarily housed after the hurricane. The Office of Investigations is actively pursuing allegations of fraud involving SSA's programs and operations, including allegations of Social Security number misuse.

- **Department of Transportation OIG (DoT-OIG)**

DoT-OIG addressed post-storm debris removal by developing pro-active complaints resulting in the arrested of a debris removal monitor contracted with the Department of Transportation and Development (DoTD). This person stopped work, demanded payments to approve work by signing load tickets, and was paid bribes by several truck drivers. His activities were discovered by his employer and he was removed from his position, only to return to the job site with the remaining load ticket books in his possession and then attempted to sell these books for \$300. The books were given to a truck driver with the promise of payment and the driver turned the books over to another debris removal monitor. Had the ticket books been used to make claims for work, they could have been worth up to \$22,000. Prosecution is pending in state court on state charges of theft and public bribery.

DoT-OIG and the Federal Highway Administration (FHWA) in Baton Rouge visited the Twin-Spans Bridge which crosses over Lake Pontchartrain from Slidell to New Orleans. It was heavily damaged during Hurricane Katrina and temporarily repaired pending a new bridge being

built. During the visit the contracted maintenance crew reported the steel bolts securing the temporary spans were breaking faster than they could be replaced and they feared a serious traffic accident would soon occur. Some of the questioned bolts were recovered and it was arranged to have these bolts tested by Louisiana DoTD labs. Subsequent testing revealed the sample bolts were found not to be defective. DoT then coordinated with FHWA and the Federal Motor Carrier Safety Administration to have the Louisiana State Highway Patrol enforce speed and weight restrictions on the bridge. FHWA also agreed to pay the Highway Patrol overtime in support of their efforts. Subsequent maintenance efforts have revealed a substantial reduction in breakage of bolts, thus preventing failure of the temporary spans, and a potentially serious traffic accident. The bridge is scheduled to be replaced in three years at a cost of \$800 million.

In its efforts to assure the integrity of its Disaster Relief efforts, DoT-OIG cross-checked its list of DoT contractors against the FBI database of complaints and found no criminal complaints had been received against the contractors on its list. It also provided its list to Department of Labor to review for indicators of organized crime activities. Results of their review are pending.

DoT-OIG conducted liaison with dozens of local, state, and federal agencies involved in the Disaster Relief Efforts to monitor appropriate usage of DoT emergency funding. It conducted fraud awareness briefings to make the contracting community alert to some of the criminal schemes DoT-OIG traditionally investigates and in particular, criminal activities the Hurricane Katrina Fraud Task Force was observing as ongoing trends.

- **General Services Administration Office of Inspector General (GSA-OIG)**

The GSA-OIG has participated in the Hurricane Katrina Fraud Task Force since November 2005. The GSA-OIG has provided the task force with information regarding contracts that were facilitated by GSA, via GSA contracting officers on behalf of FEMA and on GSA contracts. The GSA-OIG special agents began their assignment on-site at the Task Force command center to ensure effective liaison with the task force, and since then have attended most task force meetings.

The GSA-OIG has received four allegations of contract fraud related to Hurricane Katrina and Rita. Based on these allegations, the GSA-OIG has opened three investigations, which have been conducted with other agencies of the Task Force. The contracts being investigated involved procurements made by GSA contracting officials for FEMA. The first investigation resulted in administrative recoveries by FEMA of approximately \$1.5 million in billing errors by the contractor. The second investigation resulted in the filing of a civil complaint and the garnishment of approximately \$1.4 million from the contractor. The third investigation is still being actively worked.

c. Other Agencies and Organizations

- **Department of Labor Wage & Hour Division**

The Department of Labor's Employment Standards Administration's Wage & Hour Division (WHD) has been a member of the Department of Justice Hurricane Katrina Fraud Task Force since April 3, 2006. The WHD's mission is to "promote and achieve compliance with labor standards to protect and enhance the welfare of the Nation's workforce." WHD enforces the labor standards contained in some of the most comprehensive and basic laws governing the employment relationship, including the minimum wage, overtime, and child labor provisions of the Fair Labor Standards Act (FLSA) and the prevailing wage requirements of the Davis-Bacon Act (DBA) and the Service Contract Act (SCA).

Immediately after the Gulf Coast hurricanes, WHD became concerned about the opportunity for violations of federal wage payment laws. WHD anticipated an influx of new workers in the region due to the many debris removal and reconstruction projects. The potential for exploitation of these workers is high, particularly due to the fact that many of them are recent immigrants and/or do not speak English; they are easily susceptible to non-payment of wages. In addition, due to the fact that the cleanup and rebuilding efforts currently underway in the Gulf Coast are, in large part, being completed pursuant to federally-funded contracts, WHD expected a high degree of DBA and SCA coverage of employees. Moreover, many of the contractors employ multiple tiers of subcontractors, some of whom are inexperienced with and/or unknowledgeable about the wage payment requirements under federally-funded contracts and may want to seize upon the post-hurricane conditions to exploit the situation.

As a result, WHD set up an internal Gulf Coast Task Force to deal with the anticipated problems of non-payment and underpayment of wages to workers in the Gulf Coast. WHD provided assistance to its existing staff in the Gulf Coast region by detailing additional investigators to WHD's New Orleans, Louisiana, and Gulfport, Mississippi, offices on a rotating basis. Since January 2006, WHD has deployed up to 11 additional investigators and managers in the Gulf Coast area to supplement the approximately twenty-six (26) staff members assigned on a permanent basis to its Gulf Coast offices in Mobile, Alabama; New Orleans, Baton Rouge, and Lafayette, Louisiana; and Gulfport, Jackson, and Hattiesburg, Mississippi.

As a result of the efforts of WHD's Gulf Coast team, since August 29, 2005, WHD has investigated nearly 300 employers in hurricane-related investigations, potentially impacting over 8,600 employees. WHD has concluded 111 of these cases and has recovered nearly \$1.4 million in back wages. WHD's efforts include the following.

In January 2006, WHD recovered \$141,887 in back wages for 106 employees of a debris removal subcontractor at the Naval Construction Battalion Center in Gulfport, Mississippi, following an investigation under the SCA and the Contract Work Hours Safety Standards Act. In June 2006, WHD collected \$362,673 in back wages for 680 employees of three companies involved in the clean-up and reconstruction of casinos along the Mississippi Gulf Coast. In July 2006, WHD recovered a total of \$181,689 in back wages for 164 employees who performed debris removal for three different companies in the Gulf Coast region. These three lower-tiered

government subcontractors agreed to pay their workers back wages following investigations under the McNamara-O'Hara Service Contract Act.

In addition, WHD has requested that federal contracting agencies (e.g., FEMA, Army Corps of Engineers, Department of the Navy) withhold in excess of \$2 million from federally-funded contracts, allowing WHD to ensure that employees of contractors and sub-contractors will be paid the wages they are due under the law. Finally, WHD has worked extensively to provide outreach and education about the laws it enforces to employers and employees of the Gulf Coast region to ensure employers are aware of their wage payment obligations and employees are aware of their rights.

- **Federal Trade Commission (FTC)**

As a member of the Task Force, the Federal Trade Commission reports that it continues to commit its expertise and resources to assist hurricane victims regain control of their financial lives and avoid scams, and to ensure that Americans' generous charitable donations are not siphoned off by bogus fundraisers. Since August 29, 2005, the Commission's principal contributions to the Task Force efforts have been: (1) to use its existing capabilities to provide a central repository for hurricane-related fraud and identity theft complaints, and making them available to state and federal criminal law enforcement agencies; and (2) to educate consumers on ways to avoid fraud and identity theft.

The Commission receives complaints through its toll-free hotline and online complaint forms, as well as from external database contributors. FTC staff has developed a code for hurricane-related complaints in Consumer Sentinel, its online fraud complaint database, to make it easy for FTC staff, Task Force members, and more than 1,400 other law enforcement agencies to identify these post-hurricane scam complaints. Between August 29, 2005 and July 20, 2006, the FTC has received 524 hurricane-related complaints. It also has received 777 identity theft complaints during this time period, the most common complaint relating to imposters applying for government benefits in the victim's name. To provide law enforcement with better access to the hurricane-related complaints, the FTC developed specialized data reports based on complaints related to post-hurricane scams and identity theft. It posted links to these custom reports on Consumer Sentinel, thus facilitating law enforcement access to these case leads. The FTC further reviews all complaints received to identify trends and possible targets for investigation or referral to criminal authorities.

When Hurricane Katrina hit, the FTC quickly drafted new education materials to address the many financial challenges faced by those affected by the storm, the heightened risk of identity theft, and the need for consumers to be on alert for scams involving, among other things: contractor and home repair, deceptive spam, job offers, rental listings, auto repair, and water treatment devices. Additionally, the FTC set up a Hurricane Recovery website. The website (in English and Spanish), created to provide important information to families and businesses affected by the hurricanes, has received more than 112,000 accesses since its launch in September. Agencies and organizations linking to the site include: MyMoney.gov; the Federal

Reserve Board; the Federal Deposit Insurance Corporation; Consumers Union; and the JumpStart Coalition for Personal Financial Literacy.

The FTC also distributed a series of live-read public service announcements (“PSAs”) to radio stations across the country. These PSAs use the DOJ Hurricane Fraud Task Force name. Two sets of PSAs were distributed: one, e-mailed to 584 radio stations in the states affected by Hurricanes Katrina and Rita, included three messages in 30-second and 15-second formats, in both English and Spanish: 1) Beware of charity fraud; 2) Beware of home repair fraud; and 3) Protect yourself against identity theft. The second set of PSAs was mailed to 5,712 stations in the states that were not directly impacted by either Hurricane. This package contained 30-second and 15-second PSAs in English and Spanish cautioning consumers to beware of charity fraud.

Based on responses from radio stations as of January 5, 2006, there were more than 17,900 reported airings of the English-language spots. The average number of airings per station was 89; the total audience impressions exceeded 38 million. The Spanish-language spots saw more than 6,270 reported airings; the average number of airings per station was 118; the total audience impressions exceeded 11 million.

Finally, the University of Houston Law School's Center for Consumer Law sponsored a workshop for hurricane evacuees and the FTC sent 850 pre-stuffed bags of materials (hurricane-related fraud alerts) which were distributed to the evacuees.

- **American Red Cross**

As part of concerted efforts to address system weaknesses discovered during the hurricanes of 2005, the American Red Cross reports that it continues to implement vigorous internal controls that will assist it in the detection and prevention of fraud, waste and abuse. Key examples of these controls are:

- Requiring background checks for all staff and volunteers to better protect Red Cross assets and the safety of disaster shelter residents;
- Encouraging whistleblowers to bring forward allegations of potential fraud, waste, abuse and wrong-doing by enhancing awareness of the features of the Concern Connection hotline and by standardizing the training module that new volunteers and staff receive regarding how to access and use the hotline;
- Creating and deploying a new staff unit dedicated to ensure that on-site controls are properly established at the beginning of large operations and that compliance with these controls is monitored throughout the disaster response;
- Clarifying and disseminating eligibility standards for financial assistance;
- Requiring supervisors, using analytical tools, to liberally review and sample caseworkers' files to audit the casework;
- Increasing controls training for staff in charge of all Red Cross service centers and disaster operations centers of a certain size; and

- Providing training to all chapters on the use of Client Assistance Cards and the appropriate controls.

The Office of Investigations, Compliance and Ethics reports that it currently is investigating 8,440 allegations of wrongdoing (95 percent of which are allegations of client financial assistance fraud). Of the 8,440 total allegations, 2,937 are under investigation by law enforcement agencies, 1,609 are in the process of being turned over to law enforcement, and 3,894 are currently under review and investigation by the Office of Investigation, Compliance and Ethics. To date, the fraud allegations constitute less than one half of one percent of the financial assistance provided to hurricane victims.

E. Training and Proactive Detection

The Task Force's first New Orleans Conference, in October 2005 (see Figure 6), provided the Task Force with its first opportunity to provide training to federal prosecutors and agents on investigating and prosecuting disaster fraud-related cases. Since then, the Task Force has provided additional training at the Command Center for federal agents, prosecutors, and auditors on legal and practical issues stemming from disaster-related fraud. Experienced Department of Justice prosecutors from the Criminal and Antitrust Divisions highlighted key criminal offenses that could be applied in various fraud schemes, and Postal Inspectors from the Postal Inspection Service and Special Agents from the FBI and the U.S. Secret Service offered practical guidance on how to investigate these offenses. In addition, the Command Center has conducted more extensive training for Gulf Coast-based Assistant United States Attorneys and



Figure 6 - Attorney General Alberto R. Gonzales Addresses Hurricane Katrina Fraud Task Force Conference, New Orleans, October 20, 2005 [Right: Assistant Attorney General Alice S. Fisher, Chairman of the Task Force]

other agencies at the Command Center. It continues to play a significant role in proactively identifying patterns of potentially fraudulent activity in applications for disaster-related benefits.

Recently, the Department of Justice's Office of Legal Education decided to issue a manual for federal prosecutors on disaster-related fraud. This manual will have chapters written

by experienced federal prosecutors on all significant aspects of disaster-related fraud. The manual is expected to be published in late 2007.

V. Future Plans and Responses

Figure 7 - Road in the Ninth Ward of New Orleans, Cleared of Debris After Hurricane Katrina



[Source: David Dugas]

Based on the Task Force's experience to date, it is clear that fraud will exist wherever significant funds are being distributed. Although considerable individual assistance funds have already been distributed, billions of dollars remain to be disbursed designed to repair damaged homes and rebuild infrastructure. When these amounts are disbursed, it is likely that many will attempt to obtain funds to which they are not entitled. Therefore, the Task Force has been working closely with administering agencies to ensure that adequate fraud-prevention measures are in place.

A. CDBG Grants

In response to the devastation that last year's hurricanes caused for homeowners throughout the Gulf Coast Region (see Figure 8 below), Congress has authorized more than \$15 billion in CDBG grants for the states affected by Hurricanes Katrina and Rita. The bulk of that money will go to Louisiana and Mississippi.

Figure 8 - Home in Waveland, Mississippi Destroyed by Hurricane Katrina



[So

urc

The Hurricane Katrina Fraud Task Force, led by HUD-OIG and the U.S. Attorney's Offices in Louisiana and Mississippi, has used the experience gained through its investigations and prosecutions during the past year to provide advice to the Louisiana Recovery Authority and the Mississippi Development Authority to help design fraud prevention measures for the Community Development Block Grant (CDBG) programs that each state is implementing.

Both Louisiana and Mississippi have elected to spend approximately three-fourths of their CDBG grants to assist homeowners whose homes were destroyed or substantially damaged by the hurricanes. In each state, homeowners will be eligible for grants of up to \$150,000. It is estimated that there are more than 130,000 eligible recipients in the two states. The potential for fraud in those programs is massive. However, each state has agreed to adopt anti-fraud measures recommended by the Task Force that should greatly reduce the fraud associated with those

programs. In addition, each state has agreed to form anti-fraud task forces consisting of federal, state, and local prosecutors and investigators who will work together in conjunction with the Hurricane Katrina Fraud Task Force to investigate and prosecute any fraud that occurs.

The Task Force recognizes that, since fraud follows the money, successful anti-fraud measures that prevent theft or diversion of CDBG funds during the application and grant disbursement phases of the program will likely cause criminals to target the money after it is received by the individual grantees. To combat this, the Task Force is working with state authorities on public outreach and fraud awareness programs to educate grant recipients on how to protect themselves from these schemes. In addition, the Joint Command Center will track fraud complaints related to the CDBG programs and look for signs of consumer fraud related to the program.

B. Infrastructure Rebuilding and Public Assistance Grants

The Criminal Division of the Department of Justice is working closely with the FBI and with auditors and investigators of key Inspectors General offices to gather and analyze information on Infrastructure Rebuilding programs in order to detect, investigate and prosecute fraud and corruption related to those programs. The close collaboration of the member agencies of the Task Force will enable the Task Force to use the resources and expertise of each agency in a coordinated and effective manner for this purpose. In addition, the fraud exposed by Task Force investigations and prosecutions to date has led to closer scrutiny of grant applications and claims for reimbursement by both federal and state auditors and Inspectors General. In some cases, audits of invoices and claims for reimbursement are being conducted before payment is issued, rather than after payment has been made as has been the practice following previous disasters. The information gathered through these processes is being analyzed for indicia of fraud or corruption and any leads are referred for investigation by the appropriate agency field office and U.S. Attorney's Office.

C. SBA Loans

The SBA has approved more than \$10 billion in disaster assistance loans to businesses and individuals affected by Hurricanes Katrina and Rita. SBA-OIG has actively participated in the Task Force work to date and will continue to work with the Task Force to investigate and prosecute fraud related to its disaster loans.

* * *

As each of these programs moves forward, the Task Force will continue its vigorous pursuit of procurement fraud, benefit fraud, and the other forms of disaster-related fraud that have consistently been the focus of its efforts.

Reporting Hurricane-Related Fraud

- Government Fraud and Public Corruption:
 - Call the FBI's tipline at 1-800-CALL FBI (1-800-225-5324)
 - Call the Hurricane Fraud Hotline at 1-866-720-5721
 - Email HKFTF@leo.gov
 - Fax the Hurricane Fraud Hotline at 225-334-4707
 - Write to Hurricane Fraud Task Force, Baton Rouge, LA 70821-4909

- 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/>

* * *