



Hurricane Katrina Fraud Task Force



*Second Year Report to the Attorney General
September 2007*

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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 Second Year Report of the Hurricane Katrina Fraud Task Force. As we near the second anniversary of your creation of the Task Force, the Task Force has remained steadfast in carrying out its mission to detect, deter, prevent, and punish fraud related to the devastation caused by Hurricanes Katrina, Rita, and Wilma.

One of the more visible measures of the continuing dedication to this mission by Task Force members and United States Attorneys Offices across the country is the Task Force's prosecutions. Since the establishment of the Task Force in September 2005, through August 30, 2007, 41 United States Attorneys across the country have charged more than 768 people with various hurricane fraud-related crimes. This sustained commitment to aggressive prosecution has paid substantial dividends in deterring additional disaster-related fraud schemes and in showing that law enforcement is resolute in bringing participants in such schemes to justice.

These successes are due, in large part, to the extraordinary level of continuing cooperation between federal, state, and local law enforcement agencies, including the Inspectors General community. A critical factor in sustaining that cooperation has been the Task Force's Joint Command Center, which is led by David Dugas, the United States Attorney for the Middle District of Louisiana. The Command Center has screened and referred more than 14,000 fraud-related tips and complaints, and remains a highly valuable resource for federal investigative agencies in their pursuit of disaster-related frauds.

The Task Force recognizes that much work lies ahead, as new schemes are being created to divert funds meant for reconstruction and recovery of the Gulf Coast states. You can be confident that Task Force members remain deeply committed to carrying out the tasks that you

set out for us. Please accept my thanks for your continuing support of the Task Force, and know that the Task Force's members continue to justify the confidence that you have placed in them.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Hohn". The signature is fluid and cursive, with a large initial "S" and "H".

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 Attorneys' 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

“The Department of Justice remains absolutely dedicated to vigorously investigating and prosecuting all types of fraud in the hurricane region.”

Attorney General Alberto R. Gonzales, Testimony Before Senate Judiciary Committee, January 18, 2007

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 Hurricanes 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 Attorneys’ Offices to ensure timely and effective prosecution of Hurricane Katrina-, Rita-, and Wilma-related fraud cases. By casting a broad net and using the investigative assets of federal law enforcement agencies, federal Inspectors General, and state and local law enforcement – together with the prosecutive resources of the 93 United States Attorneys’ Offices – the Task Force is positioned to act quickly and aggressively to bring to justice those who would further harm 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 a legitimate need for the assistance they are seeking. The Task Force’s work to date, however, has shown that numerous people have

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>.

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.

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 will think twice about engaging in this type of criminal activity.

II. Accomplishments of the Task Force

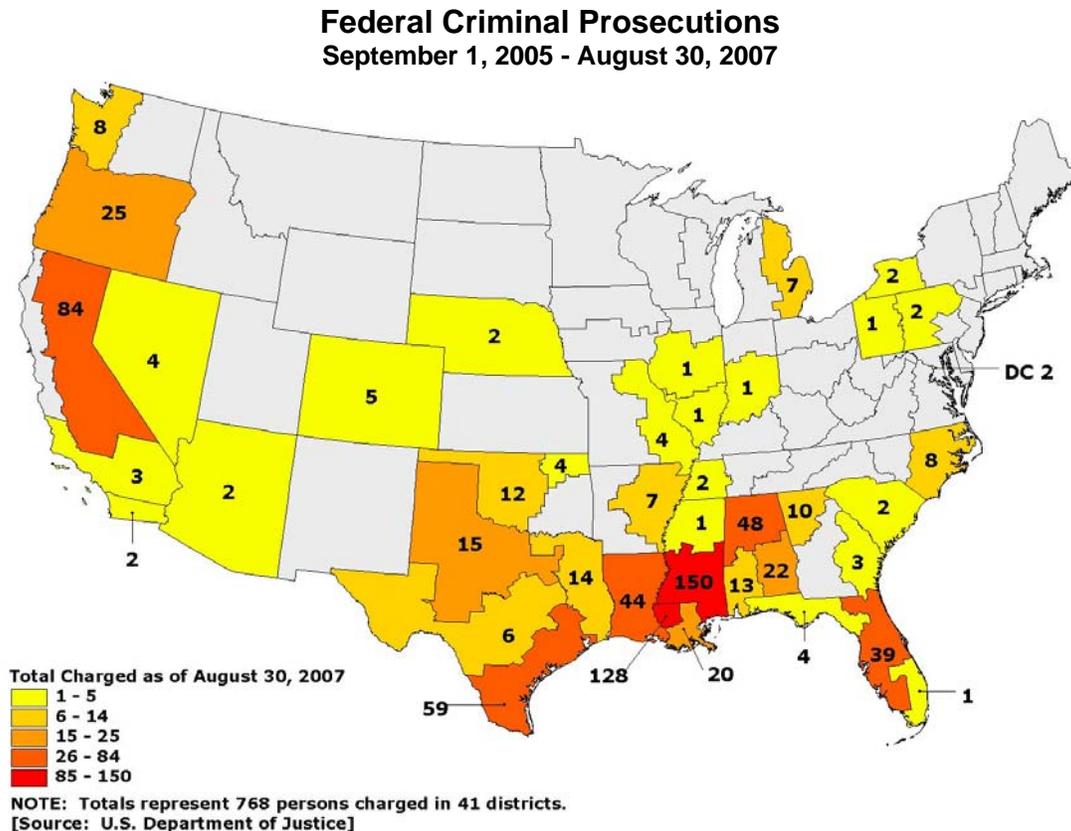
A. Summary of Accomplishments

As of August 30, 2007, the Task Force has prosecuted more than 768 individuals in 41 federal judicial districts throughout the country, and additional state and local prosecutions for disaster-related fraud have been brought. Investigative agencies and federal Inspectors General have continued to work in close cooperation and coordination on hurricane-related investigations, including through the Task Force's Joint Command Center.

B. Prosecution and Enforcement

During the past year, the Task Force has continued to sustain the vigorous pace of its prosecution of all forms of disaster-related fraud stemming from Hurricanes Katrina, Rita, and

Figure 1



Wilma. As of August 30, 2007, more than 768 people have been federally charged with hurricane-related fraud. (See Figure 1 above.) These prosecutions span 41 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.

1. Federal Prosecutions

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, as well as cases involving efforts to obtain funds from the Mississippi Development Authority's program for homeowner assistance. The following summaries of recent disaster fraud-related cases from a variety of United States Attorneys' Offices and from the Antitrust and Civil Divisions of the Department of Justice are offered as a sample of the fraudulent schemes being successfully investigated and prosecuted.

Alabama - Middle District (United States Attorney Leura Garrett Canary) [22 Persons Charged]

- On August 16, 2007, a woman was sentenced to 16 months imprisonment for her role in a wide-ranging conspiracy to file false claims for Hurricane Katrina disaster assistance and for stealing funds intended for victims of Hurricane Katrina. The defendant was charged with and pleaded guilty to fraudulently obtaining disaster assistance from FEMA in the wake of Hurricane Katrina. The court found that the defendant and others conspired to steal at least \$50,000 in money intended for Katrina victims. The court also gave the defendant a sentence increase because of her involvement in threatening a witness who was going to testify against the defendant and another co-defendant.²
- On March 30, 2007, a woman was convicted in U.S. District Court on 22 counts involving the filing of false claims for Hurricane Katrina disaster assistance, theft of funds intended for victims of Hurricane Katrina, threatening a witness from another Hurricane Katrina case, drug distribution, weapons charges, and lying to federal authorities. Because of these convictions, the minimum sentence that the defendant is facing is 34 years in federal prison. The defendant was initially investigated for fraudulently obtaining disaster assistance from FEMA in the wake of Hurricane Katrina. In total, she assisted in stealing or stole approximately \$50,000 in money intended for Katrina victims. On at least one application, she used another person's Social Security number to file the claim. Prior to her indictment on FEMA charges, the defendant

² See United States Attorney's Office, Middle District of Alabama, Press Release (August 17, 2007), available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/aug/08-17-071washington-sent.pdf.

threatened another witness who was to testify against her about her FEMA claims. She brandished a firearm when threatening the witness. An arrest warrant was issued for her, and a search warrant was obtained for her residence. While executing the search warrant, authorities discovered marijuana packaged for distribution and more guns in the house. After a four day trial, a jury found the defendant guilty of the 22 counts charged in the Indictment, including conspiracy to file false claims, false claims, theft of government property, aggravated identity theft, threatening a witness, drug distribution, two charges related to use of firearms, and false statements to the U.S. Marshals. The case was investigated by the DHS OIG, with assistance from the Postal Inspection Service, the United States Secret Service, and the Drug Enforcement Administration.³

Alabama - Northern District (United States Attorney Alice H. Martin) [48 Persons Charged]

- A Katrina-Rita fraud ring was discovered to be operating in western Jefferson County. The core group of defendants, including an employee of the Birmingham Police Department, was filing false claims and personally receiving FEMA checks. They expanded their fraud scheme and recruited more than 100 individuals to provide identifying information so false claims could be filed in their names. The recruiters received a kick-back from each FEMA check cashed by the recruits. Most of the 100+ fraudulent claims were filed via the Internet, and received through the U.S. Mail. To further their scheme, employees of a local check cashing business, Check Depot in Midfield, Alabama, were recruited to knowingly cash the fraudulently obtained FEMA checks. One employee also stole Check Depot customer database identifying information, and provided it to the recruiters to generate additional fraudulent FEMA claim filings. To date, 42 individuals have been indicted and 33 have pleaded guilty. This ongoing investigation is being conducted by the U.S. Secret Service, the DHS OIG, the FBI, and the Postal Inspection Service.

Alabama - Southern District (United States Attorney Deborah J. Rhodes) [13 Persons Charged]

To date in Fiscal Year 2007, the Southern District of Alabama has indicted 13 individuals for Katrina-related fraud. The total losses associated with the indictments are greater than \$125,000. Nine additional individuals pled guilty or were sentenced on charges. These cases included the following:

- On January 24, 2007, a woman was sentenced to 75 months imprisonment and restitution to FEMA in the amount of \$267,377 for defrauding FEMA and for aggravated identity theft following Hurricane Katrina. In addition, the defendant was ordered to forfeit all of

³ See United States Attorney's Office, Middle District of Alabama, Press Release (March 30, 2007), available at http://www.usdoj.gov/usao/alm/Press/willis_convict.html.

the property she purchased with the proceeds of her fraud, including four automobiles, real estate, televisions and other electronics. The defendant had pleaded guilty in September 2006 to making false claims to the government, wire fraud, and aggravated identity theft in connection with 28 fraudulent claims for disaster assistance she made to FEMA after Hurricane Katrina. She admitted that her residence in Jackson, Alabama was not damaged by the hurricane and that she filed 28 fraudulent claims for assistance, falsely claiming to have lived at various addresses in Alabama, Mississippi, Louisiana and Florida. In those applications, she admitted using Social Security numbers of other people and providing FEMA with fraudulent and fictitious documents that purported to prove her ownership of property she did not own. The case was investigated by DHS OIG, the FBI, and the Postal Inspection Service.⁴

- Another significant case involved a husband and wife who engaged in a FEMA fraud scheme. The wife made false claims to FEMA following Hurricanes Dennis, Ivan, and Katrina, and the husband, an officer with the Mobile Police Department, also made a false claim to FEMA after Katrina. The husband, who was assigned at the time to his department's internal affairs unit, used the police fax machine to send false documents and correspondence to FEMA in support of both his fraudulent claim and those of his wife. Both pleaded guilty, and the husband resigned from the police force.

The U.S. Attorney's Office is continuing its coordination and cooperation with DHS OIG, the FBI, and the local district attorney's offices in coastal Mobile and Baldwin counties to respond to the ongoing reports of fraud, as well as to coordinate and establish contacts, lines of communication, and areas of responsibility in the event of future hurricanes or disasters.

California - Eastern District (United States Attorney McGregor W. Scott) [84 Persons Charged]

- On March 20, 2007, a man was sentenced to 36 months of federal supervised release, a 46 day jail term as credit for time served, and restitution of \$2,360 for conspiring to use the United States mail to obtain Hurricane Katrina disaster money through FEMA and for making a false claim upon the United States for Hurricane Katrina disaster relief. According to the United States Attorney's Office, the defendant -- working in September 2005 with two co-conspirators -- conspired to defraud the United States government. On December 7, 2006, the defendant was convicted of the conspiracy charge and of making a false claim upon the United States. He and his co-conspirators devised a scheme to steal more than \$10,000 in cash aid and financial housing assistance intended for needy victims of Hurricane Katrina. The conspirators executed the plan by falsely claiming to be displaced disaster victims after having moved to the Marysville, California area from

⁴ See United States Attorney's Office, Southern District of Alabama, Press Release (January 24, 2007), *available at* <http://jackson.fbi.gov/dojpressrel/pressrel07/katrinafraud012407.htm>.

Arkansas shortly before Hurricane Katrina. The defendants agreed to back each other's false applications for disaster aid by affirming they all relocated in the Marysville area from a declared Louisiana disaster location. The two co-conspirators were similarly convicted of the conspiracy charge and of making false claims upon the United States. One co-conspirator was sentenced to ten months imprisonment, and the other to six months imprisonment (three months jail plus three months in custody at a Community Corrections Center). Both co-conspirators were ordered to pay full restitution. This case was investigated by the DHS OIG and the Postal Inspection Service.⁵

District of Columbia (United States Attorney Jeffrey A. Taylor) [2 Persons Charged]

- On February 5, 2007, a defendant was sentenced in U.S. District Court for the District of Columbia to 102 months imprisonment in connection with 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 in this case, between about September 13, 2005 and 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. The defendant obtained most of this information through the Martindale-Hubble legal directory and various other public databases, as well as through his previous job at a construction company. He 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 U.S. Treasury checks, made out to the individuals that 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. The defendant 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, he 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. In addition, the defendant submitted 14 applications, including one in his alias, for which he did not receive a check.

The defendant also admitted engaging in a number of other fraudulent schemes, including check kiting and credit card fraud in the District of Columbia, Virginia, New York, Florida, and elsewhere. After he was arrested, investigators found identification documents in the names of eight other real people, but bearing the defendant's photograph, in his possession. The case was investigated by the U.S. Secret Service, the

⁵ See United States Attorney's Office, Eastern District of California, Press Release (March 20, 2007), *available at* http://www.usdoj.gov/usao/cae/press_releases/docs/2007/03-20-07CudabackSen.pdf.

Postal Inspection Service, the Department of the Treasury Office of the Inspector General, FEMA, the U.S. Marshals Service, and DHS OIG.⁶

Florida - Middle District (Acting United States Attorney James R. Klindt) [39 Persons Charged]

- On May 11, 2007, a man was sentenced to 57 months imprisonment and restitution of \$41,216 to FEMA for his involvement in FEMA fraud stemming from Hurricanes Katrina and Rita. On July 24, 2006, the defendant had pleaded guilty to one count of conspiracy and four counts of theft of government property. According to court documents, the defendant submitted false applications to FEMA for disaster assistance for Hurricane Katrina and Hurricane Rita. In those applications, he falsely represented that he had been a resident of Louisiana at the time of Hurricane Katrina and Texas at the time of Hurricane Rita and that he was eligible for disaster assistance from FEMA. Relying on those misrepresentations, FEMA sent four United States Treasury checks made payable to the defendant for “disaster assistance.” Those checks were in the amounts of \$10,500, \$2,358, and \$2,000 (two checks). He cashed those four checks despite the fact that he has lived in Florida his whole life and that he was not eligible for any “disaster assistance” for Hurricane Katrina or Hurricane Rita. In addition to obtaining FEMA checks in his own name, the defendant conspired with other individuals to obtain checks for them. In total, he was involved in the theft of \$41,216 from FEMA. That amount consists of \$16,858 in FEMA funds that he applied for in his own name and \$24,358 in FEMA funds that he obtained for other individuals. This case was investigated by the U.S. Secret Service, the Postal Inspection Service, and the DHS OIG, with assistance from the U.S. Marshals Service.⁷

Louisiana - Eastern District (United States Attorney Jim Letten) [20 Persons Charged]

The Eastern District of Louisiana reports that during Fiscal Year 2007, it has seen an increase in criminal and civil referrals relating to the work of the Hurricane Katrina Fraud Task Force. The Criminal Division opened approximately 62 new criminal matters and charged 22 separate defendants. Seventeen defendants have been convicted in Fiscal Year 2007. The Civil Division is also pursuing numerous affirmative fraud cases involving contract fraud and false claims arising out of Katrina.

⁶ See United States Attorney’s Office, District of Columbia, Press Release (February 5, 2007), *available at* http://www.usdoj.gov/usao/dc/Press_Releases/2007%20Archives/Feb_2007/07044.html.

⁷ See United States Attorney’s Office, Middle District of Florida, Press Release (May 11, 2007), *available at* http://www.usdoj.gov/usao/flm/pr/2007/may/20070511_Williams_JaxFEMAFraudSent.pdf.

Significant criminal prosecutions included the following:

- On May 16, 2007, the Police Chief of Independence, Louisiana and a captain in that Department were sentenced to five years probation and \$4,500 restitution to FEMA for theft of government property resulting from their roles in a scheme to defraud FEMA. In addition, in the plea agreement with the Government, both defendants agreed to leave or vacate their positions with the Independence Police Department and also agreed to never pursue any future position in law enforcement. On January 10, 2007, both defendants pleaded guilty as a result of a scheme to defraud FEMA out of reimbursements not actually due to the police department. After Hurricane Katrina, FEMA agreed to reimburse qualifying police departments for overtime hours worked by officers in the aftermath of the storm. FEMA also agreed to pay for police equipment used during these overtime hours, such as vehicle usage. The defendants submitted false and inflated documents to FEMA for overtime hours not worked and vehicle mileage not actually incurred by the police department. By inflating the overtime hours worked by officers within the department, the defendants knowingly stole money belonging to the United States valued in excess of \$1,000.00. The case was investigated by the FBI, the DHS OIG, and the Office of the Louisiana Attorney General.⁸
- On December 13, 2006, the former Public Works Director for the City of Mandeville, Louisiana pleaded guilty to a Bill of Information charging him with misprision of a felony (18 U.S.C. § 4). The federal offense of misprision occurs when an individual has knowledge of a felony crime being committed by another person, commits an affirmative act to conceal that crime, and fails to report that crime to law enforcement authorities. The defendant was involved in corruption by a former councilman who is awaiting trial on charges of extortion arising out of a hurricane debris removal contract. This case was investigated by the FBI and IRS Criminal Investigation.⁹

Louisiana - Middle District (United States Attorney David R. Dugas) [128 Persons Charged]

- On August 29, 2007, a woman was convicted at trial in U.S. District Court on both counts of a two-count indictment involving fraud charges related to a hurricane disaster relief program. The indictment charged the defendant with making a false claim to FEMA for Hurricane Katrina disaster assistance benefits (Count One) and with illegal

⁸ See United States Attorney's Office, Eastern District of Louisiana, Press Release (May 16, 2007), *available at* <http://neworleans.fbi.gov/dojpressrel/2007/no051607a.htm>.

⁹ See United States Attorney's Office, Eastern District of Louisiana, Press Release (December 13, 2006), *available at* http://www.usdoj.gov/usao/lae/press/2006/2006_12_13_mistich_plea.htm.

conversion of government property, that is, a check from FEMA for expedited disaster assistance (Count Two). The case was investigated by the DHS OIG and the FBI.¹⁰

- On August 7, 2007, a man pleaded guilty to theft from a health care benefit program (18 U.S.C. § 669), in connection with an ongoing investigation of fraud and corruption at the Jimmy Swaggart Center in Baton Rouge, Louisiana, during the Hurricane Katrina relief efforts. The operation has resulted in three individuals pleading guilty to their role in the theft of State-owned medical equipment worth approximately \$500,000, and one individual pleading guilty to attempting to murder a witness in the investigation. A second defendant pleaded guilty in a sealed proceeding on February 7, 2007, to one count of theft from a health care benefit program. A third defendant pleaded guilty to two counts of attempted murder of a federal witness (18 U.S.C. § 1512(a)(1)(A) and (C)) and one count of theft from a health care benefit program. The case was investigated by the FBI and the East Baton Rouge Parish Sheriff's Office. Numerous federal, state, and local agencies have assisted with this operation, including the U.S. Department of Homeland Security's Office of Inspector General; the U.S. Attorney's Office for the Western District of Louisiana; the U.S. Attorney's Office for the Northern District of Texas; the Caddo Parish Sheriff's Office; the Dolgeville, New York, Police Department; the Dallas, Texas, Police Department; and the Rockville, Texas, Police Department.¹¹
- On February 21, 2007, a man was charged in a two-count indictment by a federal grand jury in the Middle District of Louisiana with aiding and abetting mail fraud (Count One) and with illegal conversion of government property, that is, a check from FEMA for expedited disaster assistance (Count Two). This case was investigated by the Postal Inspection Service.¹²
- In October 2006, three FEMA employees and one former FEMA employee were arrested and charged with a scheme to steal air conditioning units from a FEMA travel trailer storage site in Baton Rouge, LA and sell the air conditioning units. Three defendants allegedly had access to the site and travel trailers with crated air conditioning units that were stored there. The defendants were arrested after they attempted to sell several of the air conditioning units for a fraction of their value to a Special Agent with the Inspector

¹⁰ See United States Attorney's Office, Middle District of Louisiana, Press Release (August 29, 2007), available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/aug/08-29-07jackson-verdict.pdf

¹¹ See United States Attorney's Office, Middle District of Louisiana, Press Release (August 7, 2007), available at <http://neworleans.fbi.gov/dojpressrel/2007/no080707a.htm>.

¹² See United States Attorney's Office, Middle District of Louisiana, Press Release (July 19, 2007), available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/jul/07-19-07two-indict.pdf.

General's Office of the U.S. Department of Homeland Security who was working in an undercover capacity.¹³

Louisiana - Western District (United States Attorney Donald W. Washington) [44 Persons Charged]

- On January 22, 2007, three defendants pleaded guilty to theft of public money, property, or records in connection with Katrina- and Rita-related fraud. One defendant admitted to applying for emergency benefits following Hurricane Katrina, claiming that he lived in a warehouse in New Orleans, Louisiana prior to Hurricane Katrina in 2005. That defendant claimed he had flood damage and received \$5,069 from FEMA in November 2005 for the flood damage that he claimed to have suffered and for rental assistance. However, investigations revealed that he had not been living in the warehouse in New Orleans, but was living in a hotel prior to the storm in Gretna, Louisiana. The defendant admitted that he knew he was not entitled to the benefits he received from FEMA.

In an unrelated matter, a second defendant applied for and received \$2,000 in disaster relief funds in September 2005, claiming she had to evacuate as a result of Hurricane Katrina. She never lived at the address she claimed was her primary address in Morgan City and never evacuated from Morgan City. Instead, she was living in a HUD housing project. In pleading guilty, this defendant admitted that she did not evacuate from Morgan City and was never entitled to the FEMA relief funds.

In a third unrelated case, another defendant applied for FEMA assistance in October 2005, claiming that her residence in Morgan City sustained damage as a result of Hurricane Rita. She received \$4,665.33 based on the information she provided while filing a claim for damages. During the plea hearing, this defendant admitted that her residence did not sustain any damage as a result of Hurricane Rita and she obtained the FEMA funds fraudulently. These cases were investigated by the FBI.¹⁴

¹³ See United States Attorney's Office, Middle District of Louisiana, Press Release (October 6, 2006), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2006/oct/10-06-06jandersonarrest.pdf.

¹⁴ See United States Attorney's Office, Western District of Louisiana, Press Release (January 22, 2007), *available at* <http://neworleans.fbi.gov/dojpressrel/2007/no012207.htm>.

Mississippi - Southern District (United States Attorney Dunn Lampton) [150 Persons Charged]

- On May 17, 2007, three individuals were sentenced in U.S. District Court on charges of conspiring to defraud the United States. The conspiracy involved the creation and submission of false debris removal load slips in the amount of \$716,677. One defendant, Allan Kitto, was sentenced to 25 months incarceration, a second defendant, Clinton K. Miller, was sentenced to 33 months incarceration, and the third defendant, Lauren Robertson, was sentenced to 13 months incarceration. In addition, each of the defendants was ordered to pay restitution in the amount of \$275,057. Kitto owned and operated J.A.K. DC&ER, Inc., a debris removal contracting company working as a sub-contractor in Pearl River County, Mississippi. Miller and Robertson worked for a debris removal monitoring company operating in Pearl River County, Mississippi.

As a part of the conspiracy, Robertson signed false debris load slips misrepresenting that debris was loaded onto trucks on the roadway when Robertson was not present at the loading site and, in most instances, created and signed the false load slips at her residence. The false debris load slips misrepresented that certain trucks, belonging to and under the control of Kitto and identified by a certain number, 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 reflected on the load slips. The false debris load slips misrepresented that loads of debris were delivered to a designated dump site in Pearl River County, Mississippi when, in truth and fact, no debris was delivered and dumped at the dump site. Miller collected the false load slips from his co-conspirators and submitted those false load slips to the debris monitoring company who would, in turn, submit the false load slips to the prime contractor for payment to Kitto. Kitto also admitted that, in an effort to conceal the conspiracy, he 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 cash the check and give the cash to Kitto and Miller. Miller would then pay Robertson for completing and signing the false load slips along with an extra amount of “hush money.”¹⁵

- On July 9, 2007, a man pleaded guilty to submitting a false claim to FEMA for Hurricane Katrina disaster assistance funds, and making a false statement to the Mississippi Development Authority to fraudulently obtain a Mississippi Homeowner Grant. The defendant, who had been indicted in this case on April 16, 2007,¹⁶ caused \$9,558 to be

¹⁵ See United States Attorney’s Office, Southern District of Mississippi, Press Release (May 18, 2007), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/may/05-18-07akitto-sent.pdf.

¹⁶ See United States Attorney’s Office, Southern District of Mississippi, Press Release (April 16, 2007), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/

paid from FEMA by claiming he was residing in a home which he owned but rented out in Ocean Springs while living in Louisiana. He was approved for a grant of \$60,449 before the fraud was detected.¹⁷

Texas - Eastern District (United States Attorney John Ratcliffe) [14 Persons Charged]

- On May 21, 2007, a woman pleaded guilty to four counts of fraud-related charges in connection with applications she filed with FEMA for federal disaster relief. The defendant allegedly received \$5,282 in assistance as a result of her fictitious claim.
- On May 2, 2007, a man was indicted on charges of mail fraud and making a materially false statement to FEMA in connection with an application filed for disaster relief. The defendant allegedly applied for disaster assistance via telephone, claiming that his home and property suffered damage as a result of Hurricane Rita. Records indicate that not only did the property in question not belong to the defendant, but he was incarcerated in Huntsville, Texas when the hurricane made landfall and was not released until later that year.

Texas - Northern District (United States Attorney Richard Roper) [15 Persons Charged]

- On July 11, 2007, three former San Angelo, Texas, residents were indicted on charges related to a scheme to defraud FEMA of approximately \$23,000 and the Department of Labor (DOL) of approximately \$7000 in disaster-related benefits following Hurricanes Katrina and Rita. The defendants made false claims that their residences had been damaged by the hurricanes, and one defendant was charged with mail fraud for a false property insurance claim made in September 2006 to defraud State Farm Insurance Company of approximately \$5500. This case was investigated by the FBI, the DHS OIG, the Postal Inspection Service, the DOL Office of the Inspector General, and the San Angelo Police Department.¹⁸
- On March 7, 2007, an indictment charged two individuals with offenses related to a scheme they ran to defraud FEMA of approximately \$50,000 in Disaster Unemployment Assistance funds. To accomplish the theft, the defendants allegedly used the name(s) and

2007/apr/04-16-07cdmoses-indict.pdf.

¹⁷ See United States Attorney's Office, Southern District of Mississippi, Press Release (July 10, 2007), available at <http://jackson.fbi.gov/dojpressrel/pressrel07/katrinafraud071007.htm>.

¹⁸ See United States Attorney's Office, Northern District of Texas, Press Release (July 11, 2007), available at http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/jul/07-11-07three-indict.pdf

Social Security number(s) of other people. This case was investigated by the DOL Office of Inspector General and the Louisiana Department of Labor.¹⁹

Texas - Southern District (United States Attorney Donald J. DeGabrielle, Jr.) [59 Persons Charged]

- On August 16, 2007, an indictment was unsealed that charged ten Houston-area residents with conspiring to file more than 75 fraudulent FEMA claims for Hurricane Katrina and Hurricane Rita assistance. According to the indictment, one defendant filed fraudulent online FEMA claims in her name and the names of the other nine defendants. In addition, three co-defendants allegedly obtained Social Security numbers and dates of birth from residents of apartment complexes in Houston and provided that information to the defendant who had filed false claims in her own name. That defendant then filed FEMA claims in those other three persons' names even though they were living in Houston when Katrina and Rita struck. In all, the indictment alleges that that defendant filed more than 75 claims and that FEMA paid \$92,958 in response to those claims. This case was investigated by the DHS OIG, the Department of Housing and Urban Development OIG, and the FBI.²⁰
- On July 6, 2007, a woman pleaded guilty to conspiring to file false claims and aggravated identity theft in connection with her filing of multiple fraudulent FEMA claims for Hurricane Katrina and Rita relief. The defendant came to the attention of federal law enforcement after a General Accounting Office review of Hurricane Katrina and Rita FEMA claims revealed that more than forty claims were filed under different names using the Houston mailing address of the defendant. The investigation revealed that the names used in these claims were friends or relatives of the defendant and that all of these people resided in Houston, and not New Orleans or Lake Charles as stated in the claims, during 2005 when Katrina and Rita struck. Indeed, some of the "damaged addresses" in New Orleans and Lake Charles listed in these claims did not even exist. After investigators searched the FEMA database to see if other Houston mailing addresses had been used to file claims using the names listed in the claims that used the defendant's residence, they discovered a total of 103 claims filed using names tied to the conspiracy. FEMA mailed checks totaling \$145,438 based on these claims, mostly in the form of the

¹⁹ See United States Attorney's Office, Northern District of Texas, Press Release (March 7, 2007), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/mar/03-07-07ktbatiste-mbharris-indict.pdf.

²⁰ See United States Attorney's Office, Southern District of Texas, Press Release (August 16, 2007), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/aug/08-16-07ten-charge.pdf.

\$2,000 expedited assistance payments which were sent before inspectors visited the listed addresses to verify residency and damage. Thirteen of the claims listed the defendant's first and last name as the first and last names but used different middle initials. The defendant used different Social Security numbers, without the knowledge or authority of the true assignees, in each claim filed using her name. She cashed the checks mailed to her house at grocery stores and check cashing establishments in the Houston area.

With the defendant's guilty plea, all defendants named in this conspiracy have been convicted. Three have been sentenced thus far. One man received a sentence of 24 months imprisonment, a second man received a sentence of 18 months imprisonment, and a woman received a sentence of 6 months imprisonment. Three other defendants are awaiting sentencing. This case was investigated by the Postal Inspection Service, with assistance from the DHS OIG and the Social Security Administration Office of Inspector General.²¹

Other United States Attorneys' Offices that have brought hurricane-related criminal prosecutions include: Eastern District of Arkansas: 7; District of Arizona: 2; Central District of California: 3; Southern District of California: 2; District of Colorado: 5; Northern District of Florida: 4; Southern District of Florida: 1; Northern District of Georgia: 10; Southern District of Georgia: 3; Central District of Illinois: 1; Southern District of Illinois: 1; Southern District of Indiana: 1; Eastern District of Michigan: 7; Eastern District of Missouri: 4; Northern District of Mississippi: 1; Eastern District of North Carolina: 8; District of Nebraska: 2; District of Nevada: 4; Western District of New York: 2; Northern District of Oklahoma: 4; Western District of Oklahoma: 12; Oregon: 25; Middle District of Pennsylvania: 2; Western District of Pennsylvania: 1; District of South Carolina: 2; Western District of Tennessee: 2; Western District of Texas: 6; and Western District of Washington: 8.

Antitrust Division

The Antitrust Division reports that in August 2007, with the assistance of the U.S. Army Criminal Investigation Division, and the Department of Defense's Criminal Investigative Service, it filed a one-count information in the Eastern District of Louisiana, charging a former U.S. Army Corps of Engineers contract employee with bribery in connection with a more than \$15 million Hurricane Protection Project for the reconstruction and enlargement of the Lake Cataouatche Levee, south of New Orleans, Louisiana. The defendant, a Houston, Texas, resident worked as a construction official in the U.S. Army Corps of Engineers New Orleans office and was a public official charged with reviewing construction projects after Hurricane Katrina. Between August and October 2006, the defendant agreed to accept approximately \$299,000 from

²¹ See United States Attorney's Office, Southern District of Texas, Press Release (July 6, 2007), *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/pr/press_releases/2007/jul/07-06-07ocaldwell-plea.pdf.

a sand and gravel subcontractor in return for confidential bid, proposal, and source selection information. The investigation into fraud in the procurement of levee reconstruction contracts let by the U.S. Army Corps of Engineers is continuing.²²

As a member of the Task Force, the Division has continued to train law enforcement agents and procurement officials in the prevention and detection of collusive conduct in the post-Hurricane Katrina marketplace. In April 2007, Division representatives conducted training on identifying and preventing collusion in the award of contracts for disaster relief for Task Force members at the FBI Disaster Fraud and Public Corruption Conference held in New Orleans, Louisiana. The Division's antitrust primer for agents and procurement officials on preventing and detecting antitrust violations was distributed to all participants at the conference. The primer can be found at www.usdoj.gov/atr/public/guidelines/disaster_primer.htm and is electronically posted on the LEO and Task Force websites. Division representatives also made a similar presentation to procurement officials in Mississippi.

As a result of the training and cooperative working relationship among the Division and other Task Force members, the Division has four ongoing criminal investigations into anticompetitive and other illegal conduct by corporations and individuals with respect to the awarding of contracts in the areas affected by Hurricanes Katrina, Wilma, and Rita.

The Antitrust Division is committed to working with the Hurricane Katrina Fraud Task Force and devoting resources to investigate and criminally prosecute collusion and other illegal conduct that subverts the competitive bid process wherever it occurs.

Civil Division

The Civil Division is currently conducting a number of investigations into allegations of fraud and potential civil False Claims Act cases stemming from the work of government contractors in the Gulf Coast. These investigations are being handled in coordination with prosecutors in the Criminal Division and the Offices of the U.S. Attorneys. The Division is actively investigating all *qui tams* and non-*qui tam* referrals as potential False Claims Act cases, and for any other applicable civil remedies. Because *qui tam* cases under the False Claims Act are protected by statutorily required seals, and because the Division cannot comment on ongoing investigations, little detailed information can be publicly revealed.

One significant case that the Civil Division is now pursuing is the first Katrina-related affirmative civil enforcement case, U.S. v. Lighthouse Disaster Relief et al, (M.D. La. 06-161):

- In March 2006, the United States brought this case, after receiving a referral from the Department of Homeland Security that alleges that a company from West Virginia did

²² See Antitrust Division, U.S. Dep't of Justice, Press Release (August 23, 2007), available at http://www.usdoj.gov/atr/public/press_releases/2007/225431.htm.

not adequately perform its \$5.4 million contract to construct and operate a base camp in New Orleans. The case is in litigation, and is being handled jointly by the U.S. Attorney's Office for the Middle District of Louisiana and the Civil Division in Washington, D.C.

2. State and Local Prosecutions

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

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 August 23, 2007, a St. Tammany Parish resident was arrested on an arrest warrant obtained by the Louisiana State Police Insurance Fraud and Auto Theft Unit. The arrest evolved from a complaint by a private insurance company. The Unit believes that the defendant filed a fraudulent Business Interruption commercial insurance claim by falsely stating he was unable to conduct business due to the damages and events which followed Hurricane Katrina. Based on his claim, the defendant's insurer advanced him \$100,000 to cover the interruption of his business. However, an investigation revealed that his ability to conduct business had not been interrupted by the storm. He conducted business with approximately 55 separate entities and received approximately \$288,000 from business transactions during the period he claimed he was unable to conduct any business. An arrest warrant charging the defendant with one count of Insurance Fraud and one count of Felony Theft was obtained in Jefferson Parish. The defendant was booked into the Jefferson Parish Jail.²³

Mississippi

- In August 2007, a contractor was sentenced in Harrison County Court to four years in prison and ordered to repay \$43,650 for abandoning a Hurricane Katrina repair job for a Pass Christian, Mississippi family.²⁴ Also in August 2007, an Alabama man was arrested on charges relating to home-repair fraud in Mississippi. The defendant in that case allegedly had been contracted to make repairs to a Mississippi resident's Katrina-

²³ See Louisiana State Police, Bureau of Investigation - Insurance Fraud Unit, *available at* <http://www.lsp.org/ifu.html>.

²⁴ See Associated Press, *Contractor sentenced for Katrina fraud*, Pensacola News Journal, August 22, 2007, *available at* <http://www.pensacolanewsjournal.com/apps/pbcs.dll/article?AID=/20070822/NEWS01/70822010>.

damaged home, but he failed to do most of the work and the resident had to have the repairs that the defendant performed re-done.²⁵ According to the Office of the Mississippi Attorney General, this latter arrest is the 64th in the state on felony and misdemeanor home repair fraud charges following Hurricane Katrina.²⁶

C. Increased Coordination

1. The Joint Command Center

The Joint Command Center capabilities have grown steadily over the past year thanks to contributions from many of the Task Force agencies. The DHS OIG funded the build out of a new Command Post for the Command Center at Johnston Hall on the campus of Louisiana State University in Baton Rouge, LA. The new Command Post is adjacent to DHS OIG's Baton Rouge office and includes better designed space, videoconferencing capability, and improved telephone conferencing for remote participation in Command Center meetings. The FBI completed the integration of the Command Center's Referral and Deconfliction Database (RADD) onto Law Enforcement Online (LEO), greatly streamlining the complaint intake and processing procedure.

The Command Center staff has grown with the addition of another analyst and two interns from DHS OIG and analysts from SBA OIG and DOL OIG. These new personnel join analysts from FBI and Postal Inspection Service and a forensic auditor from HUD OIG working full time at the Command Center. The FBI has arranged for the assignment of two full-time, permanent analysts to replace the rotation of temporary-duty analysts previously working at the Command Center. In addition, Task Force agents now staff the Command Center pursuant to a duty roster that ensures broad-based agency participation in the day-to-day activities of the Command Center.

The Command Center continues to receive and process more than 200 complaints and leads of disaster-related fraud each week and has referred more than 14,000 leads to law enforcement agencies and field offices around the country. The Command Center also continues to operate two national disaster fraud hotlines and to receive fraud complaints through mail, fax, e-mail, and direct input by law enforcement agencies on LEO. The standard Complaint Referral Form has been improved and integrated into RADD, eliminating the need for multiple data entries.

²⁵ See *Alabama man arrested for Katrina fraud*, Jackson Clarion Ledger, August 20, 2007, available at <http://www.clarionledger.com/apps/pbcs.dll/article?AID=/20070820/NEWS/70820038>.

²⁶ See Associated Press, *Alabama man arrested in Mississippi for Katrina home repair fraud*, WDAM TV, August 20, 2007, available at <http://www.wdam.com/Global/story.asp?S=6958604>.

Regular Joint Command Center meetings and day-to-day interaction of the Joint Command Center staff and agency representatives have produced 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, continues to provide invaluable support and technical assistance to the Joint Command Center operations.

The following 33 agencies and Department of Justice components currently have representatives who are either assigned to 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.

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, serves as the Deputy Director of the Joint Command Center.

2. Other Investigative Coordination and Assistance

a. Investigative Agencies

- **Federal Bureau of Investigation**

To date, the FBI bureau-wide has initiated more than 1,000 investigations in 31 different field divisions. The Jackson and New Orleans field divisions have opened more than 829 hurricane-related investigations, which include public corruption and government fraud. To date, the investigation of criminal matters related to Hurricane Katrina have resulted in more than 133 indictments and 48 convictions.

After Hurricane Katrina, the FBI supplemented White Collar Crime and Public Corruption Squads in the Jackson and New Orleans field divisions with Special Agents and support personnel to undertake the fraud and corruption matters associated with Katrina on a temporary basis. In an effort to address the severe spike in fraud and corruption investigations with a long-term solution, the FBI created two stand-alone Katrina squads, staffed with agents and support personnel. These squads have been fully furnished with the investigative tools they require to be a self-sufficient investigative team.

The FBI has assumed a lead investigative role at the Hurricane Katrina Fraud Task Force Command Center operating in Baton Rouge, Louisiana. FBI agents and support personnel have been assigned to the Command Center since Hurricanes Katrina and Rita. The FBI has provided more than \$230,000 in support of the Command Center’s RADD. Additionally, two FBI analysts will begin arriving in Baton Rouge as permanent support staff in support of this mission in September 2007.

The Jackson and New Orleans field divisions have developed working relationships with numerous federal and state agencies to conduct hurricane-related public corruption and fraud investigations. The Jackson division also has a Memorandum of Understanding with the

Mississippi State Auditor’s Office and the State of Mississippi, using a \$5 million grant from Community Development Block Grant funds to establish a Katrina Fraud Task Force.

In April 2007, in an effort to train newly-formed FBI Katrina squads and provide federal, state, and local law enforcement officers with training specific to these types of crime, the FBI sponsored a Disaster Fraud and Public Corruption Conference in New Orleans. This conference was funded by the FBI and attended by numerous federal, state, and local law enforcement officers assigned to investigate these matters, and provided them with training on investigative techniques characteristic of disaster fraud investigations and corruption cases.

- **Postal Inspection Service**

As a vital member of the Hurricane Katrina Fraud Task Force since its inception, the U.S. Postal Inspection Service remains committed to aggressively pursuing disaster-related fraud schemes utilizing the mail – in particular, charity fraud, identity fraud/theft, and government benefit fraud. The agency’s efforts have gone further than investigative case work to encompass consumer education campaigns, law enforcement training, and Command Center presence.

The Postal Inspection Service’s statistical accomplishments in its criminal investigations for the Task Force are as follows:

Fiscal Year	Cases				Defendants Sentenced	Fines & Restitution
	Jacketed	Arrests	Indictments	Convictions		
2006	100	103	98	73	13	
2007	154	85	83	68	82	
Total	254	188	181	141	95	\$628,191

For example, as a result of the volume of fraudulent applications for disaster relief submitted to and payable through FEMA related to Hurricanes Katrina and Rita, the Inspection Service initiated "Operation Home Alone" with agents of the DHS OIG and the U.S. Attorney’s Office for the Middle District of Louisiana. The effort was developed to review disaster relief applications filed with FEMA to determine if the applicants had, in fact, resided at addresses that suffered damage from the hurricanes and whether or not they were entitled to receive payments from FEMA. Cases that resulted from “Operation Home Alone” included the July 19, 2007, indictment of an individual in the Middle District of Louisiana on charges of mail fraud and illegal conversion of government funds.

In addition to its criminal investigative support, the Postal Inspection Service has provided substantial support to the Task Force’s Joint Command Center. When the Command Center was established, the Postal Inspection Service promptly committed resources. A Postal Inspector was assigned as the Postal Inspection Service’s point of contact for the command center and was responsible for overseeing the Service’s national coordination case and one fraud analyst was assigned to assist with analyzing complaints and referrals. In July 2007, the Inspection Service dedicated an additional full-time Postal Inspector to the Task Force. This

Inspector works on a daily basis at the Command Center screening, analyzing, and reporting suspect matters to appropriate agencies. Since being assigned, the Inspector has referred more than 700 Hurricane Katrina fraud-related inquiries/complaints for review and appropriate attention to various Task Force agencies.

As a result of Task Force concerns regarding American Red Cross referrals to the Command Center, the newly assigned Inspector met with representatives of the Red Cross in Washington, D.C. He further coordinated a follow-up teleconference with representatives of the Red Cross along with those from the Inspection Service and FBI to further discuss and clarify concerns. Subsequently, it was decided that the Inspection Service will be sending out Red Cross referrals to its field offices to be presented to their local Assistant United States Attorneys for prosecutorial consideration.

- **United States Secret Service**

The United States Secret Service remains strongly committed to supporting the work of the Task Force. For example, the Secret Service provided key investigative support for “Operation Storm Chaser,” which sought to detect and prosecute instances of fraud in Central Florida related to Hurricanes Katrina and Rita. To date, 25 of those defendants have been sentenced. Twelve have been sentenced to prison terms, the remaining 13 were sentenced to probation, and all 25 have been ordered to repay FEMA for the amounts that they stole. In this operation, the Secret Service worked in cooperation with the Postal Inspection Service and the DHS OIG, with assistance from the U.S. Marshals Service.

- b. Inspectors General**

The federal Inspectors General community continues to play an integral role in 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 Information Sharing 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 its activities have resulted in federal investigations or prosecutions in (among other venues) Alaska, Alabama, California, Colorado, Indiana, Louisiana, Missouri, Nevada, Oregon, Texas, and Washington. DHS OIG also has been proactive in seeking opportunities for collaboration with other agencies in pursuing disaster-related fraud.

For example, in mid-2006 and into 2007, the FEMA Fraud Prevention Unit (FPU) located in Orlando, Florida, and the DHS OIG Miami Field Office, have continued to collaborate in the pursuit of investigating FEMA fraud. Following a presentation made to FEMA's Florida Long Term Recovery Office (FLTRO) made by the DHS OIG following the unprecedented 2004 hurricane season, the Director of the FLTRO, Scott R. Morris, realized the need for initiating a fraud prevention component to prevent, deter and prosecute acts of fraud committed against FEMA. The FPU has given FEMA an opportunity to develop a partnership with the DHS OIG to facilitate both criminal and administrative investigations and to provide FEMA staff and management a resource to forward suspected incidents of fraud. Since its establishment, the FPU has continued to identify and develop initiatives with the DHS OIG to investigate fraudulent acts and/or recoup funds resulting from such acts utilizing certain "fraud indicators" and/or information obtained in the field. The FPU has produced significant results. The FPU's semi-annual report, ending May 2007, detailed 195 cases in which more than \$3.9 million were prevented from disbursement and nearly half a million dollars were forwarded for recoupment/restitution. These statistics have increased exponentially since this reporting period with the growth of the program and permanency of employees assigned to the FPU. Its mission remains to identify, impede, and prevent fraudulent losses of Federal funds and/or property through agency awareness, comprehensive research, investigation, and recoupment of losses in partnership with the DHS OIG.

In addition, DHS OIG received allegations that FEMA made duplicate payments for individuals living in FEMA travel trailers and giving additional payments to the same individuals to receive FEMA Rental Assistance such as hotel rooms and other accommodations at the same time. As a result of this investigation, an internal FEMA audit of the FEMA Trailer Occupants and FEMA Rental Assistance recipients is being conducted. The duplicate payments were originally estimated at approximately \$16 million dollars in which FEMA paid out in error. On April 12, 2007, FEMA concurred with DHS OIG investigations that \$7,511,373.30 needed to be recovered from 438 FEMA applicants. FEMA has sent recoupment letters to each of the 438 FEMA applicants that received Rental Assistance and a FEMA trailer.

DHS OIG has also identified some preventative measures to combat waste, fraud and abuse in future disasters. For example, DHS OIG has a Catastrophic Emergency Response Plan and Rapid Deployment Capability; provides Disaster Fraud Awareness Training at the FEMA Joint Field Office (JFO) when a disaster occurs; and continues giving updated Disaster Fraud training. DHS OIG also advocates the adoption of various best practices in future disasters, including making contact early with the United States Attorney's Offices; getting local law enforcement involvement; contacting the National Insurance Crime Bureau, special investigative units of insurance companies, and consumer protection agencies; distributing Fraud Hotline posters in high traffic areas; distributing television and radio fraud alerts and Public Service Announcements; packaging cases to U.S. Attorney's Offices as quickly as possible; and being aware of the multiple common schemes individuals use to defraud the government (e.g., debris-removal fraud, contract fraud, individual person fraud, hotel/motel fraud, and many other schemes).

DHS OIG also conducted a number of audits that resulted in recommendations for action:

- **Unnecessary Housing Assistance Provided to Hurricane Victims:** In an audit focusing primarily on the \$54 million in loan and grant funds being disbursed to repair hurricane damage, we found that Rural Housing Service (RHS) and other Federal agencies had not coordinated activities to prevent the duplication of Government housing assistance to victims. In addition, RHS had not required victims to provide information about damage reimbursement from insurance companies and assistance from charitable organizations, resulting in some victims receiving assistance from RHS and other sources. OIG's review disclosed about \$320,000 in emergency grant funds for non-disaster repairs; almost \$70,000 provided to victims for repairs and improvements not related to health, safety, or handicap accessibility; and unlicensed contractors employed to repair almost \$210,000 in damage. Moreover, disaster funds were vulnerable to misuse at some field offices because loan and grant applications were received, reviewed, and approved by the same employee. Finally, RHS had not determined the number of agency loan accounts in jeopardy of default, or the costs associated with uninhabitable properties that likely needed to be destroyed.

DHS OIG recommended that for future disasters RHS coordinate assistance with other Federal agencies, obtain a formal Office of the General Counsel opinion regarding the proper use of disaster funds before distribution, require applicants to disclose assistance received from insurance companies and charitable organizations, and monitor field activities immediately after a disaster.

- The OIG found that USDA needed a response and recovery plan to relieve disaster transportation congestion. After Hurricanes Rita and Katrina, USDA developed four initiatives to alleviate transportation congestion on the Mississippi River: providing grants for moving damaged corn from New Orleans, promoting alternative warehouse storage, moving agricultural commodities through other regions, and encouraging the unloading of commodities that were left on barges in the New Orleans area. FSA implemented the initiatives and provided monetary assistance. Due to the urgency of the situation, USDA initially used ad hoc procedures to negotiate noncompetitive agreements, and awarded three noncompetitive grants for alternative grain storage and barge movement projects to two companies. However, those verbal agreements lacked transparency and competition to minimize costs and ensure relief to all affected companies. The noncompetitive agreements had notably higher rates than those for similar services later solicited through competitive bidding—the differences totaled \$5.6 million. Of the \$38.75 million USDA authorized to fund the initiatives, \$22.7 million was disbursed. USDA incurred superfluous expenditures by awarding noncompetitive grants, even though a substantial amount of the maximum available funds went unobligated.

DHS OIG recommended that the FSA Administrator coordinate with the Under Secretary for Farm and Foreign Agricultural Services, industry stakeholders, and other involved USDA and Federal agencies to develop and formalize a response and recovery plan for disruptions to the grain transportation and storage system.

- A DHS OIG audit determined that the quick response in placing victims into Rural Rental Housing (RRH) units won praise in the Administration's report, "The Federal Response to Hurricane Katrina: Lessons Learned." However, in focusing on quickly placing victims into RRH units, agency officials overlooked some basic management controls needed to ensure that the appropriate amount of housing assistance was provided to victims, and that only victims received assistance. Based on discussion with disaster victims, OIG concluded that much of the \$2.6 million in emergency rental assistance (amount provided as of March 31, 2006) that RHS provided to disaster victims was unnecessary. (This amount may actually be higher because RHS' data system did not include all hurricane relief information.)

DHS OIG recommended that RHS officials prepare for future catastrophic disasters by developing policy and procedures for coordinating actions related to multi-family housing with other Federal agencies. While RHS' role is not in the emergency housing area, it is likely that it and other Federal agencies will be asked to provide support in future disasters, both natural and man-made. Thus, while RHS may not be in a lead role, it can perform an important supporting role in housing displaced disaster victims. OIG also recommended that RHS officials improve the agency's information system, and related controls over the accuracy and completeness of data within the system.

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

The HUD OIG reports that this year it completed the establishment of its new Gulf Coast Region, headquartered in New Orleans. Its staff of 9 auditors and 15 Special Agents and forensic auditors are located there and in Baton Rouge, LA; Houston, TX; Arlington, TX; Jackson, MS; and Hattiesburg, MS. Its Southwest Region (Arlington, TX), established a Houston section on Disaster Relief fraud with 2 Special Agents and 1 forensic auditor.

Drawing on its experience from the 9-11 Disaster Relief funding in New York, HUD OIG established a procedure to continually audit the expenditures of HUD grant money to the Gulf States. The Gulf Coast Region has opened 9 hurricane-related audits, completing five of them. HUD's emergency disaster funding was audited (two internal and two external) with a total contract value of \$22.8 million. Of this amount, auditors reported questioned costs of \$96 thousand. Deriving from what was learned in these reviews, auditors are evaluating the control processes for the two largest contractors of the homeowner grant programs for the States of Louisiana and Mississippi.

The HUD OIG Office of Audit continually coordinates with the Office of Investigation on issues directly related to potential fraud. Audit has referred a number of findings on suspected duplicate benefits and ineligible recipients of HUD Katrina Disaster Housing Assistance Program/Disaster Voucher Program (KDHAP/DVP) benefits.

During this fiscal year, the Gulf Coast Region has initiated 178 criminal investigations in Louisiana and Mississippi. Its efforts have resulted in 53 indictments, 75 arrests, and 36 convictions of individuals involved with Disaster Recovery Funds. In addition, these investigations have resulted in more than \$186,000 in recoveries and approximately \$1.75 million in Funds Put to Better Use. The Houston office has initiated ten criminal investigations in Texas. These efforts resulted in 13 indictments, 13 arrests, and 4 convictions. These investigations have resulted in more than \$4,358 in recoveries and \$23,000 in Funds Put to Better Use.

HUD OIG will continue to review HUD's program delivery of Disaster Relief Funds throughout the Gulf Coast area to identify fraud and public corruption. The Gulf Coast Region will also continue its detailed analysis of contractors associated with the Housing Authority of New Orleans. HUD OIG will use this same methodology to develop a contractor database with the Hurricane Katrina Fraud Task Force. This database will be used by all law enforcement personnel to identify problem contractors throughout the Gulf Coast area. The Gulf Coast Region will continue to work closely with its law enforcement partners at both the federal and state levels to identify and prevent fraud, waste, and abuse in Disaster Relief Funds.

The Houston Office has obtained access to the National Insurance Crime Bureau insurance claim database. This will enable the region to provide insurance claim data to the Texas Department of Housing and Community Affairs (TDHCA) for vetting housing assistance applicants for duplication of benefits. The Office will also assist TDHCA and the Council of Governments by developing a list of red flag indicators and a fraud flyer. It will also check contractors with the Hurricane Katrina Fraud Task Force to ensure ineligible contractors are not awarded contracts in Texas.

HUD OIG has also undertaken a number of antifraud measures to deter disaster-related fraud schemes:

- HUD OIG worked closely with the Louisiana Recovery Authority (LRA) Road Home Program in developing anti-fraud measures on HUD Community Development Block Grant homeowners assistance grant funds. These measures included digital thumb printing and photographs of applicants. These anti-fraud measures have been a significant deterrent effect on fraud. The Road Home Program has received in excess of 180,000 applications. Less than one-tenth of one-percent of these applications were referred for investigation.
- HUD OIG worked closely with the U.S. Attorney's Offices in Louisiana and Mississippi, and each states Attorney General's Office, to publicize indictments

for misuse of HUD Disaster Relief Funds. This publicity has been effective in deterring future fraud. For example, the April 2007 press conference in Mississippi held by the U.S. Attorney's Office for the Southern District of Mississippi, in conjunction with HUD OIG, the State Auditors Office, SBA OIG, and the FBI announced the indictment of six individuals for fraudulent applications in the HUD Homeowner Assistance Program. This had an immediate impact as within days numerous applicants contacted the state of Mississippi to either withdraw, or make changes to, their application for HUD Disaster Relief Funds.

- Outreach efforts and Fraud Awareness Briefings were conducted by HUD OIG with the Reznick Group, Mississippi Development Authority's (MDA) contractor for their Homeowners Assistance Program. The Reznick Group employees have made numerous referrals to HUD OIG for investigation. They have also questioned new applicants at their Homeowners Assistance Service Centers, resulting in a number of individuals rescinding their application.

Department of Labor Office of Inspector General (DOL OIG)

The DOL OIG reports that it established a new office in Jackson, Mississippi and has increased staff in Baton Rouge, Louisiana, to help meet the pressing demands of its Katrina cases. In response to the hurricanes, it initiated a two-phased approach to the unprecedented workload brought on by this natural disaster.

Phase I focused on addressing the thousands of possible cases of fraudulent claims for Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) benefits. As part of this effort, as of August 10, 2007, the OIG has opened more than 300 investigations which have resulted in 77 indictments and 43 convictions.

Phase II of the OIG's investigative work commenced in May 2006 and is concentrating on labor racketeering schemes. Many involve non-traditional organized crime groups and loosely-knit criminal enterprises in reconstruction and debris removal. These cases are divided into the following three categories:

- Companies, including labor leasing, that hire undocumented workers to perform debris removal and reconstruction work in the disaster region circumventing DOL's foreign labor certification process.
- Companies, including labor leasing, that hire illegal aliens to perform debris removal and reconstruction work through the filing of false labor certifications under the H-2B visa program.

- Companies awarded Davis-Bacon and Service Contract Act contracts that employ illegal aliens through the schemes described above and fail to pay the prevailing wage, while at the same time submitting false claims to the government.

The OIG also conducted an audit to determine the financial impact of individuals using invalid Social Security numbers to receive Disaster Unemployment Assistance and Unemployment Insurance benefits following Hurricane Katrina. It determined that Louisiana paid approximately \$3.7 million in benefits against questionable Social Security Numbers.

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

Since August 2005, the Department of Justice, Office of the Inspector General (DOJ OIG) opened a total of eight cases concerning hurricane-related benefit fraud. One investigation resulted in the conviction of a Federal Bureau of Prisons Senior Correctional Officer. This officer was convicted by a federal jury of wire fraud, theft of public money, and making false statements in connection with the acquisition of a firearm; sentencing is set for November 19, 2007. In the remaining seven cases, one is under investigation, two were closed without legal proceedings after the subjects made restitution, three were closed because the allegations were not substantiated, and one was declined for prosecution after the employee resigned.

In addition, the DOJ OIG conducted oversight of the Department of Justice's expenditures related to hurricane recovery through three separate audits. In February 2006, the DOJ OIG 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 funding to grantees in Hurricane Katrina affected areas, it had no assurance that funding was going to the areas of greatest need.

A June 2006 audit involved a sole-source contract awarded by the Federal Bureau of Prisons (BOP) 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.

In September 2006, the DOJ OIG completed an audit of the DOJ's purchase card expenditures related to hurricane relief and recovery efforts, examining whether internal controls guard against improper and wasteful purchases. While nearly all of the purchase card transactions reviewed were properly authorized and for valid purposes, the DOJ OIG noted weaknesses in internal controls. The DOJ OIG recommended that the components reduce the ratio of card holders to approving officials and implement purchase card refresher training.

c. Other Agencies and Organizations

● **American Red Cross**

The American Red Cross reports that since the hurricanes of 2005, it continues to vigorously implement and update internal controls that assist in the detection and prevention of fraud, waste, and abuse. Key examples of these controls are as follows:

- The institution of a mandatory background check program for all staff and volunteers to better protect Red Cross assets and the safety of disaster shelter residents.
- The enhancement of the Concerned Connection Line, the 1-800 hotline and the efforts to encourage whistleblowers to bring forward allegations of potential fraud, waste, abuse, and safety concerns.
- The development of a new activity, Response, Investigations, Compliance and Ethics (RICE), to be deployed to all major disaster events. The RICE unit seeks to avoid losses due to fraud, waste, and abuse through the implementation of fraud prevention controls, proactive fraud detection, monitoring internal controls across the duration of a relief operation, and the recovery of misappropriated funds and goods.
- To date, the Office of Investigations, Compliance and Ethics has referred 3,185 allegations of alleged fraud to law enforcement. These allegations center on approximately \$12 million in Red Cross financial assistance that was provided to hurricane victims. During the two-year period since Hurricanes Katrina, Rita, and Wilma, the fraud allegations reviewed constitute less than one-half of one percent of the donations received for dissemination to hurricane victims. To date, more than 9,300 allegations have been resolved.
- As of August 17, 2007, the American Red Cross had received \$2,519,640 in returned funds.

To Report 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/>

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