



Hurricane Katrina Fraud Task Force

A Progress Report to the Attorney General

February 2006

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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 report on the progress of the Hurricane Katrina Fraud Task Force. We have strived to meet the mission and achieve the results you set out when creating the Task Force in the wake of the devastation caused by Hurricanes Katrina, and later Rita and Wilma. The work of the Task Force is continuing at a brisk and aggressive pace.

Since the establishment of the Task Force in September 2005, 23 United States Attorneys across the country have charged 212 people with various hurricane fraud-related crimes, including charity fraud, benefit fraud and political corruption, and have obtained 40 guilty pleas to date.

The zero-tolerance policy you set forth in establishing the Task Force has been responsible for a great number of those prosecutions, and has resulted in a significant deterrent effect. Those who seek to profit from the misfortunes of others are seeing that their conduct can result in swift prosecution and punishment. The Task Force, under your leadership, is doing everything in its power to ensure that disaster resources will flow only to those who are entitled to receive them. The Task Force has already seen evidence that benefits being received – money to which some individuals may not be legally entitled – are being returned to organizations such as the Federal Emergency Management Agency (FEMA) and the American Red Cross.

The establishment of the Task Force has led to exemplary interagency cooperation. The Department of Justice, investigative agencies, and Inspectors General are coordinating and cooperating in a wide range of operational and investigative matters. Together, we are tracking the disbursement of disaster-related funds in the affected areas, and working to identify significant fraud schemes as quickly as possible and to pursue these cases efficiently. The potential for fraud is ripe, with FEMA estimating that more than 2.5 million people have applied for Hurricane Katrina or Rita benefits, so it is essential that we continue our efforts of cooperation, coordination and aggressive investigation.

The cooperation by the government across the board is most evident at the Task Force's Joint Command Center in Baton Rouge, Louisiana. The Command Center is now fully operational due to the tireless efforts of United States Attorney David R. Dugas, the Command Center's Executive Director, and the FBI. The FBI, in particular, has devoted substantial resources, personnel and logistical support to establish and operate the Command Center. Many

other investigative agencies and United States Attorneys' Offices are now making use of the Command Center's growing capabilities. We have established standard hotline complaint forms for the more than 4,000 complaints received, and created training programs on fraud-related issues for agents and prosecutors. We have developed an innovative database and procedures for deconfliction and referral of cases. I have personally visited the Command Center twice, and I have been highly impressed by the professionalism and the commitment of the agents and prosecutors I have met there. I deeply appreciate the dedication of federal investigative agencies, federal Inspectors General, and state and local law enforcement to the investigations they are pursuing.

It is my privilege to work with so many dedicated and resourceful law enforcement representatives, at all levels of government, in this important endeavor. We will continue to carry out the vital mission with which you have entrusted us, and will strive to sustain the level of accomplishment that all of our law enforcement partners have made possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Horowitz".

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.

TASK FORCE BACKGROUND AND MISSION STATEMENT



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

Attorney General Alberto R. Gonzales

On September 8, 2005, in the immediate aftermath of Hurricane Katrina, United States Attorney General Alberto R. Gonzales established the Hurricane Katrina Fraud Task Force. The Task Force is charged with deterring, detecting, and prosecuting unscrupulous individuals who try to take advantage of the Hurricane Katrina and Hurricane Rita disasters. The overall goal is to stop people who seek to illegally take for themselves the money that is intended for the victims of the hurricanes and the rebuilding of the Gulf Coast region.

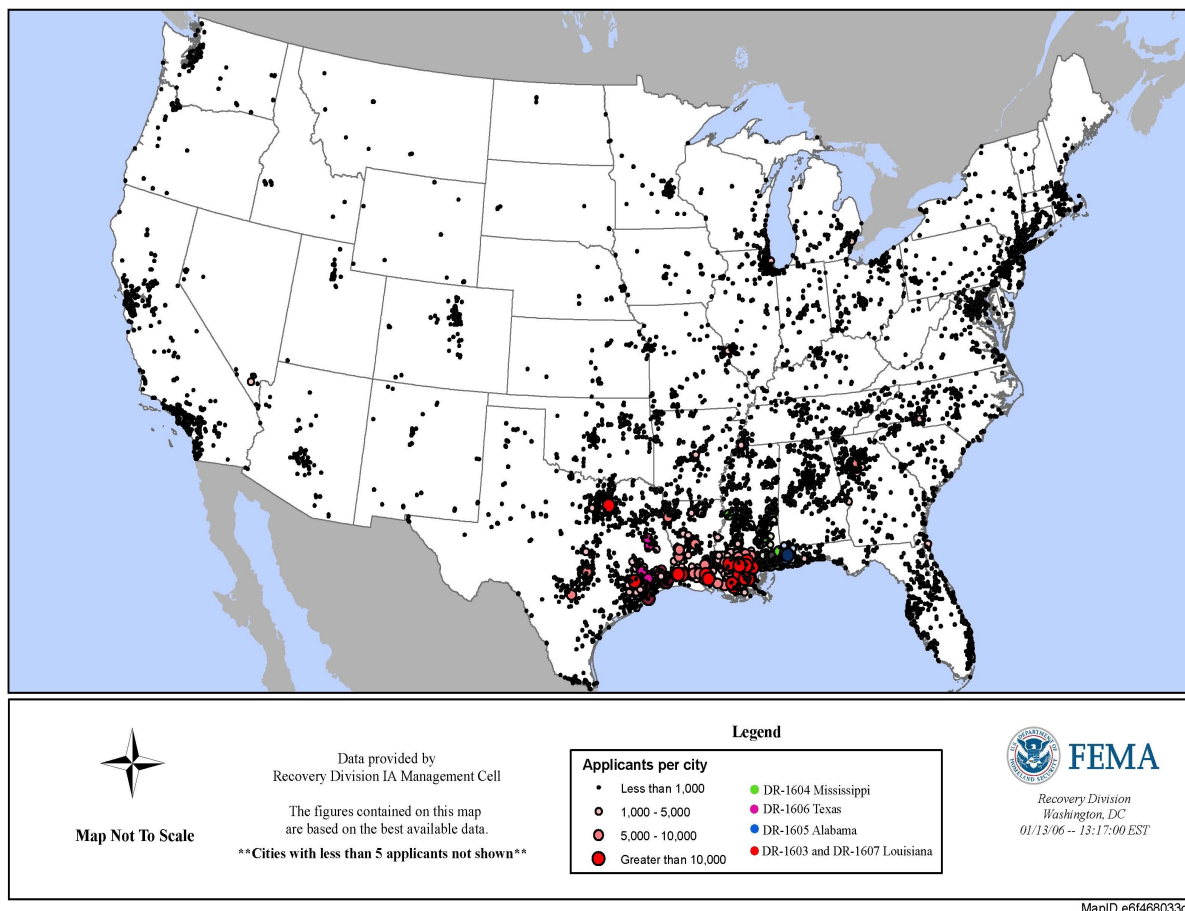
The Task Force has mobilized to send a strong message of deterrence by bringing prosecutions as quickly as possible. The Task Force tracks referrals of potential cases and complaints, coordinates with law enforcement agencies to initiate investigations, and works with the appropriate United States Attorneys' Offices to ensure timely and effective prosecution of Hurricane Katrina- and Rita-related fraud cases. By casting a broad net and using the investigative assets of federal law enforcement agencies, federal Inspectors General, and state and local law enforcement – together with the prosecution resources of the 93 United States Attorneys' Offices – the Task Force is positioned to act quickly and aggressively to bring to justice those who would further victimize the victims of these natural disasters.

Since Hurricane Katrina made landfall last August 29, it has become clear that vast numbers of people have needed help from government and private-sector entities. Throughout the Gulf Coast region hundreds of thousands of people have been displaced, hundreds of thousands of homes have been destroyed or damaged, and residents have suffered tens of billions of dollars in losses because of storm damage.¹ As of January 4, 2006, FEMA had received more

¹ See John LaPlante, *Numbers show magnitude of problem*, Baton Rouge Advocate, January 15, 2006, available at <http://www.2theadvocate.com/opinion/2202407.html> and FEMA, Press Release, January 11, 2006, available at <http://www.fema.gov/news/newsrelease.fema?id=22403>.

Figure 1

Locations of Katrina/Rita Applicants from Louisiana, Mississippi, Alabama, and Texas as of 01/12/06



[Source: FEMA]

than 2.5 million applications for disaster assistance relating to Hurricanes Katrina and Rita.² (See Figure 1 above.)

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

² See FEMA, Press Release, January 4, 2006, available at <http://www.fema.gov/news/newsrelease.fema?id=22199>.

fraudulent payments to purported hurricane victims. In addition, the Task Force is already seeing clearcut 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 and Rita to rebuild their lives and their communities.³ The Task Force will adapt to combat whatever fraudulent schemes criminals may create to exploit the hurricanes' effects on the Gulf Coast region. The principal types of fraud on which the Task Force is now concentrating include:

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

The Task Force has ongoing investigations 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 think twice about engaging in this type of criminal activity.

³ The Task Force does not generally have jurisdiction to address price-gouging, since there is no general federal statute that makes price-gouging a federal criminal violation. Of course, where the price-gouging also evidences price-fixing or has an element of fraud, federal jurisdiction may exist for the Department to pursue such a case. A number of state statutes address price-gouging, and some states have been actively enforcing those statutes in the wake of apparent price-gouging related to the Katrina relief effort.

ACCOMPLISHMENTS OF THE TASK FORCE

SUMMARY OF ACCOMPLISHMENTS

A. Prosecution and Enforcement

Since the first progress report in October 2005, the Task Force has made significant strides in achieving full-scale regional and nationwide coordination among law enforcement agencies pursuing fraud investigations, and in increasing the number of Hurricane Katrina- and Rita-related prosecutions. United States Attorneys in 23 districts have now charged 212 individuals in schemes involving fraud, identity theft, theft of federal funds, and public corruption.

While the FBI and the Department of Homeland Security Office of Inspector General (DHS-OIG) have taken the lead in many of the Task Force's current investigations, a wide array of investigative agencies and Inspectors General has also been conducting disaster-related investigations, and a substantial number of these are joint investigations by two or more agencies. In addition, federal investigative agencies and private-sector entities cooperated closely in identifying and shutting down websites that appeared to be engaging in fraudulent solicitations of charitable donations for hurricane victims. The FBI Cyber Division reports that as a result of agent interviews and FBI coordination with private-sector entities, 44 questionable websites have been shut down. The Secret Service reports that it has shut down 16 "phishing" websites (i.e., websites that purport to be operated by legitimate corporate or nonprofit entities, but which are created to harvest personal data from individuals for identity theft and fraud).

B. Deterrence and Returned Funds

The Task Force's prosecutions, coupled with the intensive public-education campaigns that Task Force members conducted in the first six weeks after the Task Force was established, appear to be having a noticeable effect in deterring criminal conduct. According to FEMA and the American Red Cross, a total of \$8,016,417.62 in disaster-assistance funds has been voluntarily returned to those organizations. While some individuals may have returned some of these funds because they concluded the funds had been provided by mistake, there are indications that other individuals have returned funds because they believed they were not entitled to the funds under any circumstances and wanted to avoid possible prosecution. These indications include letters confessing the fraud, anonymous returns of checks and money orders, and contacts by persons who wanted to arrange time-payment plans to pay back the money they had taken.

C. Increased Coordination

Investigative agencies and federal Inspectors General have expanded their cooperation and coordination on hurricane-related investigations. Beginning with the Task Force Conference

in New Orleans on October 20, 2005, the Task Force has made great strides toward full and effective coordination among federal, state, and local law enforcement agencies and United States Attorneys' Offices.

A vital component of coordination is the Task Force's Joint Command Center, which is now in full operation in Baton Rouge, Louisiana. The Command Center, to which the FBI has provided personnel and logistical support, promises to be a major source of support for hurricane-related investigative efforts throughout the country. Already, the Department 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.

D. Training and Proactive Detection

The New Orleans Conference served not only to forge closer working ties among law enforcement agencies throughout the Gulf Coast region, but to initiate the Task Force's efforts to provide agents and prosecutors with training on fraud-related and public corruption-related issues. The Command Center has since hosted training of Inspector General auditors by Department of Justice prosecutors, and is planning more extensive training for Gulf Coast-based Assistant United States Attorneys and other agencies at the Command Center. The Department of Justice also has taken the lead in coordinating and expediting proactive responses by various agencies to potential disaster-related fraud. The Command Center is also playing a significant role in proactively identifying patterns of potentially fraudulent activity in applications for disaster-related benefits.

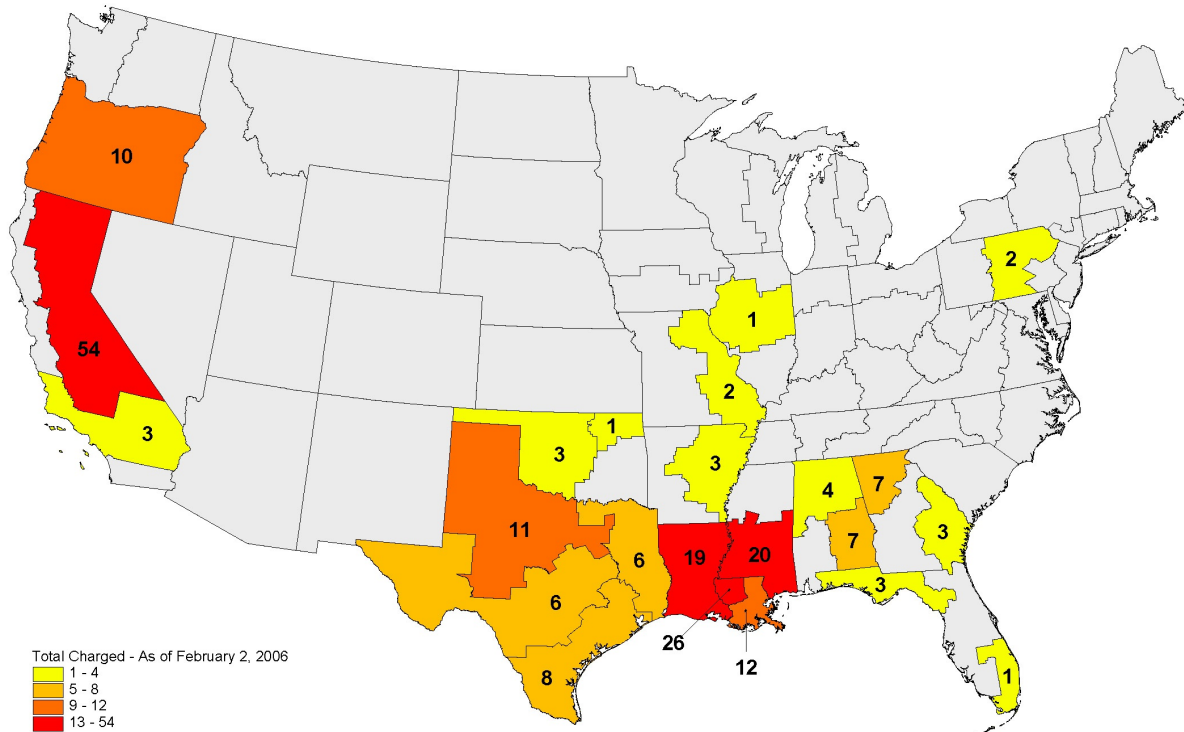
E. Public Education and Prevention

Since October 2005, various agencies – including the Department of Justice, the Federal Trade Commission (FTC), the Postal Inspection Service, and FEMA – have continued to provide members of the public with information about hurricane-related crimes and prevention issues. The techniques being used include websites, public-service advertisements, distributions of publications and flyers, and press releases.

PROSECUTION AND ENFORCEMENT

Since the first progress report in October 2005, the Task Force has continued to carry out the strategy of zero tolerance for hurricane-related fraud. Task Force members have recognized the value of pursuing swift and visible prosecutions to effect maximum deterrence and prevent future violations. Accordingly, investigative agencies and United States Attorneys across the country have worked together in close collaboration to make the zero-tolerance policy a top priority.

Figure 2: Federal Criminal Prosecutions, September 1, 2005 - February 2, 2006



Note: Totals represent 212 persons charged in 23 districts. [Source: U.S. Department of Justice]

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 last progress report, the Task Force had charged 36 people in 17 separate cases with hurricane-related fraud. As of February 2, 2006, 212 people have been charged in 173 separate cases with hurricane-related fraud. (See Figure 2 above.) To date, 40 of these defendants have pleaded guilty to one or more charges. These prosecutions span 23 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.

From the criminal investigations and prosecutions that the Task Force has already initiated, federal law enforcement has seen several patterns of criminal behavior in disaster-related benefit fraud schemes. These include:

- Persons living outside the disaster areas – often two or three states away – who falsely claimed to have primary residences within the disaster areas;

- Persons using Social Security numbers other than their own on multiple applications;
- Prison and jail inmates, incarcerated at facilities outside the disaster areas, who falsely claimed their primary residences in the disaster areas had been damaged; and
- Persons misrepresenting themselves to be agents of bona fide charitable organizations.

The majority of hurricane-related prosecutions brought since October 17, 2005 involve fraud to obtain emergency benefits from FEMA and the American Red Cross. The sample list of cases reflects a broad range of cases ranging from benefit fraud to identity theft to corruption. We have selected samples from a variety of United States Attorneys' Offices to provide a flavor of the fraudulent schemes.

Alabama - Middle District (United States Attorney Leura Garrett Canary) [7 Persons Charged]

- On November 15, 2005, a federal grand jury in the Middle District of Alabama indicted four individuals residing in Montgomery, Alabama, alleging they fraudulently sought disaster-assistance benefits from FEMA. The defendants allegedly included in their FEMA applications false claims that they had suffered damage to their primary residence in Harvey, Louisiana. The DHS-OIG, with assistance from the Montgomery Police Department, investigated the case.⁴
- On January 20, 2006, a federal grand jury in the Middle District of Alabama indicted three individuals residing in Montgomery, Alabama, alleging they fraudulently sought disaster-assistance benefits from FEMA. The defendants allegedly included in their FEMA applications false claims that they had suffered damage to their primary residence in Louisiana. The DHS-OIG, with assistance from the Montgomery Police Department, investigated the case.⁵

Alabama - Northern District (United States Attorney Alice H. Martin) [4 Persons Charged]

- On November 30, 2005, a federal grand jury in the Northern District of Alabama indicted four individuals on charges relating to filing false claims with FEMA. Two women claimed to have suffered disaster-related damage to their home in Slidell, Louisiana when in fact they were residents of Alabama. A third defendant reportedly was assisted by private citizens, church volunteers, and the American Red Cross while posing as a hurricane evacuee. The DHS-OIG – in cooperation with the FBI, the Alabama Attorney

⁴ See United States Attorney's Office, Press Release, November 15, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/11-15-05USAOMDAL.pdf.

⁵ See United States Attorney's Office, Middle District of Alabama, Press Release, February 6, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/2-6-06USAOMDAL.pdf.

General's Office, the Tuscaloosa County Sheriff's Office, and the Jasper, Northport, and Attalla Police Departments -- investigated the cases.⁶ On January 24, 2006, one of the individuals pleaded guilty to the charges in her indictment.

California - Eastern District (United States Attorney McGregor W. Scott) [54 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, 53 persons have been federally charged in this investigation. According to the indictment, 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.⁷ In a separate case, one 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.

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

- On January 30, 2006, a defendant pleaded guilty in the United States District Court for the Southern District of Florida to wire fraud in connection with his fraudulent solicitation of charitable donations supposedly intended for Hurricane Katrina relief. 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

⁶ See United States Attorney's Office, Norther District of Alabama, Press Release, November 30, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/11-30-05USAOUAOMDAL.pdf.

⁷ See, e.g., United States Attorney's Office, Eastern District of California, Press Releases, October 27, 2005, and February 2, 2006, *available at* http://www.usdoj.gov/usao/cae/PRESS/pdf_2005/10-27-05katrinarelease.pdf and http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/2-2-06USAOEDCA.pdf.

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.⁸

Georgia - Northern District (United States Attorney David Nahmias) [7 Persons Charged]

- On December 6, 2005, a federal grand jury in the Northern District of Georgia returned separate indictments against five individuals for mail fraud, making false statements to FEMA in order to obtain Hurricane Katrina victim assistance, and stealing FEMA funds. The DHS-OIG, the Postal Inspection Service, and the FBI investigated the cases.⁹

Georgia - Southern District (United States Attorney Lisa Godbey Wood) [3 Persons Charged]

- On November 3, 2005, a federal grand jury in the Southern District of Georgia indicted three individuals for falsely and fraudulently representing themselves to be agents of the American Red Cross for the purpose of soliciting and receiving money from persons in the Dublin, Georgia area, purportedly to aid victims of Hurricane Katrina. The three defendants were also charged in a related gambling operation involving the solicitation of persons to buy tickets in an illegal lottery or raffle that was supposedly sponsored by the American Red Cross. The FBI investigated the case.¹⁰

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

- On December 16, 2005, a federal grand jury for the Eastern District of Louisiana returned an indictment charging a St. Tammany Parish Councilman with extortion under the Hobbs Act and with money laundering. The indictment alleges that the defendant used his official position as a councilman to obtain inside information about a debris removal contract resulting from Hurricane Katrina, and to influence a prime contractor in St. Tammany Parish to enter into a contract with another company. It further alleges that the defendant pressured the owners of the second company to pay him 50 percent of the funds that the company received from the prime contractor. The FBI, the Internal

⁸ See United States Attorney's Office, Southern District of Florida, Press Release, January 30, 2006, *available at* <http://www.usdoj.gov/usao/fls/060130-01.html>.

⁹ See United States Attorney's Office, Northern District of Georgia, Press Release, December 13, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/12-13-05USAONDGA.pdf.

¹⁰ See United States Attorney's Office, Southern District of Georgia, Press Release, November 3, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/threeIndicted_KatrinaScam110305.pdf.

Revenue Service Criminal Investigation (IRS-CI), and the DHS-OIG investigated the case.¹¹

- On February 3, 2006, a federal grand jury for the Eastern District of Louisiana indicted two FEMA officials working in New Orleans for soliciting bribes as public officials. According to the criminal complaint by which they were first charged on January 27, 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 the meal service count numbers. Federal agents arrested both immediately thereafter on the scene. The FBI and the DHS-OIG investigated the case.¹²

Louisiana - Middle District (United States Attorney David Dugas) [26 Persons Charged]

- On January 20, 2006, a federal grand jury in the Middle District of Louisiana returned a 16-count indictment against a resident of Villa Rica, Georgia, charging him with fraudulently obtaining 51 disaster unemployment compensation debit cards from the

¹¹ See United States Attorney’s Office, Eastern District of Louisiana, Press Release, Dec. 16, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/12-16-05-USAOEDLA.pdf.

¹² See United States Attorney’s Office, Eastern District of Louisiana, Press Release, January 27, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/1-27-06USAOEDLA.pdf.

Louisiana Department of Labor (LDOL). Also on January 20, 2006, a grand jury returned indictments against four individuals residing in Baton Rouge for fraudulently applying for FEMA disaster benefits. The United States Secret Service, the DHS-OIG, the Social Security Administration - Office of Inspector General (SSA-OIG), the FBI, and the East Baton Rouge Parish Sheriff's Office investigated the cases.¹³

Louisiana - Western District (United States Attorney Donald W. Washington) [19 Persons Charged]

- On October 27, 2005, a federal grand jury in the Western District of Louisiana indicted two individuals, incarcerated at the Avoyelles Women's Correctional Facility in Cottonport, Louisiana, for claiming to be hurricane victims in order to fraudulently obtain FEMA relief funds. The DHS-OIG, the Postal Inspection Service, and the FBI investigated the cases.¹⁴

Mississippi - Southern District (United States Attorney Dunn Lampton) [20 Persons Charged]

- On December 6, 2005, the United States Attorney's Office for the Southern District of Mississippi filed a criminal complaint charging a subcontractor with paying an Army Corps of Engineers employee multiple bribes to create false load tickets for debris that the subcontractor never dumped at a dumpsite in Perry County, Mississippi. The FBI, the Department of Defense - Defense Criminal Investigative Service (DOD-DCIS), and the United States Army Criminal Investigation Division investigated the case.¹⁵

Oklahoma - Western District (United States Attorney John C. Richter) [3 Persons Charged]

- On October 27, 2005, two individuals were arrested, based on a criminal complaint in the Western District of Oklahoma, for filing a false claim for hurricane disaster assistance. According to the complaint, both individuals, in separate applications to FEMA, falsely claimed that their primary residences in Metairie, Louisiana had been destroyed. In fact,

¹³ See United States Attorney's Office, Middle District of Louisiana, Press Release, January 20, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/KatrinaPR_FEMA_chrgs102006.pdf.

¹⁴ See United States Attorney's Office, Western District of Louisiana, Press Release, October 27, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/10-27-05USAOWDLA.pdf.

¹⁵ See United States Attorney's Office, Southern District of Mississippi, Press Release, Dec. 6, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/12-06-2005-USAOMS.pdf.

both defendants resided in Lawton, Oklahoma. The Oklahoma Economic Crime and Identity Theft Task Force and the DHS-OIG investigated the case.¹⁶

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

- On January 25, 2006, a federal grand jury in the District of Oregon returned separate indictments against nine individuals on charges relating to fraudulent applications for FEMA disaster-relief funds. The Postal Inspection Service, the FBI, and the DHS-OIG investigated the cases.¹⁷

Texas - Eastern District (United States Attorney Matthew D. Orwig) [6 Persons Charged]

- On January 12, 2006, a federal grand jury in the Eastern District of Texas indicted two individuals on charges relating to filing false claims with FEMA. The DHS-OIG investigated the case.¹⁸ On January 18, 2006, a federal grand jury in the Eastern District of Texas returned indictments against two individuals on charges relating to filing false claims with FEMA. The DHS-OIG investigated one case, and the DHS-OIG with the assistance of the Bureau of Immigration and Customs Enforcement investigated the other case.¹⁹

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

- On January 11, 2006, a federal grand jury in the Northern District of Texas indicted three Dallas-area residents and two Meyersville, Mississippi, residents, with various offenses related to their role in a FEMA fraud scheme. According to the indictment, the defendants – who include a 35-year-old Dallas resident as the lead defendant and her 61-year-old mother – made numerous fraudulent claims for hurricane disaster relief by filing them over the telephone and online with FEMA and the LDOL. The lead defendant reportedly submitted more than 50 fraudulent online applications to FEMA and the

¹⁶ See United States Attorney's Office, Western District of Oklahoma, Press Release, October 27, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/KatrinaPR10-27-05.pdf

¹⁷ See United States Attorney's Office, District of Oregon, Press Releases, January 26 and 27, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/1-26-06USAOOR.pdf and http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/1-27-06USAOOR.htm.

¹⁸ See United States Attorney's Office, Eastern District of Texas, Press Release, January 12, 2006, *available at* http://www.usdoj.gov/usao/txe/news/newton_blake.pdf.

¹⁹ See United States Attorney's Office, Eastern District of Texas, Press Release, January 18, 2006, *available at* http://www.usdoj.gov/usao/txe/news/harris_henderson.pdf.

LDOL, and filed most of the fraudulent claims on behalf of family members who lived in two areas not affected by Hurricane Katrina. They allegedly provided FEMA and LDOL with current mailing addresses they controlled, caused the disbursement of disaster assistance funds and disaster unemployment assistance funds to them via debit cards, checks and/or electronic transfers, and used the funds for their own personal use. The lead defendant allegedly received approximately \$65,000 in fraudulently obtained Hurricane Katrina disaster benefits and there is no evidence to indicate that she ever lived in New Orleans. The Department of Labor Office of Inspector General (DOL-OIG), the Postal Inspection Service, the DHS-OIG, and the LDOL investigated the case.²⁰

- On December 21, 2005, a federal grand jury in the Northern District of Texas indicted an individual for conspiring to defraud the United States. The defendant allegedly obtained and aided one or more individuals to obtain disaster relief funds from FEMA by submitting false claims representing that their primary residences, located in hurricane-damaged areas, suffered property damage as a result of the hurricanes. The defendant also allegedly used the addresses of multiple UPS stores in Texas to receive and forward mail from FEMA, and hired a man at a homeless shelter in Dallas to stay at a hotel to which the defendant had mail forwarded from UPS stores or other commercial-mail receiving agencies and inform him about mail that was delivered to the hired man at the hotel. The Postal Inspection Service and the DHS-OIG investigated the case.²¹

Texas - Southern District (United States Attorney Chuck Rosenberg) [8 Persons Charged]

- On January 18, 2006, a federal grand jury in the Southern District of Texas indicted an individual on charges of filing a false claim with FEMA for disaster assistance and for mail fraud. The individual was arrested on January 24, 2006. The DHS-OIG investigated the case.²²
- On January 20, 2006, the United States Attorney's Office filed a criminal complaint charging an individual with mail fraud in connection with his obtaining a Louisiana Department of Labor Disaster Unemployment Assistance (DUA) debit card in the name of another individual who was not a hurricane evacuee. The individual allegedly

²⁰ See United States Attorney's Office, Northern District of Texas, Press Release, January 17, 2006, *available at* http://www.usdoj.gov/usao/txn/PressRel06/hall_lakietha_etal_katrinafraud_indict_pr.html.

²¹ See United States Attorney's Office, Northern District of Texas, Press Release, December 21, 2005, *available at* http://www.usdoj.gov/usao/txn/PressRel05/mcclain_fema_indict_pr.html.

²² See United States Attorney's Office, Southern District of Texas, Press Release, January 25, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/1-26-06USAOSD_2.pdf.

evacuated from Louisiana to the Conroe, Texas area and obtained a DUA card in his own name. Thereafter, he allegedly conducted a scheme in which he paid certain Conroe-area residents in cash or in drugs to obtain their identification information, which he then used to file for DUA benefits in their names listing a false prior place of employment in Louisiana. The defendant was also allegedly involved in assisting others in fraudulently obtaining DUA debit cards, resulting in his involvement in fraud totaling hundreds of thousands of dollars during the course of the scheme. The DOL-OIG with the DHS-OIG investigated the case.²³

Texas - Western District (United States Attorney Johnny Sutton) [6 Persons Charged]

- On November 16, 2005, a federal grand jury in the Western District of Texas indicted an individual for false representation of a Social Security number. The defendant, who was arrested on December 21, 2005, allegedly falsely used a number, which he alleged to be his Social Security number, for the purpose of obtaining Hurricane Katrina related emergency assistance from the American Red Cross, for which he was not eligible. The SSA-OIG, with the Midland Police Department, investigated the case.²⁴

Other United States Attorneys' Offices that have brought hurricane-related criminal prosecutions include the Eastern District of Arkansas (3 persons charged); the Central District of California (3 persons charged); the Northern District of Florida (3 persons charged); the Central District of Illinois (1 person charged); the Eastern District of Missouri (2 persons charged); the Northern District of Oklahoma (1 person charged); and the Middle District of Pennsylvania (2 persons charged).

Two aspects of these cases are worth noting. First, many of these cases are the direct result of interagency working groups that have been established in the judicial districts directly affected by the storms. These working groups are located in Baton Rouge (Middle District of Louisiana), Covington (Eastern District of Louisiana), Jackson (Southern District of Mississippi), Lafayette and Shreveport (Western District of Louisiana), and Mobile (Southern District of Alabama). The working groups provide day-to-day coordination of investigative activities by the line agents who are working on the cases. This coordination is critically important, because the working groups provide the means for teaming the agents and prosecutors who live in and are most familiar with the region with agents and inspectors from around the country who have been sent to augment the investigative resources in the most heavily affected regions. The working groups also directly facilitate the multi-agency investigations that the

²³ See United States Attorney's Office, Southern District of Texas, Press Release, January 26, 2006, *available at* <http://www.usdoj.gov/usao/txs/releases/January2006/060126-Good.pdf>.

²⁴ See United States Attorney's Office, Press Release, December 21, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/12-21-05USAOWDTX.pdf.

Task Force is coordinating.

Second, much of the Task Force's work is being performed by United States Attorneys' Offices and agency field offices that were themselves victims of the hurricanes' devastation. Many of the prosecutors and agents in the affected areas were displaced from their homes and offices, but have continued to carry out their duties despite suffering significant personal losses. For example, the United States Attorney for the Eastern District of Louisiana and his staff only returned to their office in New Orleans a few weeks ago, and the FBI field office in New Orleans is still out of commission. Both agencies have been working from temporary office space, and many of their people have not yet been able to return to their homes. In addition, the Internal Revenue Service (IRS), the Postal Inspection Service, the Secret Service, the DOL-OIG, the Housing and Urban Development Office of Inspector General (HUD-OIG), and the Social Security Administration (SSA) had offices and people in New Orleans that were affected by the storms.

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 has arrested nine individuals on various charges concerning hurricane-related insurance fraud, and has 54 other cases under investigation. The LSP Insurance Fraud Unit reports that the fraud-related activities of the individuals arrested included the following:
 - An out-of-state contractor purported to remove mold contamination but had his cleaning crews begin work without finishing it or performed the work poorly, then submitted bills three to four times higher than normal for such work.
 - ▶ When some homeowners challenged the bills, the contractor allegedly threatened to place liens on their property and turn them over to collection agencies to ruin their credit if they failed to pay within a short time frame. Witnesses also said that in some instances, they were threatened with losing their houses completely.
 - ▶ In one case where a family arranged with the contractor to remove a tree from their house, a family member agreed to pay the contractor \$1,000 by credit card over the phone from his temporary housing in Shreveport, but declined any further work. The family allegedly later learned that the contractor forced entry into their home without their consent and gutted the home's interior, which was not flooded, removed interior wallboard and belongings, and later demanded payment from them for this service. When they refused to pay, he reportedly took the money from their credit card account.
 - In two separate cases, an individual allegedly claimed that Hurricane Katrina had damaged his residence, but subsequent investigation found that the individual had

claimed the same damage on at least two prior occasions and had received payment in each instance.

- An individual initiated an insurance claim by reporting that her vehicle was stolen from a New Orleans housing project after she evacuated the area due to Hurricane Katrina. Investigation disclosed that the individual was still in possession of the vehicle when it was recovered in an apartment complex in Texas, where she was residing.

In addition, the Insurance Fraud Unit reports that, working in conjunction with the National Insurance Crime Bureau, it has indexed 246,712 vehicle identification numbers on vehicles damaged by Hurricanes Katrina and Rita in Louisiana. During this indexing initiative, the LSP recovered 84 stolen vehicles from the New Orleans metro area. The stolen vehicles were turned over to the New Orleans Police Department for storage. To date, the Unit reports that there have been no significant investigations as a result of the fraudulent sale of flood vehicles. The LSP is working with the Louisiana Office of Motor Vehicles to place registration stop flags on all flood vehicles considered missing. This will prevent any title activity without LSP Insurance Fraud Unit approval.

- Louisiana Attorney General Charles C. Foti, Jr., announced the arrests of a Louisiana police chief and police officer. Both were charged with two counts of looting, two counts of felony theft, and malfeasance in office. They were booked into Acadia Parish Jail as fugitives, subsequently transported to New Orleans, and booked for the above charges.

In addition, state Attorneys General continue to pursue civil actions in hurricane-related matters involving alleged consumer deception and price-gouging. As reported to the Task Force, Alabama Attorney General Troy King, Florida Attorney General Charlie Crist, Louisiana Attorney General Charles C. Foti, Jr., New York Attorney General Eliot Spitzer, Texas Attorney General Greg Abbott, and former Virginia Attorney General Judith Williams Jagdmann, among others, have brought civil enforcement actions for activity ranging from alleged gasoline and hotel price gouging to home improvement fraud and other schemes to defraud. United States Attorney's Offices are coordinating with state Attorneys General and other state and local law enforcement as appropriate.²⁵

Deterrence and Returned Funds

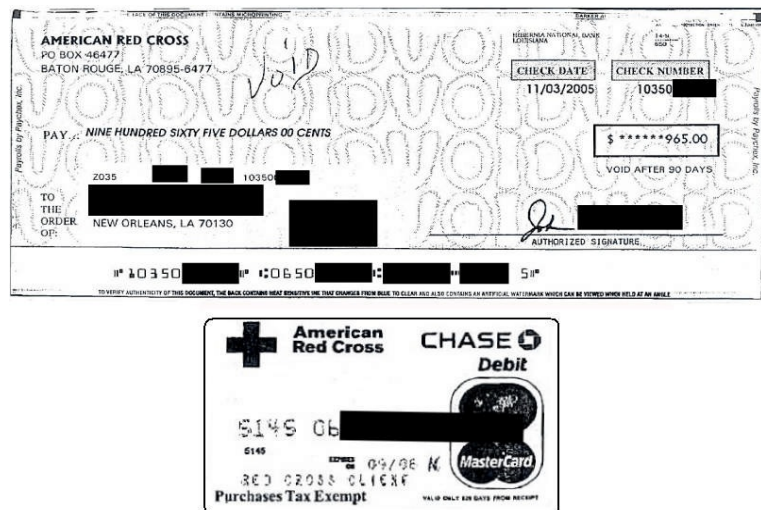
It is worth noting that, according to FEMA and the American Red Cross, a total of

²⁵ The subject of gasoline price-gouging remains a focus of interest for state Attorneys General. In November 2005, Arizona Attorney General Terry Goddard, New Jersey Attorney General Peter Harvey, and South Carolina Attorney General Henry McMaster testified on the issue before a joint hearing by the United States Senate Committee on Commerce, Science, and Transportation, and the United States Senate Committee on Energy and Natural Resources.

\$8,016,417.62 in disaster-assistance funds has been voluntarily returned to those organizations. (See Figure 3 at right for examples of payments returned to the American Red Cross.) As of January 24, 2006, FEMA had \$6,126,433.42 in disaster-assistance checks and money orders returned to it. As of the end of December, 2005, the American Red Cross had received \$1,889,984.20 in returned disaster-assistance funds, including 2,358 checks, 96 client-assistance cards, and 24 debit cards.

In some cases, individuals may have returned some of these funds because they concluded the funds had been provided by mistake. In other cases, however, there are indications that individuals have returned funds because they believed they were not entitled to the funds under any circumstances and wanted to avoid possible prosecution. These indications include letters confessing the fraud, anonymous returns of checks and money orders, and contacts by persons who wanted to arrange time-payment plans to pay back the money they had taken.

Figure 3 - Examples of Check and Debit Card Returned to American Red Cross



Increased Coordination

A. The New Orleans Conference

From the outset, the Task Force recognized the importance of ensuring full and effective coordination among law enforcement agencies at the national, regional, and local levels of government. To expedite this process, the Task Force organized and conducted a training and information-sharing conference in New Orleans, Louisiana, on October 20, 2005. This conference brought together more than 100 senior-level and working-level representatives of federal and state law enforcement, including United States Attorneys, the FBI, the Secret Service, the Postal Inspection Service, numerous federal Inspectors General, and the Louisiana State Police. (See Figure 4 below.)

Figure 4 - New Orleans Conference, October 20, 2005



"Fraud will not go unpunished. Every dollar that is directed for Hurricane relief should be used in affected communities, not to pad the bank accounts of fraudsters and criminals."

Attorney General Alberto R. Gonzales, speech at Hurricane Katrina Fraud Task Force Conference, New Orleans, Louisiana, October 20, 2005.

This conference included remarks by Attorney General Alberto R. Gonzales, FBI Assistant Director Chris Swecker, Department of Homeland Security Inspector General Richard Skinner, and Louisiana Attorney General Charles C. Foti, Jr. It also featured panel discussions, working groups, and practical guidance on investigating and prosecuting Katrina- and Rita-related fraud cases. (See Figure 5 below.)

Figure 5 - Interagency Cooperation at New Orleans Conference



"We have a responsibility to ensure that government relief efforts are not undermined by unscrupulous individuals. It is very unfortunate that natural disasters, such as Hurricane Katrina, while bringing out the best in most people also draw out criminal elements who would take advantage of the federal government's relief efforts."

Assistant Director Chris Swecker, FBI Criminal Investigative Division, September 15, 2005 statement.

Assistant Director Swecker (at right) speaks at the New Orleans Conference (Louisiana Attorney General Charles C. Foti, Jr. and Attorney General Alberto R. Gonzales at left).

Participants in the conference found it highly effective in identifying key issues and concerns in hurricane-related investigations, facilitating networking and cooperation among agency representatives, and underscoring the importance of rapid coordination and response by law enforcement to the growth of fraud and corruption.

B. 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 and Rita. The Joint Command Center operations over the past three months have steadily grown in scope and complexity, as federal law enforcement agencies and Inspectors General have dedicated investigative and analytical resources to the mission of the Task Force. In this regard, the FBI deserves particular mention for its consistent provision of personnel and logistical support to the Command Center.

The following 32 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
- FBI
- Department of Homeland Security Office of Inspector General (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
- 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 (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
- United States Attorney's Office for the Southern District of Alabama

Significant Joint Command Center operational developments over the past three months include:

- The appointment of United States Attorney David R. Dugas to serve as the Executive Director of the Joint Command Center. Mr. Dugas currently serves as the United States Attorney for the Middle District of Louisiana and has assumed responsibility for the day-to-day coordination of the Joint Command Center activities. (See Figure 6 below.)
- The establishment of a Hurricane Katrina Fraud Task Force (HKFTF) Special Interest Group (SIG) on the Law Enforcement Online (LEO) website. The HKFTF 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 HKFTF SIG currently has 127 participating members from 23 federal agencies and Inspectors General offices.

Figure 6 - Hurricane Katrina Fraud Task Force Command Center



"It's easier to work together when everyone is under one roof. With this Joint Command Center, Task Force representatives from federal law enforcement, the federal community of Inspectors General, and United States Attorneys Offices can better pool their resources to ensure a coordinated attack on procurement fraud and public corruption."

Attorney General Alberto R. Gonzales, speech at Hurricane Katrina Fraud Task Force Conference, New Orleans, Louisiana, October 20, 2005.

United States Attorney David R. Dugas (at right), Executive Director of the Command Center, leads a discussion at a Command Center meeting.

- The development of a standard Task Force Complaint Referral Form that 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.
- The deployment of an interagency complaint index 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.
- The development, in conjunction with Department of Justice technical personnel, of an innovative Referral and Deconfliction Database (RADD) that will allow 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.
- The preliminary analysis of fraud trends revealed by the information contained in the complaints received by the Joint Command Center and investigative information developed by the Task Force members and shared through their Joint Command Center representatives.
- The consolidation of complaints received by the Task Force hotlines into the Complaint Index. To date, more than 4,000 complaints have been received by the Task Force hotlines operated by the FBI and the PCIE Homeland Security Working Group. These complaints are transmitted to the Joint Command Center for entry into the Complaint Index.
- The establishment of Points of Contact 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.
- The onsite interagency exchange of information and trends, through regular Joint Command Center meetings and day-to-day interaction of the Joint Command Center staff and agency representatives. This interaction has been particularly valuable in alerting participating agencies to fraud indicia revealed by ongoing investigations, such as (1) unexplained grouping of benefit claims from areas that were unaffected by the disasters, (2) the types of information that can lead to the discovery of individuals making multiple fraudulent benefit claims, and (3) methods for obtaining information and leads that could reveal other fraudulent activity. 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.

As the relief, recovery, and reconstruction efforts continue, the Joint Command Center is building a more complete information-gathering and data analysis capability that will allow real-time trend analysis and lead generation. As part of that effort, 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. In addition, the FBI has assigned full-time support staff to the Joint Command Center. The FBI, the DHS-OIG, and the Postal Inspection Service have agreed to assign full-time analysts to the Joint Command Center to ensure that information gathered by the Joint Command Center is properly screened, analyzed, and reported to investigative agencies on a timely basis. The Joint Command Center analysts will also review information obtained from ongoing investigations and prosecutions in order to detect trends or patterns of fraudulent activity and possible systemic weaknesses.

C. Other Investigative Coordination and Assistance

● Antitrust Division

- The Antitrust Division is actively training agents and procurement officials in the prevention and detection of collusive conduct in the post-Katrina marketplace. The Division created an antitrust primer for agents, auditors, and procurement officials titled, "Preventing and Detecting Bid Rigging, Price Fixing, and Market Allocation in Post-disaster Rebuilding Projects." The Division has widely distributed more than a thousand copies of this primer to federal agents and investigators, United States Attorneys' and FBI offices in the affected judicial districts, all federal Inspector General offices in the Southeast region, state Attorneys General, and state purchasing, Department of Transportation (DOT), and emergency management officials in Louisiana, Florida, Alabama, and Mississippi. The Division also electronically distributed the primer to the National Institute of Government Purchasing and its regional chapters. 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.
- Antitrust Division representatives made a presentation on the training and assistance the Division could provide in identifying and preventing collusion for Task Force members at the Joint Command Center and will be involved in more extensive future training of task force members. Division attorneys met with representatives from various federal agency inspector general's offices, including DHS and the General Services Administration (GSA), and are arranging for training sessions for agents, auditors, and procurement officials at these agencies.
- The Antitrust Division also launched its public Disaster Recovery and Katrina websites at www.usdoj.gov/atr/disaster.htm containing educational materials and contact information for reporting anticompetitive activity. The Antitrust Division is prepared to devote resources to investigating and criminally prosecuting collusion wherever it occurs.

- **Federal Bureau of Investigation**

- To date, the FBI has initiated approximately 127 investigations related to Katrina, Rita, and Wilma fraud. Of these investigations, approximately 60 subjects have been indicted or charged by information, and 18 subjects have been arrested. Both the Criminal Investigative Division and the Cyber Division of the FBI remain actively involved in overseeing and coordinating the FBI's nationwide response to the hurricanes.
- The FBI Cyber Division reports that as a result of agent interviews and FBI coordination with private-sector entities, 44 questionable websites have been shut down since August 2005.

- **Postal Inspection Service**

- As of January 11, 2006, the Postal Inspection Service had conducted 22 criminal investigations, resulting in 24 arrests, related to false claims submitted to FEMA and state government agencies. In addition, the Houston Division of the Inspection Service opened a National Coordination Case because of the scope, complexity and long-term commitment of the Postal Inspection Service to Hurricane Katrina fraud-related investigations. The national coordination of these investigations being conducted by the Postal Inspection Service will facilitate the tracking of cases and the resolution of any conflicting issues with the numerous other agencies involved. This will also provide a focal point for coordination with the Hurricane Katrina Fraud Task Force, including its Joint Command Center.

- **United States Secret Service**

- In conjunction with other federal, state, and local agencies, the United States Secret Service has continued to investigate numerous cases related to Hurricanes Katrina and Rita. It has also continued to work in cooperation with the private sector to shut down numerous fictitious websites. With the assistance of a private-sector company, it was able to detect and effectively shut down websites that were victimizing Hurricane Katrina victims, the American Red Cross, and Red Cross donors. These shutdowns included 16 "phishing" websites (i.e., websites that purport to be operated by legitimate corporate or nonprofit entities, but that are created to harvest personal data from individuals for identity theft and fraud). Nine of those phishing sites were shut down within a few days of initial posting.

- **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.

- **Inspectors General**

The federal Inspectors General community continues to make vital contributions to the work of the Task Force, as reflected in the recent 90-Day Progress Report to Congress by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).²⁶ In recognition of the need to enhance the already substantial coordination and communication between the Department of Justice and the Inspectors General, Department of Justice representatives of the Task Force are attending 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. Department of Justice attorneys also conducted a briefing of DHS-OIG auditors at the Command Center on criminal fraud issues that they may encounter in performing their audits. Finally, the Department of Justice is working closely with several Offices of Inspector General to streamline processes for analyzing disaster-benefit applications and identifying significant cases of potential benefit fraud.

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 has hired or assigned 79 personnel to the newly established Office of Special Inspector General for Gulf Coast Hurricane Recovery Oversight and is in the process of hiring additional staff at the FEMA headquarters and the Joint Field Offices (JFOs) in Louisiana, Mississippi, and Alabama. The DHS-OIG continues to work closely with other OIGs and the Government Accountability Office (GAO) in conducting oversight and investigative activities, including active participation in the PCIE Homeland Security Roundtable.
- Audit Initiatives: DHS-OIG auditors continue to provide oversight of operations related to hurricane relief efforts. DHS-OIG auditors continue to monitor operations at the FEMA JFOs and Emergency Operations Center and other DHS headquarters efforts to remain current on all disaster relief operations, while providing oversight and on-the-spot technical assistance to FEMA, state, local, and other federal

²⁶ See PCIE and ECIE, Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress (December 30, 2005) [hereinafter PCIE 90-Day Report].

officials. Reviews are complete or in process for more than 50 percent of contracts awarded to date. One hundred percent of purchase card transactions have been data mined and anomalies will be reviewed in more detail. More than 300 referrals have been made to DHS-OIG investigators related to possible fraud in eligibility for individual assistance. DHS-OIG financial statement auditors continue to provide oversight of the agency's financial operations and coordinate closely with the DHS-OIG hurricane office auditors.

- Investigative Initiatives:
 - ▶ Task Force: DHS-OIG continues to provide investigative support to agents involved in the Hurricane Katrina Fraud Task Force, including the FBI, HUD, DOL, USDA and several local law enforcement departments. DHS-OIG has also received information requests from several state law enforcement agencies. The DHS-OIG continues to work closely with the Postal Inspection Service in pursuit of possible fraudulent claims filed by unaffected individuals for disaster assistance.
 - ▶ Investigations: DHS-OIG continues to conduct investigative activity on open investigations, to review and process voluminous amounts of complaints and hotline reports as they are received, and to conduct National Emergency Management Information System (NEMIS) checks where necessary on above identified complaints.
 - ▶ Liaison: DHS-OIG continues to conduct Fraud Awareness Briefings and Law Enforcement liaison with state, local and federal law enforcement and prosecutors and to work in close association with the agencies involved in the Gulf Coast Hurricane Oversight Office, i.e., Long Term Recovery Center (LTRC), and the Task Force to develop criminal investigations for prosecution by the United States Attorney's Offices; and is working to establish a permanent office in Biloxi, Mississippi and preparing to transition to a permanent office there.
 - ▶ Debris Removal: DHS-OIG continues to conduct several debris-removal investigations, as well as proactive efforts regarding debris-hauling contracts.
 - ▶ Other Actions: DHS-OIG remains in daily contact with FEMA personnel at the LTRC regarding the analysis of applications.
- Fraud Hotline: To streamline the reporting of allegations of fraud associated with the recovery effort, the DHS-OIG established the DHS Hurricane Katrina Relief Fraud Hotline that is managed by the DOD-OIG. In addition to the toll-free telephone number for the Hotline (see page 32 below), complaints are received by fax, mail, and email at katrinafraud@dodig.mil.
- **Department of Defense - Office of Inspector General (DOD-OIG)/Defense Criminal Investigative Service (DCIS)**
 - The DCIS, the criminal investigative arm of the DOD-OIG, has received 10 allegations related to Hurricane Katrina that involved theft, false claims, bribery,

kickbacks, product substitution, and procurement fraud. DCIS agents reviewed the allegations, and seven were determined to be unfounded. The remaining three allegations were developed into criminal investigations of bribery, kickbacks, and possible product substitution. One DCIS investigation resulted in the filing of a criminal complaint by the United States Attorney's Office for the Southern District of Mississippi against two individuals for conspiracy to commit bribery in violation of 18 U.S.C. § 371. [See page 11 above.]

- DCIS continues to educate industry, government contracting personnel, and regulators, and has conducted 31 mission and fraud awareness briefings since October 2005. DCIS agents are providing support to the joint law enforcement and United States Attorney's Offices Working Group in Covington, Louisiana, and the Joint Criminal Investigative Task Force headquartered in Mississippi. Furthermore, DCIS participates in the PCIE Homeland Security Roundtable.
- **Environmental Protection Agency Office of Inspector General (EPA-OIG)**
 - Since September 2005, EPA-OIG has deployed six Special Agents on several missions to the affected Gulf States to participate in Hurricane Katrina Fraud Task Force efforts, has met with EPA officials, government contractors, federal prosecutors, and state and local law enforcement officials, and has conducted a variety of investigative steps in addressing allegations of fraud. EPA-OIG Agents are also participants at the Joint Command Center. These 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 has coordinated with the Louisiana State Police, Troop B Headquarters, Kenner, Louisiana, and several New Orleans Police Department officers assigned to the Fifth District, Lower Ninth Ward, in order to discuss potential fraud scenarios and criminal complaints that would be of interest and within the jurisdiction of the EPA-OIG.
 - The EPA-OIG Financial Fraud Directorate has conducted fraud awareness briefings with EPA Incident Response Teams, on-scene coordinators, and senior procurement officials within the EPA Office of Acquisition Management with expectations to continue such briefings with several EPA procurement teams in the field. Weekly meetings are held with EPA-OIG auditors to discuss audit findings, potential fraud indicators, and progress in audit support of active investigations.
 - EPA-OIG has been aggressively pursuing tips and leads in several investigations concerning allegations of labor and equipment cost mischarging in the performance of EPA contracts, and con artists posing as EPA officials in fraud schemes. Task Force members have supported investigative efforts.

- **Department of Housing and Urban Development Office of Inspector General (HUD-OIG)**
 - The response by the Department of Housing and Urban Development (HUD) to Hurricanes Katrina and Rita falls into three separate categories: (1) use of existing appropriations on the ground just before hurricane impact; (2) new appropriations for hurricane relief; and (3) FEMA funds administered by HUD in support of mission-critical assignments. HUD was provided \$1.525 million to provide personnel to assist FEMA as part of the housing task force in Baton Rouge, Louisiana. HUD is also administering the Katrina Disaster Housing Assistance Payments (KDHAP) that has been previously funded to a level of \$79 million, as well as new appropriations of \$390 million in housing vouchers for families displaced by Hurricanes Katrina and Rita.
 - HUD has new appropriations of \$11.5 billion in emergency Community Development Block Grants for recovery expenses associated with Hurricane Katrina and Rita. HUD is preparing to administer the new funds, which will be grants made directly to the respective five Gulf States impacted by the hurricanes. The Governors of Louisiana, Mississippi, Alabama, Florida and Texas will identify the appropriate state agency to receive the funds and will submit a plan to HUD detailing how the block grant funds will be used. HUD officials have conferred with Hurricane Katrina Fraud Task Force Chairman Alice S. Fisher and her staff about ensuring that appropriate monitoring and antifraud measures will be in place as these funds are provided to the states.
 - HUD-OIG has created a far-reaching fraud prevention program designed to: (1) create a training course for agents/auditors and program officials to teach how to identify fraud in Community Planning and Development (CPD) grant programs; (2) provide for fraud prevention meetings between HUD-OIG and the major programs of HUD; and (3) hold fraud prevention meetings between HUD-OIG and industry groups, private insurance companies, multi-family owners, public housing Executive Directors, state governments, and economic development agencies. As part of its fraud-prevention program, HUD-OIG has created a Suspicious Activity Report (SAR) that will be given to HUD grantees, sub-grantees and others associated with delivering disaster funds. The SAR is a method of informing HUD-OIG of suspected irregularities in the delivery of HUD program money. HUD-OIG forensic auditors have been assigned to review temporary housing programs and FEMA payments to HUD assisted housing residents. OIG plans to use forensic auditors to review all programs that are not audited by the Office of Audit.
 - The Office of Audit has created a new entity to address audit issues in the Gulf States. Auditors are currently reviewing real estate owned properties used to place FEMA designated evacuees and are monitoring contract awards made by HUD.

- HUD-OIG has created: (1) a Gulf States Region, based in New Orleans, staffed with an investigative manager, four special agents, and an administrative officer (as well as six forensic auditors, based in Arlington, Texas, who have been assigned to the Gulf States Region); and (2) an Office of Hurricane Relief Oversight in Washington, D.C. with an investigative manager, a Special Agent desk officer, and a management analyst. Both of the newly created offices report to a Deputy Assistant Inspector General.
- **Department of Justice Office of Inspector General (DOJ-OIG)**
 - DOJ-OIG has opened three cases concerning hurricane-related benefit fraud, including a Department employee who allegedly submitted a false application for unemployment benefits under a Hurricane Katrina-related program.²⁷ It also has conducted oversight of the Department of Justice's expenditures related to Hurricane Katrina, and plans to issue an audit of the Department's hurricane-related purchase card transactions, as described in the PCIE 90-Day Report.²⁸
- **Department of Labor Office of Inspector General (DOL-OIG)**
 - According to the PCIE 90-Day Report, DOL-OIG "initiated four investigations involving potential Unemployment Insurance or Disaster Unemployment Assistance fraud and mail fraud. One of the cases involved circumvention of [DOL's] processes for issuing employment-based foreign labor certifications."²⁹ DOL-OIG investigations have already resulted in federal criminal charges against seven individuals.
- **Social Security Administration Office of Inspector General (SSA-OIG)**
 - The SSA-OIG Office of Audit 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.
 - SSA's service delivery to recipients and beneficiaries is vital to the region's recovery. 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

²⁷ See PCIE 90-Day Report at 66.

²⁸ See *id.* at 43.

²⁹ *Id.* at 66.

are proper and that controls are sufficient to safeguard against fraud, waste, and mismanagement.

- The SSA-OIG Office of Investigations Hotline has received 20 allegations of potential fraud related to Hurricanes Katrina and Rita (18 of the 20 were received between September 12 and October 7, 2005). The Office of Investigations is actively pursuing allegations of fraud involving SSA's programs and operations, including allegations of Social Security number misuse. To date, the Office of Investigations has opened nine cases. There have been two indictments and arrests.
- **Federal Trade Commission (FTC)**
 - The FTC receives consumer complaints about fraud, including hurricane-related fraud, through its toll-free hotline (1-877-FTC-HELP) and online complaint forms, as well as from external database contributors. FTC staff developed a code for hurricane-related complaints in Consumer Sentinel, the FTC's 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 October 16, 2005 and January 12, 2006, the FTC received 108 hurricane-related fraud complaints and 259 hurricane-related identity theft complaints. The most common type of identity-theft complaints related 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. Finally, the FTC reviews all complaints received to identify trends and possible targets for investigation or referral to criminal authorities.

Training and Proactive Detection

The New Orleans Conference in October 2005 was the first opportunity for the Task Force to provide training for federal agents and prosecutors on legal and practical issues stemming from disaster-related fraud. Experienced Department of Justice prosecutors 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 Secret Service offered practical guidance on how to investigate these offenses. Audience participation was high, and the audience, which included the Inspector General community, state and local law enforcement, and United States Attorneys, made good suggestions. Since the conference, the Command Center has hosted a training session by Department of Justice prosecutors for Inspector General auditors. The Command Center is also planning more extensive training for Gulf Coast-based Assistant United States Attorneys and other agencies at the Command Center.

As one of its proactive initiatives to identify potential emerging types of fraud, the

Department of Justice has taken the lead in coordinating and expediting responses by various agencies to potential disaster-related fraud. Recently, for example, Hurricane Katrina Fraud Task Force Chairman Alice S. Fisher met with an Assistant Secretary at HUD to discuss fraud-prevention and fraud-detection measures that HUD is establishing in connection with the disbursement of \$11.5 billion to the affected Gulf Coast states. The Joint Command Center is also playing a significant role in proactively identifying patterns of potentially fraudulent activity in applications for disaster-related benefits.

Public Education and Prevention

Various agencies have continued to provide the public with information about hurricane-related crimes and prevention issues, including websites, public-service advertisements, distribution of publications and flyers, and press releases:

- ***Websites***
 - The Department of Justice maintains a constantly updated website on the Task Force, including continuing reports of prosecutions, at http://www.usdoj.gov/katrina/Katrina_Fraud/index.html. The FTC has a Hurricane Recovery website at <http://www.ftc.gov/bcp/online/events/katrina/index.html>. This website (in English and Spanish) was created to provide important information to families and businesses affected by the hurricanes. It has been accessed more than 45,000 times since its launch in September 2005. 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.
- ***Public-Service Advertisements***
 - The FTC also distributed a series of live-read public service advertisements (PSAs) to radio stations across the country. Two sets of PSAs were distributed. One set was e-mailed to 584 radio stations in the states affected by Hurricanes Katrina and Rita, including the following 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 other set 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, and 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.

- ***Publication and Flyer Distribution***

- In December 2005, the Postal Inspection Service issued a publication, *Crime Watch - Avoiding Hurricane Fraud*, which was distributed nationwide to 204 newspapers with a readership of more than 6.7 million.
- In addition, at a workshop for hurricane evacuees sponsored by the University of Houston Law School's Center for Consumer Law, the FTC provided 850 pre-stuffed bags of hurricane-related fraud alerts that were distributed to the evacuees.

- ***Press Releases***

- FEMA has recently issued a series of press releases asking the public in various parts of the Gulf Coast region to be watchful for fraud and providing information about possible fraud to law enforcement.³⁰

³⁰ See FEMA, Press Release, January 13, 2006, *available at* <http://www.fema.gov/news/newsrelease.fema?id=22438>; FEMA, Press Release, January 11, 2006, *available at* <http://www.fema.gov/news/newsrelease.fema?id=22380>; FEMA, Press Release, January 10, 2006, *available at* <http://www.fema.gov/news/newsrelease.fema?id=22358>.

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 DHS Katrina Hurricane Relief Fraud Hotline (operated by the Department of Defense OIG), at 1-866-720-5721
- 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/>