U.S. Department of Justice

Disaster Fraud Task Force

Report to the Attorney General for Fiscal Year 2011

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Photo Credit: Photo of Pleasant Grove, Alabama, May 2, 2011, After Series of Tornadoes in Rural Northeastern Alabama [FEMA]

Letter from Assistant Attorney General Lanny A. Breuer to the Attorney General

The Honorable Eric H. Holder, Jr.
Attorney General

Dear Mr. Attorney General:

I am pleased to present to you the Report of the Disaster Fraud Task Force (formerly known as the Hurricane Katrina Fraud Task Force) for Fiscal Year 2011. Although the original wave of prosecutions relating to Hurricanes Katrina, Rita, and Wilma in 2005 has subsided, the Task Force and its members continue to make great strides in aggressively investigating and prosecuting cases stemming from dozens of subsequent disasters.

United States Attorney's Offices across the country continue to show great persistence and dedication in pursuing disaster-related fraud. Through the end of Fiscal Year 2011, 47 United States Attorney's Offices across the country charged 1,439 people in 1,350 cases with various fraud-related crimes stemming just from Hurricanes Katrina and Rita. As the Report shows, many of these defendants received sentences imposing significant terms of imprisonment. In addition, in the aftermath of the Deepwater Horizon oil spill in April 2010, during Fiscal Year 2011, nine United States Attorney's Offices charged 43 defendants with various fraud-related offenses stemming from the oil spill and applications for compensation.

It must be said that this extraordinary record of success would not have been possible without the continuing cooperation among federal, state, and local investigative agencies, prosecutors, and Inspectors General. One of the indispensable components of that success has been the National Center for Disaster Fraud (NCDF), formerly the Hurricane Katrina Fraud Task Force Joint Command Center. Under the outstanding leadership of its Executive Directors during Fiscal Year 2011– United States Attorney for the Eastern District of Louisiana Jim Letten, and now United States Attorney for the Middle District of Louisiana Donald J. Cazayoux, Jr. – and its Deputy Director Kathleen Wylie, the NCDF has reviewed more than 51,000 fraud-related complaints with more than 36,000 deconflicted and referred to the respective investigative agencies. As the Department of Justice and the federal law enforcement community stand ready to pursue all types of fraud stemming from the Deepwater Horizon oil spill and numerous other disasters, as reflected by back-to-back record years for major disaster declarations in calendar years 2010 and 2011, the NCDF continues to prove its worth as a critical resource in pursuing disaster fraud.

On behalf of the Task Force, I want to express my appreciation for your vigorous support of the Task Force and the Department's efforts to combat fraud wherever it arises. You can be confident that the members of the Task Force will continue to display the kind of commitment, cooperation, and success that they have shown over the past six years.

Sincerely,

Lanny A. Breuer
Assistant Attorney General,
Criminal Division
Chairman,
Disaster Fraud Task Force

Task Force Members

The Disaster 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 Council of Inspectors General on Integrity and Efficiency (CIGIE), the Executive Council on Integrity and Efficiency, and numerous Offices of Inspectors General (OIGs), 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 (DHS);
    - the Department of Housing and Urban Development (HUD);
    - 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;
- the General Services Administration;
- the National Aeronautics and Space Administration;
- the Small Business Administration (SBA);
- the Social Security Administration (SSA);
- 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

On September 8, 2005, in the immediate aftermath of Hurricane Katrina, then-United States Attorney General Alberto R. Gonzales established the Hurricane Katrina Fraud Task Force, which was later renamed the Disaster Fraud Task Force. The Disaster Fraud Task Force is charged with deterring, detecting, and prosecuting unscrupulous individuals who try to take advantage of natural and manmade 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 disasters and the rebuilding of the affected areas.

Throughout its existence, the Task Force has mobilized to send a strong message of deterrence by bringing prosecutions as quickly as possible. The Task Force tracks referrals of potential cases and complaints, coordinates with law enforcement agencies to initiate investigations, and works with the appropriate United States Attorney's Offices to ensure timely and effective prosecution of disaster-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 and their staffs– the Task Force is positioned to act quickly and aggressively to bring to justice those who would further harm the victims of these disasters.

Since 2005, millions of people have needed help from government and private-sector entities in various disasters. For example, in the first month after Katrina struck, the Federal Emergency Management Agency (FEMA) received more than 2.5 million applications for disaster assistance relating to Hurricanes Katrina and Rita. In addition, hundreds of thousands of people throughout the Gulf Coast region 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. Most recently, the Deepwater Horizon oil spill has caused vast economic harm to people along the Gulf Coast and beyond.

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 in any disaster, there are always individuals who are not entitled to that assistance, but who falsely claim those benefits for their personal gain, often at the expense of the true victims of the disasters.

The Task Force is combating all types of fraud relating to private-sector and government efforts to help victims of natural and manmade disasters to rebuild their lives and their communities. The Task Force will adapt to combat whatever fraudulent schemes criminals may create to exploit the disasters' effects on the people and businesses of the affected areas. The principal types of fraud on which the Task Force concentrates 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;

- ***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;

- ***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 federal, state, or local public officials participate in bribery, extortion, or fraud schemes involving federal and private-sector funds for the repair and restoration of infrastructure, businesses, and government agencies in the affected regions.

The Task Force has successfully prosecuted cases, and is continuing to pursue 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 devastated areas and help their residents. Task Force members continue to work 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. Prosecution and Enforcement

Throughout the past six years, the Task Force has sustained a vigorous pace in its prosecution of all forms of disaster-related fraud stemming from Hurricanes Katrina, Rita, and Wilma, and subsequent disasters. Through September 30, 2011, a total of 1,439 people have been federally charged with fraud related to Katrina and Rita. These prosecutions span 47 federal districts in all regions of the United States. In addition, state and local prosecutors' offices have continued to bring criminal cases involving disaster-related fraud.

1. Federal Prosecutions

During FY 2011, as in past years, the vast majority of federal prosecutions stemming from disaster-related fraud involved schemes to obtain benefits for emergency assistance or compensation for nonexistent damage to property. While many of these prosecutions involved fraud directed at federal agencies, especially FEMA, a number of cases involved fraud directed at the Gulf Coast Claims Facility (GCCF), the private-sector entity established to administer the processing and payment of claims against BP relating to the Deepwater Horizon oil spill of 2010.[1]

The following summaries of recent disaster fraud-related cases from various United States Attorneys' Offices are offered as a sample of the fraudulent schemes that the Department has successfully investigated and prosecuted during Fiscal Year 2011.

Alabama - Southern District

- On July 28, 2011, a federal grand jury in the Southern District of Alabama indicted five individuals on charges of conspiracy to commit access-device fraud, access-device fraud, and wire fraud relating to their allegedly submitting fraudulent claims to the GCCF. The United States Secret Service conducted the investigation.[2]
- On July 28, 2011, a federal grand jury in the Southern District of Alabama indicted an individual on charges of access device fraud, wire fraud, and mail fraud relating to her submission of an allegedly fraudulent claim to the GCCF. The indictment alleges that the defendant falsely claimed that she was employed at the time of the April 2010 oil spill, and immediately thereafter, at a fictitious business called "Southern Hospitality"

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[1] *See* Gulf Coast Claims Facility, Frequently Asked Questions, *available at* http://www.gulfcoastclaimsfacility.com/faq#Q1.

[2] *See* Indictment, United States v. Brown et al., Criminal No. 11-00214-WS (S.D. Ala., filed July 28, 2011).

and was laid off from her employment as a result of the oil spill. The United States Secret Service conducted the investigation.[3]

- On May 26, 2011, a federal grand jury in the Southern District of Alabama indicted five individuals, in separate indictments, on charges of access device fraud and wire fraud relating to their submission of allegedly fraudulent claims to the GCCF. The United States Secret Service conducted the investigations.[4]

- On April 28, 2011, a federal grand jury in the Southern District of Alabama indicted a defendant on charges of access-device fraud and mail fraud, alleging that the defendant, with intent to defraud, had submitted a claim for lost wages to the GCCF. The United States Secret Service conducted the investigation.[5]

- On December 6, 2010, an individual was charged by criminal complaint in the Southern District of Alabama, alleging that the defendant had committed access-device fraud by submitting a claim to the GCCF that included fraudulent documentation. The United States Secret Service conducted the investigation.[6]

California - Southern District

- On March 14, 2011, the United States District Court for the Southern District of California sentenced a defendant to 27 months imprisonment, after her guilty plea to an indictment charging her with fraudulently obtaining more than $20,000 in disaster relief. In addition, the defendant was sentenced to three years of supervised release and ordered to pay restitution of $20,572. Shortly after Hurricane Katrina made landfall, the defendant submitted a claim for disaster relief to FEMA, in which she falsely stated that her primary residence was located in New Orleans, Louisiana, and subsequently received more than $14,000. In addition, the defendant improperly received more than $5,000 in disaster assistance by traveling throughout the Gulf Coast region collecting American

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[3] *See* Indictment, United States v. McKellon, Criminal No. 11-00197-CG (S.D. Ala., filed July 28, 2011).

[4] *See* Indictment, United States v. Brown, Criminal No. 11-00128-CG (S.D. Ala., filed May 26, 2011); Indictment, United States v. Jenkins, Criminal No. 11-00137-KD (S.D. Ala., filed May 26, 2011); Indictment, United States v. Law, No. 11-cr-00130-WS-C (S.D. Ala., indictment filed May 26, 2011); Indictment, United States v. McCoy, Criminal No. 11-00127-CG (S.D. Ala., returned May 26, 2011); Indictment, United States v. Penn, Criminal No. 11-00135-CG (S.D. Ala., filed May 26, 2011).

[5] *See* United States v. Hensley, No. 11-cr-00108-CG-C (S.D. Ala., indictment filed April 28, 2011).

[6] *See* United States v. Willis, No. 1:10-mj-00228-N (S.D. Ala., complaint filed December 6, 2010).

Red Cross disaster-relief debit cards by falsely claiming to reside in Louisiana and Mississippi. The FBI and the United States Postal Inspection Service conducted the investigation.[7]

Florida - Southern District

- On August 29, 2011, an indictment was unsealed in the United States District Court for the Southern District of Florida charging a defendant with wire fraud and the use of an unauthorized access device in the submission of a fraudulent claim for lost income against the GCCF. The indictment alleges that the defendant devised a scheme to defraud the GCCF and obtain money from GCCF by sending a fraudulent electronic claim for $110,616 in lost income, knowing the representations in the claim were false. The indictment further alleges that the defendant, with the intent to defraud, used an access device consisting of a GCCF Claim number to submit his fraudulent claim for lost income. The FBI and the National Oceanic and Atmospheric Administration Fisheries Office of Law Enforcement conducted the investigation.[8]

Georgia - Northern District

- On November 22, 2010, the United States District Court for the Northern District of Georgia sentenced a defendant to 39 months imprisonment, followed by three years of supervised release, and ordered her to pay $68,251.32 in restitution. In September 2005, the defendant filed a claim for FEMA assistance, falsely claiming to be a resident of Biloxi, Mississippi, rendered homeless by Hurricane Katrina. While the FEMA claim was pending, FEMA referred the defendant to the American Red Cross and other Metro-Atlanta charities for other types of assistance. The defendant applied for and received housing assistance through a local charity. She was put in contact with the victims, who had registered with the charity to provide housing to those displaced by Hurricane Katrina. While living in the victims' residences, the defendant stole their identities, opened several credit card accounts, and accrued tens of thousands of dollars of charges. The United States Postal Inspection Service conducted the investigation.[9]

Illinois - Southern District

- On February 11, 2011, the United States District Court for the Southern District of Illinois sentenced a defendant to 21 months imprisonment, followed by a three year term

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[7] *See* U.S. Attorney's Office, Southern District of California, Press Release (March 14, 2011), *available at* http://www.justice.gov/usao/cas/press/cas11-0314-Magee.pdf.

[8] *See* U.S. Attorney's Office, Southern District of Florida, Press Release (August 30, 2011), *available at* http://www.justice.gov/usao/fls/PressReleases/110830-02.html.

[9] *See* U.S. Attorney's Office, Northern District of Georgia, Press Release (November 22, 2010), *available at* http://www.justice.gov/usao/gan/press/2010/11-22-10d.pdf.

of supervised release, and ordered her to pay $31,093.67 in restitution. The defendant's spouse was also sentenced to a four-month term of imprisonment, followed by a three year term of supervised release, and was ordered to pay restitution in the amount of $19,813.67. The defendants pleaded guilty to conspiracy to commit mail fraud and three counts of Mail Fraud in connection with their application for, and receipt of, benefits intended for victims of Hurricane Katrina. One defendant also pleaded guilty to one count of making a false statement to United States Postal Inspectors and four counts of making a false statement to the United States Department of Agriculture. A defendant lied to Postal Inspectors when she stated that she and her family evacuated Biloxi, Mississippi, due to the approach of Hurricane Katrina. In actuality, the defendants were living in Arkansas at the time of Hurricane Katrina, outside the path of the storm. Additionally, a defendant submitted false documentation to the Illinois Department of Human Services when she failed to disclose her husband's income and presence in her household when applying for a federally funded food stamp program. The United States Postal Inspection Service, the United States Department of Agriculture OIG, and the Illinois Department of Healthcare and Family Services OIG Bureau of Investigations conducted the investigation.[10]

Louisiana - Eastern District

- On September 21, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to ten months imprisonment, followed by three years of supervised release, and ordered her to pay restitution in the amount of $33,579. On June 8, 2011, the defendant pleaded guilty to committing wire fraud and mail fraud in relation to her receipt of Section 8 benefits from the Housing Authority of New Orleans for a residence in which she did not live during the aftermath of Hurricane Katrina. After Hurricane Katrina the defendant moved to Houston, Texas and began receiving Disaster Housing Assistance Program benefits from FEMA for an apartment in Houston. Around the same time, the defendant applied for Section 8 assistance for a residence in New Orleans. She did not inform the Housing Authority of New Orleans about her participation in the Disaster Housing Assistance Program. As a condition of receiving the Section 8 benefits, the defendant promised to live in the New Orleans residence. However, she continued to live in Houston. Due to the defendant’s action, the Housing Authority of New Orleans made monthly payments, by mail and electronic check, to the landlord of the defendant’s New Orleans residence from December 2006 through December 2008 totaling $33,525. DHS OIG conducted the investigation.[11]

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[10] *See* U.S. Attorney's Office, Southern District of Illinois, Press Releases (February 14, 2011), *available at* http://www.justice.gov/usao/ils/News/2011/Feb/02142011_Robinson%20Press%20Release.html.

[11] *See* U.S. Attorney's Office, Eastern District of Louisiana, Press Release (September 21, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_09_21_karen_jones_sent.html.

- On September 14, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to three years of probation and ordered her to pay restitution of $102,718. Before and during Hurricane Katrina the defendant lived in her primary residence in Harvey, Louisiana. However, in 2005 when applying for funds from the Louisiana Road Home Program the defendant fraudulently stated her primary residence was a rental property that she owned, located in New Orleans, Louisiana. As a result of her application, the defendant fraudulently received $102,718 in Louisiana Road Home Program funds. HUD OIG conducted the investigation.[12]

- On September 8, 2011, in the United States District Court for the Eastern District of Louisiana, a defendant pleaded guilty to one count of making false statements to an agency of the United States. Before and during Hurricane Katrina the defendant resided at 727 Clay Street in Kenner, Louisiana. On or about September 6, 2008, the defendant applied for funds from the Louisiana Road Home Program. On her application she fraudulently stated that at the time of Hurricane Katrina she resided at 321 Fortier Street in Kenner, a property she knew was uninhabitable before the storm. Due to the defendant's false statements in her application she received approximately $149,934 from HUD. The defendant is scheduled to be sentenced December 15, 2011, and could face a maximum term of imprisonment of five years, a $250,000 fine, restitution to HUD and three years of supervised release following any term of imprisonment. The HUD OIG conducted the investigation.[13]

- On August 30, 2011, a defendant pleaded guilty in the United States District Court for the Eastern District of Louisiana to theft of government funds, possession of stolen mail matter, and identity theft. The defendant received disaster relief assistance from FEMA in the wake of Hurricane Katrina, but failed to inform FEMA that she had also received insurance funds for the damage, despite being notified that FEMA cannot pay for damage that is covered by insurance. In addition, the defendant provided FEMA with false and fraudulent statements stating that she was a property "renter" instead of an "owner" before the storm. The defendant's misrepresentations caused her to fraudulently receive $53,097 in FEMA funds. At sentencing, the defendant faces a maximum term of imprisonment of 30 years, criminal forfeiture, fines, and a $300 special assessment. The United States Postal Inspection Service and DHS OIG conducted the investigation.[14]

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[12] *See* United States Attorney's Office, Eastern District of Louisiana, Press Release (September 14, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_09_14_cecile_payne_sent.html.

[13] *See* United States Attorney's Office, Eastern District of Louisiana, Press Release (September 8, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_09_08_vanessa_jones_plea.html.

[14] *See* United States Attorney's Office, Eastern District of Louisiana, Press Release (August 30, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_08_30_alicia_gee_plea.html.

- On August 16, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant, stemming from his guilty pleas to a single count of mail fraud, to twelve months imprisonment, followed by three years supervised release, and was order to pay full restitution of $26,000 to the GCCF. In August and October 2010, the defendant filed false disaster assistance claims with the GCCF, stating his business had incurred business losses of $5,000 per month due to the Deepwater Horizon oil spill. However, the investigation revealed that the defendant's company never operated or conducted any business, and all of his business receipts that were submitted to the GCCF were false and fraudulent. The United States Secret Service conducted the investigation.[15]

- On August 10, 2011, an individual pleaded guilty in the United States District Court for the Eastern District of Louisiana to an indictment charging her with mail fraud relating to fraudulent applications she made to the American Red Cross for financial assistance during the aftermath of Hurricane Katrina. According to court documents, the American Red Cross made disaster assistance money of up to $1,565 available to those affected by the hurricanes of 2005 on a one-time only basis. The defendant admitted that on eight occasions between September 14, 2005 and December 7, 2005, she applied for and received disaster assistance funds from the Red Cross, each time representing that she had not received assistance in the past. Based on the fraudulent applications, she obtained $7,825.00 from the American Red Cross to which she was not entitled. The FBI conducted the investigation.[16]

- On June 22, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to eight months home detention, two years probation, and 100 hours of community service for mail fraud relating to a fraudulent application she made to the GCCF. From on or about May 14, 2010 to on or about September 12, 2010, the defendant fraudulently applied for disaster assistance funds from the GCCF. She represented that she was the owner of C.H. Food Mart, Inc. at the time of the Deepwater Horizon explosion, when in fact, the defendant had sold C.H. Food Mart, Inc. before the explosion. Due to her false and fraudulent application the defendant received $42,000 from the GCCF. The FBI conducted the investigation.[17]

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[15] *See* United States Attorney's Office, Eastern District of Louisiana, Press Release (August 16, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_08_16_nicholas_billiot_sent.html.

[16] *See* U.S. Attorney’s Office, Eastern District of Louisiana, Press Release (August 10, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_08_10_tamara_morris_plea.html.

[17] *See* United States Attorney's Office, Eastern District of Louisiana, Press Release (June 22, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_06_22_cam_hang_sent.html.

- On February 23, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to 37 months imprisonment, three years of supervised release following imprisonment, and to pay full restitution in the amount of $476,904. In November, 2010 the defendant plead guilty that between August, 2005 and September, 2007, she created and executed a scheme to defraud the Louisiana Road Home Program, FEMA, and the SBA of $476,904 in United States government funds. DHS OIG, HUD OIG, the Department of State Diplomatic Security Service, SBA OIG, and the Louisiana State Police conducted the investigation.[18]

- On February 3, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to six months imprisonment, three years of supervised release, and ordered her to pay $4,395 in restitution to the Red Cross. The Red Cross made disaster assistance money up to $1,565 available on a one-time basis. The defendant repeatedly applied for these funds throughout the early fall of 2005, indicating that she had not yet received any money at all from the Red Cross. The defendant fraudulently obtained $4,395 from the American Red Cross. The FBI conducted the investigation.[19]

- On January 19, 2011, the United States District Court for the Eastern District of Louisiana sentenced a defendant to 60 months probation for wire fraud. In addition, the court ordered the defendant to pay restitution in the amount of $9,390 to the American Red Cross. The American Red Cross made disaster assistance money of up to $1,565 available to those affected by the hurricanes of 2005 on a one-time basis. The Defendant admitted that she presented herself to the American Red Cross on ten occasions during a six week period in the fall of 2005, each time claiming she had not received assistance. The defendant fraudulently obtained $9,390 from the American Red Cross. The FBI conducted the investigation.[20]

Louisiana - Western District

- On May 24, 2011, the United States District Court for the Western District of Louisiana sentenced the final defendant involved in a scheme to defraud FEMA in the aftermath of Hurricanes Gustav and Rita to 48 months imprisonment, three years of supervised

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[18] *See* U.S. Attorney's Office, Eastern District of Louisiana, Press Release (February 23, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_02_23_ruth_leslie_goodman_sent.html.

[19] *See* U.S. Attorney's Office, Eastern District of Louisiana, Press Release (February 3, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_02_03_nadine_tillis_sent.html.

[20] *See* U.S. Attorney's Office, Eastern District of Louisiana, Press Release (January 19, 2011), *available at* http://www.justice.gov/usao/lae/news/2011/2011_01_19_tammy_hickerson_sent.html.

release, and 200 hours of community service. In addition, the defendant was ordered to pay $105,566.10 in restitution to FEMA and a $25,000 fine. Also on May 24, 2011, the United States District Court for the Western District of Louisiana sentenced the five other defendants involved in the scheme to defraud FEMA. One defendant was sentenced to nine months imprisonment, three years supervised release, 150 hours of community service, $105,566.10 in restitution to FEMA, and a $6,000 fine. A second defendant was sentenced to three years probation, 150 hours community service,$30,814.02 in restitution to FEMA, and a $10,000 fine. A third defendant was sentenced to three years probation, 100 hours community service,$1,229.86 in restitution to FEMA, and a $5,000 fine. A fourth defendant was sentenced to one year probation, 50 hours community service,$1,428.84 in restitution to FEMA, and a $3,000 fine. The fifth defendant was sentenced to one year probation, 100 hours community service,$565.92 in restitution to FEMA, and a $2,000 fine.

Collectively, the defendants overstated the hours that they worked and the vehicles and equipment used during the cleanup efforts following Hurricanes Gustav and Rita. The fraudulent statements were made on the time sheets as part of the town's application to be reimbursed by FEMA. As a result of the defendants' fraud, the town and its employees unlawfully received hundreds of thousands of dollars from FEMA. The FBI and DHS OIG conducted the investigation.[21]

- On May 6, 2011, the United States District Court for the Western District of Louisiana sentenced five former and current employees of the Town of Ball, Louisiana, for their roles in defrauding FEMA in the aftermath of Hurricane Gustav. One defendant, the former Chief of Police of Ball, was sentenced to 3 years probation,150 hours community service,$30,814.02 in restitution to FEMA, and a $10,000 fine. The FBI and DHS OIG conducted the investigation.[22]

Michigan - Eastern District

- On December 3, 2010, a defendant was charged by criminal complaint in the Eastern District of Michigan with wire fraud, alleging that he had submitted claims to BP and the GCCF that included false and fraudulent documentation. The United States Secret Service conducted the investigation.[23]

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[21] *See* U.S. Attorney's Office, Western District of Louisiana, Press Release (May 24, 2011), *available at* http://www.justice.gov/usao/law/news/wdla20110524.pdf.

[22] *See* U.S. Attorney’s Office, Western District of Louisiana, Press Release (May 6, 2011), *available at* http://www.justice.gov/usao/law/news/wdla20110506.pdf.

[23] *See* United States v. Hall, No. 10-mj-30513-MJH (E.D. Mich., complaint filed December 3, 2010).

Mississippi - Southern District

- On September 8, 2011, a federal grand jury in the Southern District of Mississippi returned an indictment charging an individual with mail fraud in connection with an alleged false claim pertaining to the oil spill. The United States Secret Service and the United States Postal Inspection Service conducted the investigation.[24]

- On July 6, 2011, a defendant pleaded guilty, in the United States District Court for the Southern District of Mississippi, to theft of $21,000 of federal disaster funds from FEMA. The defendant admitted that she stole and converted federal funds by allowing her personal bank accounts to be used to receive stolen federal disaster funds from FEMA, in the amount of $21,000. In addition, the defendant received payments for the use of her accounts by others involved in the theft. At sentencing, the defendant faces a maximum penalty of ten years in prison and a $250,000 fine. DHS OIG and the FBI conducted the investigation.[25]

- On June 23, 2011, the United States District Court for the Southern District of Mississippi sentenced a defendant to 78 months imprisonment followed by three years of supervised release, a $125,000 fine, and $18,480 in restitution. At trial, the defendant was found guilty of bribery, conspiracy to commit bribery, and perjury before a federal grand jury regarding the award of several contracts to remove debris following the landfall of Hurricane Katrina. The defendant, a county supervisor, awarded contracts, that were funded by FEMA, to a particular company, knowing in advance that the owner of the company had agreed to pay the defendant illegal cash kick-backs in exchange for being awarded the contract. The FBI, the IRS, and the Mississippi State Auditor's Office conducted the investigation.[26]

- On June 8, 2011, a jury in the United States District Court for the Southern District of Mississippi found a defendant guilty of theft of public funds. The defendant made multiple requests to FEMA for disaster assistance. During the requests, the defendant falsely claimed that his place of residency and occupancy at the time of Hurricane Katrina was Lot 324 at the Isle of Pines trailer park in Gautier, Mississippi. Due to the defendant's fraudulent statements to FEMA, he received personal property funds in the amount of $7,512. In addition, the defendant received rental and housing assistance in the

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[24] *See* United States v. Keys, No. 11-cr-0079 (S.D. Miss., indictment filed September 8, 2011).

[25] *See* U.S. Attorney's Office, Southern District of Mississippi, Press Release (July 7, 2011), *available at* http://www.justice.gov/usao/mss/press/July2011/rogers%20demonica%20plea.pdf.

[26] *See* United States Attorney's Office, Southern District of Mississippi, Press Release (June 23, 2011), *available at* http://www.justice.gov/usao/mss/press/June2011/Holder%20sentencing.pdf.

amount of $18,634. In total the defendant wrongfully received $26,146 in assistance from FEMA. DHS OIG conducted the investigation.[27]

- On April 13, 2011, the United States District Court for the Southern District of Mississippi sentenced a defendant to 13 months imprisonment, after he pleaded guilty to mail fraud resulting from a scheme to defraud British Petroleum of $90,000 by falsely claiming monetary losses to a fictitious business. The defendant made a fraudulent $90,000 claim to British Petroleum for losses he claimed to have suffered as a result of the disastrous British Petroleum oil spill. To defraud British Petroleum, the defendant knowingly submitted false documents, including a false Mississippi tax identification number, false state sales tax returns, a false Mississippi Department of Revenue Business Permit, false federal tax returns, and false sales receipts. The FBI conducted the investigation, with assistance from the Fraud Section of the Criminal Division of the United States Department of Justice and the NCDF.[28]

- On January 27, 2011, the United States District Court for the Southern District of Mississippi sentenced a defendant to 70 months imprisonment, followed by three years of supervised release, and was also ordered to pay over $1.3 million in restitution after he plead guilty to wire fraud. The defendant conducted a fraudulent business and real estate activities during 2005 and 2006, in which he created numerous false and misleading real estate contracts to convince individuals to invest in his business. The defendant promised victim homeowners, many of whom suffered damage to their property as a result of Hurricane Katrina, that he would perform construction or home repair, charging and being paid various sums of money, and never performing the promised work. The FBI conducted the investigation.[29]

New Jersey

- On April 26, 2011, a defendant was convicted in the United States District Court for the District of New Jersey for his role in a scheme to illegally deposit Hurricane Katrina disaster relief checks issued by FEMA, and to seal the tax refund check of a stranger. The defendant received at least nine U.S. Treasury checks from a co-conspirator and

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[27] *See* U.S. Attorney's Office, Southern District of Mississippi, Press Release (June 8, 2011), *available at* http://www.justice.gov/usao/mss/press/July2011/hollis%20wendell%20guilty%20verdict.pdf.

[28] *See* U.S. Attorney's Office, Southern District of Mississippi, Press Release (April 13, 2011), *available at* http://www.justice.gov/usao/mss/press/APRIL%202011/Moore%20oil%20spill%20fraud%20sentencing.pdf.

[29] *See* U.S. Attorney's Office, Southern District of Mississippi, Press Release (January 27, 2011), *available at* http://www.justice.gov/usao/mss/press/January2011/deveny%20sentencing.pdf.

deposited them, with forged endorsements, into bank accounts that he controlled. Each of the Katrina related checks was for $2,358. The defendant kept $358 from each of the Katrina related checks and kept the entire $7,449 tax return check. Eight of the FEMA checks were received through the online application process the agency set up for the displaced victims of Hurricane Katrina. The defendant applied for the eight checks using the stolen identity from eight different victims. None of the victims whose identity was stolen lived in New Orleans area when the hurricane hit. In total, the conspirators stole over $23,000 from the United States Government, with the defendant receiving more than $10,000. The United States Secret Service and DHS OIG conducted the investigation.[30]

New York - Eastern District

- On January 26, 2011, an indictment was unsealed in the United States District Court for the Eastern District of New York, charging two defendants – the President of Harbor Funding Group, Inc. (HFGI), and the President of Black Sand Mine, Inc. (BSMI) -- with conspiracy to commit securities and wire fraud. The indictment alleged that the defendants executed an advance fee scheme by telling land developers, who had clients seeking to build houses in regions affected by Hurricane Katrina, that HFGI had funds available to provide financing for the developers' projects, in exchange for an advance fee of ten percent of the loan amount. Contrary to their representations, the defendants did not have the money to finance the loans, but nonetheless kept the ten percent fee. Through this fraudulent scheme, the defendants allegedly stole more than $9 million from approximately 300 individuals. The United States Postal Inspection Service and the FBI conducted the investigation.[31]

New York - Northern District

- On May 12, 2011, a defendant pleaded guilty in the United States District Court for the Northern District of New York to one count of mail fraud for submitting a false claim to the GCCF. The defendant falsely claimed that he had lost rental income from two of his Florida properties as a result of the Deepwater Horizon oil spill. Due to his false statements the defendant received approximately $102,500 in assistance to which he was not entitled. The United States Secret Service conducted the investigation.[32]

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[30] *See* U.S. Attorney's Office, District of New Jersey, Press Release (April 26, 2011), *available at* http://www.justice.gov/usao/nj/Press/files/Kollie,%20David%20News%20Release.html.

[31] *See* U.S. Attorney's Office, Eastern District of New York, Press Release (January 26, 2011), *available at* http://www.justice.gov/usao/nye/pr/2011/2011jan26.html.

[32] *See* U.S. Attorney's Office, Northern District of New York, Press Release (May, 12, 2011), *available at* http://www.justice.gov/usao/nyn/news/1355-2661-875618688.pdf.

New York - Western District

- On September 20, 2011, the United States District Court for the Western District of New York sentenced a defendant to five years probation and ordered the defendant to pay $10,391.51 in restitution. In October 2005, the defendant applied for FEMA disaster assistance. He falsely claimed that at the time Hurricane Katrina made land fall, he was residing in New Orleans and due to the storm he was forced to relocate. Due to his fraudulent claim, the defendant unlawfully received $10,391.51 in disaster assistance aid. DHS OIG conducted the investigation.[33]

- On August 25, 2011, in the United States District Court for the Western District of New York a defendant pleaded guilty to theft of government property. Immediately after Hurricane Katrina, the defendant applied for FEMA disaster assistance. In her application for disaster assistance, the defendant fraudulently stated she was a resident of New Orleans at the time Hurricane Katrina made landfall, and was displaced by the hurricane. Through a follow up investigation it was discovered that the defendant was actually living in Rochester, New York, before, during, and after Hurricane Katrina made landfall. At sentencing, the defendant faces a maximum prison term of up to 10 years and a fine of up to $250,000. DHS OIG conducted the investigation.[34]

- On June 24, 2011, the United States District Court for the Western District of New York sentenced a defendant to three years of probation and ordered her to pay restitution in the amount of $2,000 to FEMA. The defendant fraudulently applied for and received $2,000 in disaster relief benefits from FEMA by claiming that she was living in New Orleans, at the time Hurricane Katrina made landfall. In actuality, the defendant was residing in Rochester, NY, at the time of the storm. Due to her fraudulent claim, the defendant received $2,000 of disaster aid to which she was not entitled. DHS OIG conducted the investigation.[35]

- On June 14, 2011, the United States District Court for the Western District of New York sentenced a defendant to five years of probation, including six months of electronic monitoring. In addition, the defendant was ordered to pay restitution in the amount of $15,815.51 to FEMA, to be paid jointly and severally with her co-defendant. The defendant created false rental receipts to be submitted with her co-defendant’s application for federal disaster assistance benefits from FEMA, following the landfall of Hurricane Katrina. As a result of the defendant's fraudulent paperwork the defendant and

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[33] *See* U.S. Attorney's Office, Western District of New York, Press Release (September 20, 2011), *available at* http://www.justice.gov/usao/nyw/press/press_releases/Etienne.pdf.

[34] *See* U.S. Attorney's Office, Western District of New York, Press Release (August 25, 2011), *available at* http://www.justice.gov/usao/nyw/press/press_releases/Thomas.pdf.

[35] *See* U.S. Attorney's Office, Western District of New York, Press Release (June 24, 2011), *available at* http://www.justice.gov/usao/nyw/press/press_releases/Morgan.pdf.

her co-defendant unjustly received $15,815.51 in disaster assistance. DHS OIG conducted the investigation.[36]

- On October 10, 2010, the United States District Court for the Western District of New York sentenced a defendant to three years probation and ordered her to pay restitution in the amount of $2,000 to FEMA. The defendant fraudulently applied for and received $2,000 in disaster relief benefits from FEMA following the landfall of Hurricane Katrina. In September 2005, the defendant falsely reported to FEMA that she had been residing in New Orleans, and had been displaced as a result of the hurricane. DHS OIG conducted the investigation.[37]

North Carolina - Eastern District

- On July 5, 2011, the United States District Court for the Eastern District of North Carolina sentenced a defendant to 121 months imprisonment, followed by five years supervised release, and ordered her to pay $107,593 in restitution. The defendant submitted several fraudulent disaster assistance claims to FEMA regarding the natural disasters of Hurricane Katrina, the California wildfires in 2007, and the storms in Georgia and Tennessee in 2008. The defendant submitted claims to FEMA under her name and the names of her mother, deceased sister, and three other people. The claims were for expedited assistance, housing, rental assistance, and property damage. In an attempt to collect the claims, the defendant used falsified documents such as a fake Louisiana driver's license and her sister's Social Security number. In addition, the defendant submitted a false claim, under the name of her deceased sister, falsely claiming to have worked for and been terminated by a company in New Orleans, due to the Deepwater Horizon oil spill. The United States Secret Service, the FBI, and the United States Postal Inspection Service conducted the investigation, with assistance from the Fraud Section of the Criminal Division of the United States Department of Justice and the NCDF.[38]

Texas - Eastern District

- On March 24, 2011, the United States District Court for the Eastern District of Texas sentenced a defendant to two years of probation and ordered him to pay $18,188.84 in

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[36] *See* U.S. Attorney's Office, Western District of New York, Press Release (June 14, 2011, *available at* http://www.justice.gov/usao/nyw/press/press_releases/Smith.pdf.

[37] *See* U.S. Attorney's Office, Western District of New York, Press Release (October 10, 2010), *available at* http://www.justice.gov/usao/nyw/press/press_releases/FEMA%20fraud-Henderson%20sentencing.pdf

[38] *See* U.S. Attorney's Office, Eastern District of Louisiana, Press Release (December 10, 2010), *available at* http://www.justice.gov/usao/lae/news/2010/2010_12_10_press_release_indictment.html.

restitution. The defendant was employed as a contractor to assist disaster victims of Hurricane Ike in applying for FEMA assistance. The defendant filed a false claim on behalf of a high school classmate that contained fraudulent statements regarding primary residence, an apartment, and damage sustained as a result of Hurricane Ike. Records show that the classmate had been evicted from her apartment before Hurricane Ike made landfall. Moreover, that apartment in question was not damaged by the storm. As a result of the defendant's fraudulent activity, his classmate wrongfully received $18,188.84. DHS OIG conducted the investigation with assistance from FEMA.[39]

Texas - Southern District

- On September 28, 2011, the United States District Court for the Southern District of Texas sentenced a defendant to 78 months imprisonment, followed by three years of supervised release, and ordered him to pay Medicare and Medicaid restitution in the total amount of $1,582,946.44. The defendant was the owner of a durable medical equipment (DME) company, and participated in a 13-month conspiracy to defraud Medicare by billing Medicare using a specific code (CR) created by Medicare to expedite the approval and payment of claims for DME lost or destroyed by Hurricanes Katrina and Rita. The defendant's fraudulent claims involved the alleged replacement of power wheelchairs by his DME company. The defendant used the CR modifier for power wheelchair claims: 1) where the beneficiary did not have a power wheelchair before the hurricanes; 2) where the power wheelchair owned by the beneficiary did not sustain any hurricane-related damage; 3) where the defendant never delivered a power wheelchair to the beneficiary; and 4) where the defendant delivered a scooter instead of a power wheelchair to the beneficiary.

  In addition, the defendant admitted purchasing beneficiaries' Medicare information from the owner of a former DME company and using that list to bill Medicare for a new power wheelchair for every beneficiary, without determining whether the beneficiary had lost a wheelchair in the hurricane. Lastly, the defendant paid marketers to solicit additional Medicare beneficiaries for power wheelchairs and used the CR modifier for every power wheelchair sold to a beneficiary by the marketers. The defendant billed Medicare in excess of $5.4 million and was paid at least $1.6 million as a result of his scheme. The FBI, the United States Department of Health and Human Services OIG, the Railroad Retirement Board OIG, and the Medicaid Fraud Control Unit of the Texas Attorney General's Office conducted the investigation.[40]

- On July 6, 2011, a federal grand jury in the Southern District of Texas returned an indictment charging an individual with wire fraud and mail fraud in relation to the

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[39] *See* U.S. Attorney's Office, Eastern District of Texas, Press Release (March 24, 2011), *available at* http://www.justice.gov/usao/txe/News/2011/edtx-hkftf-joseph-032411.html.

[40] *See* U.S. Attorney's Office, Southern District of Texas, Press Release (September 28, 2011), *available at* http://www.justice.gov/usao/txs/1News/Releases/2011%20September/110928%20Ita.htm.

Deepwater Horizon oil spill. The indictment alleged that the defendant defrauded BP and the GCCF, claiming he had lost wages as a result of the Deepwater Horizon incident. It further alleged that the defendant fraudulently claimed and submitted false documentation that he had been employed as a seafood processor in New Orleans and had lost wages as result of the incident. The defendant allegedly submitted several claims, including a "final claim form" that he later requested to be modified from $50,000 to $500,000. He allegedly received payments totaling $22,400 as a result of his fraudulent claims. The United States Secret Service conducted the investigation.[41]

- On July 6, 2011, a federal grand jury in the Southern District of Texas returned an indictment charging an individual with mail and wire fraud relating to his submission of an allegedly fraudulent claim to the GCCF. According to the indictment, the defendant fraudulently claimed that he had been employed as a seafood processor in New Orleans and had lost wages as a result of the oil spill and submitted documents falsely showing that he had been so employed.[42]

- On July 29, 2011, a defendant in the Southern District of Texas was sentenced to three years probation on the basis of his plea to wire fraud, in connection with an alleged false claim relating to the Deepwater Horizon oil spill. Previously, on November 22, 2010, a federal grand jury in the Southern District of Texas returned an indictment against the defendant charging him with wire fraud. The indictment alleged that the defendant made various misrepresentations in connection with a claim he allegedly filed seeking a total of approximately $28,434 for alleged lost income as a result of the spill. The United States Postal Inspection Service conducted the investigation.[43]

Antitrust Division

Throughout the existence of the Task Force, the Dallas and Atlanta Field Offices of the Antitrust Division have been consistent and active participants in the work of the Task Force and NCDF meetings. The Division's mandate for enforcement of the federal antitrust laws includes prosecution of anticompetitive conduct such as bid-rigging, price fixing, and customer or market allocation relating to post-disaster activities.

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[41] *See* U.S. Attorney's Office, Southern District of Texas, Press Release (July 11, 2011), *available at* http://www.justice.gov/usao/txs/1News/Releases/2011%20July/110711%20Thornton.htm.

[42] *See* Indictment, United States v. Thornton, Criminal No. 11-497 (S.D. Tex., filed July 6, 2011).

[43] *See* U.S. Attorney's Office, Southern District of Texas, Press Release (December 10, 2010), *available at* http://www.justice.gov/usao/txs/1News/Releases/2010%20December/121010%20Corona.htm.

Civil Division

The Civil Division has also been an active member of the Task Force, investigating allegations of fraud and potential civil False Claims Act cases stemming from the work of government contractors in the Gulf Coast.

2. State and Local Enforcement

In addition to federal law enforcement efforts against disaster fraud, various state Attorneys General, local district attorneys, and other local authorities actively pursue disaster fraud. For example, the Louisiana Department of Wildlife and Fisheries (LDWF) actively participates in the NCDF's process for screening and referral of Deepwater Horizon oil spill fraud reports and referrals, and serves as a liaison to other state wildlife and fisheries departments in the Gulf Coast region.

B. Increased Coordination

1. The National Center for Disaster Fraud

The NCDF – originally established as the Hurricane Katrina Fraud Command Center in 2005 – is located in Baton Rouge, Louisiana. The NCDF continues to serve as a nationwide resource on disaster fraud for law enforcement. During FY 2011, the NCDF received and processed an average of more than 300 complaints and leads of disaster-related fraud each week. As of the end of FY 2011, it had referred more than 36,000 leads to law enforcement agencies and field offices around the country. Agencies that have agents assigned to the NCDF include the FBI, DHS OIG, the Postal Inspection Service, and the Secret Service. Agents from the other agencies (listed below) attend the meetings and work as members of the Task Force.

United States Attorney for the Middle District of Louisiana Donald J. Cazayoux, Jr. serves as the NCDF's Executive Director. Previous NCDF Executive Directors include then-United States Attorney for the Middle District of Louisiana David R. Dugas (2005-2010) and United States Attorney for the Eastern District of Louisiana Jim Letten (2010-2011). In addition, through a cooperative agreement between the Department of Justice and Louisiana State University, Kathleen Wylie serves as the NCDF's Deputy Director. Staffing at the NCDF includes the Deputy Director, 24 call center operators, two call center managers, and one fraud analyst. The NCDF also continues to operate two national disaster fraud hotlines and to receive fraud complaints through mail, fax, email, and direct input by law enforcement agencies on LEO.

Regular NCDF meetings and day-to-day interaction of the NCDF 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.

During FY 2011, the NCDF provided direct support to several U.S. Attorney's Offices (USAOs) whose districts had been affected by disasters. This assistance included providing

USAOs with copies of NCDF posters and business cards that could be distributed in the affected districts and communities to inform the public about reporting disaster-related fraud to the NCDF.[44] In addition, representatives of the NCDF and the Department of Justice conducted half-day training sessions in Memphis, Tennessee and Mobile, Alabama for federal prosecutors and agents on investigating and prosecuting disaster-related fraud.[45]

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 NCDF:

- Department of Justice Criminal Division;
- Department of Justice Civil Division;
- Department of Justice Antitrust Division;
- Department of Justice OIG;
- Department of Justice USAOs for the Southern District of Alabama, the Middle, Northern, and Southern Districts of Florida, the Southern District of Mississippi, the Eastern, Middle, and Western Districts of Louisiana, and the Eastern and Southern Districts of Texas;
- FBI;
- DHS OIG;
- United States Secret Service;
- SSA OIG;
- HUD OIG;
- Department of Labor OIG;
- U.S. Postal Inspection Service;
- U.S. Postal Service OIG
- Internal Revenue Service, Criminal Investigation;
- Treasury Inspector General for Tax Administration;

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[44] *See, e.g.*, U.S. Attorney's Office, Northern District of Alabama, Press Release (May 11, 2011), *available at* http://www.justice.gov/usao/msn/news/2011/May11diaster.html.

[45] *See* U.S. Attorney's Office, Northern District of Alabama, Press Release (June 8, 2011), *available at* http://www.justice.gov/usao/aln/News/June%202011/June%208,%202011%20Disaster%20Fraud%20Prosecution.html.

- Department of Health and Human Services OIG;
- Environmental Protection Agency OIG;
- Environmental Protection Agency Criminal Investigative Division;
- Department of Agriculture OIG:
- Department of Commerce OIG;
- Department of Defense OIG and Defense Criminal Investigative Service (DCIS);
- Department of Energy OIG;
- Department of Transportation OIG;
- National Aeronautics and Space Administration OIG;
- General Services Administration OIG;
- SBA OIG; and
- Department of Veterans Affairs OIG.

2. Other Investigative Coordination and Action

a. Investigative Agencies

Federal Bureau of Investigation

As a founding member of the Katrina Fraud Task Force in 2005, the FBI is dedicated to combating public corruption and disaster related fraud in an aggressive, proactive manner. The FBI provided sustained support to the Katrina Fraud Task Force from the New Orleans Field Office and has maintained a consistent presence within the Disaster Fraud Task Force (NCDF) with administrative and analytical support from the Public Corruption Unit. In 2010, the FBI enhanced its commitment to the NCDF with the assignment of a Supervisory Special Agent, a Program Assistant, and a Program Analyst to support public corruption and government fraud field investigations. Through FY 2011, the FBI has initiated more than 1,300 disaster related investigations in more than 31 field offices. Investigations include public corruption, government benefit fraud, contractor fraud, identity theft, and economic crime fraud.

The Supervisory Special Agent assigned to the NCDF has been designated as the FBI's point of contact and is responsible for overseeing the FBI's National Disaster Fraud Program. The FBI personnel located within the NCDF interact with representatives from federal, state, and local agencies on a daily basis to triage, screen and analyze incoming complaints before forwarding them to local FBI Field Offices for investigative consideration. Since 2005, over 9500 complaints have been assigned to the FBI, which resulted in the creation of specialized squads in Mississippi and Louisiana to investigate allegations of disaster fraud. Local FBI Offices in Mississippi, Louisiana, Florida, Alabama, and Missouri proactively initiated the law enforcement liaison to coordinate investigative efforts in storm ravaged areas such as Joplin, Missouri and Tuscaloosa, Alabama, as well as the areas affected by the 2010 BP oil spill.

Postal Inspection Service

The United States Postal Inspection Service (USPIS) continues to aggressively support the NCDF. It has provided resources to the NCDF since its creation in 2005 as the Hurricane Katrina Fraud Task Force Joint Command Center. The USPIS commitment to the vigorous pursuit of individuals who perpetrate disaster-related fraud schemes, i.e., government benefit fraud, private sector benefit fraud, and charity fraud, by the utilization of the U.S. Mail, remains strong. As the law enforcement entity of the Postal Service, its mission is to protect the U.S. Mail and Postal customers who depend on the Postal Service to deliver their mail. Postal Inspectors conduct criminal investigations and seek federal prosecution of individuals who utilize the mail to fraudulently receive funds designated to assist victims of man-made and natural disasters, including the Deepwater Horizon oil spill and other recent disasters.

The Postal Inspection Service has been an active participant in investigations and consumer education campaigns related to disaster fraud. It has also maintained a constant presence at NCDF. The USPIS has provided the resource of a fraud analyst who is assigned to NCDF to screen and analyze fraud complaints involving the U.S. Mail. A Postal Inspector and a second fraud analyst at the New Orleans Field Office support NCDF, as needed. In addition, Postal Inspector Points of Contact (POCs) have been assigned to coordinate Oil Spill Fraud investigations in the field divisions most impacted by the spill. A total of 1,879 referrals related to the Gulf Coast Oil Spill have been received and referred to the POCs and other field divisions nationwide. Criminal investigations are in progress on several oil spill fraud cases involving multiple suspects. Postal Inspectors also investigated 769 referrals related to recent and past disasters. Several investigations related to Hurricane Katrina and American Red Cross referrals were finalized.

United States Secret Service

The United States Secret Service has been a participating member of the NCDF since September 2005. Since the inception of the NCDF, the Secret Service has successfully worked with participating member agencies to investigate individuals for disaster related fraud. In October 2010, the Secret Service assigned an agent to the NCDF to review and distribute referrals related to possible fraudulent Deepwater Horizon disaster claims. Since October 2010, the Secret Service has opened 175 federal investigations in 15 Secret Service offices around the country. The Secret Service has arrested 46 individuals who provided fraudulent claims to the GCCF in North Carolina, New York, Michigan, Texas, Louisiana, and Alabama. Another 9 individuals are currently pending indictments.

Additionally, the Secret Service's participation in the NCDF investigations has led to six administrative seizure warrants pertaining to five vehicles and a monetary seizure. Based on the cases reviewed and referred to various field offices, the Secret Service has identified $10 million in actual loss and $172 million in potential loss associated with claims filed with the GCCF. By participating at the NCDF, the Secret Service has been able to effectively work with other state and federal agencies, to include the United States Postal Inspection Service, the FBI, and the LDWF on several significant multi-claimant conspiracies.

The Secret Service has been investigating many related Deepwater Horizon fraud schemes that included federal arrests and prosecutions during FY 2011. At the end of FY 2011, approximately 1,300 individuals were currently under investigation by the Secret Service, which reflects the Secret Service’s dedication to aggressively investigating Deepwater Horizon fraudulent claims to support the mission of safeguarding the nation's financial infrastructure and preserving the integrity of the nation's economy.

b. Inspectors General

The federal Inspectors General community has played a key role in the work of the Task Force since its inception. During FY 2011, OIGs had substantial statistical accomplishments, as shown below in Table 1[46]:

Table 1: OIG Statistical Accomplishments in Disaster-Fraud Investigations During FY 2011

	Number of Disaster Fraud Investigations Open During FY 2011	***Number of Persons Federally Indicted or Otherwise Federally Charged in Disaster Fraud Related Cases in FY 2011***	***Number of Defendants Convicted in Federal Disaster Fraud Prosecutions in FY 2011***	***Amount of Restitution or Other Repayment of Funds Ordered in Federal Disaster Fraud Prosecutions in FY 2011***
Department of Homeland Security	606	81	143	$10,949,827
Department of Agriculture	37	14	14	$1,040,236
Department of Housing and Urban Development	171	46	51	$3,515,556
Department of Justice	3	2	2	$3,392,367
Department of Labor	32	29	22	$992,637
Environmental Protection Agency	1	4	0	0
General Services Administration	2	0	0	0
Social Security Administration	3	1	2	$27,600
USAID	2	0	0	0

Several OIGs provided the following descriptions of their disaster fraud-related activities during FY 2011:

- *DHS*: As the investigative agency with principal jurisdiction to investigate allegations of

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[46] *Note*: The totals in Table 1 are not cumulative, as these totals include investigations in which more than one OIG participated. In addition, these totals do not reflect state prosecutions of cases in which federal OIGs participated. For example, during FY 2011 the Department of Housing and Urban Development OIG reported that in FY 2011, 11 individuals were charged and 8 individuals convicted in state courts, and $211,399.00 in state restitution was ordered.

fraud pertaining to FEMA programs and operations, the Office of Investigations in DHS OIG has been pleased to be a major contributor to the NCDF and its predecessor, the Hurricane Katrina Fraud Task Force.

In FY 2011, DHS OIG continued to contribute significant amounts of investigative and financial resources to the NCDF, placing it at the forefront of agencies that support the NCDF. During FY 2011, DHS OIG Office of Investigations completed work on 157 investigations. The Office of Investigations was continuing work on 449 open disaster fraud investigations at the end of FY 2011. Through the efforts of DHS OIG, 81 persons were indicted or otherwise criminally charged, and 143 individuals were convicted, in disaster fraud investigations. Its FY 2011 investigations also yielded $8,908,000 in restitution, $399,827 in fines, and $1,642,000 in other funds recovered. In addition, since April 2011 the Office of Investigations made 22 referrals to FEMA for the suspension or debarment of companies or persons.

DHS OIG investigations often involved members of the public who fraudulently claimed government benefits to which they were not entitled, as well as corrupt FEMA or other federal, state, or local officials or government contractors. One such investigation resulted in the conviction of a former mayor, a former police chief, and three other city employees on fraud charges for overstating hours worked and expenses incurred that were charged to FEMA. In another case, a former county emergency management agency director was convicted for stealing grant money from an emergency preparedness program. On yet another case, the owner of a consulting company was arrested for overcharging FEMA during the course of a $5.2 million contract for ambulance services. This past year also saw the investigation and arrest of such individuals as a former Florida police officer, a U.S. Postal Service worker, and a county supervisor in Mississippi. DHS OIG's efforts prevented members of the public from being victimized when DHS OIG agents arrested two conspirators who had perpetrated an identity theft scheme that misdirected $600,000 in disaster assistance benefits from elderly individuals.

- *Department of Agriculture*: The Department of Agriculture OIG had 37 disaster fraud investigations during FY 2011. These investigations involved a total of 109 subjects. Of the 37 investigations, 23 investigations were focused on Hurricane Katrina-related fraud, 3 cases involved Hurricane Rita-related fraud, and the remaining 11 cases involved fraud in programs established to cover disaster damage to certain kinds of crops and livestock not covered by regular crop insurance policies. In FY 2011, these investigations resulted in one indictment, 14 convictions, and a total of $1,040,236 in monetary results, including $893,153 in restitution, $80,400 in cost avoidance, $39,783 in claims established, $22,400 in recoveries, and $4,500 in fines.

- *SSA*: The SSA OIG Birmingham office and the Hurricane Katrina Fraud Task Force investigated a woman who fraudulently received FEMA disaster assistance due to Hurricane Katrina. The investigation revealed the woman filed a fraudulent FEMA claim, fraudulently reporting her residence was located in an area designated as affected by Hurricane Katrina. The woman also provided a false Social Security number on the claim. The woman entered into the pre-trial diversion program, in lieu of criminal prosecution, concerning her theft of government funds. The woman was placed on probation for 18 months, and was ordered to pay restitution of $2,000 to FEMA.

In response to information provided by DHS OIG, the SSA OIG Philadelphia office investigated a Supplemental Security Income disability recipient who fraudulently received FEMA disaster assistance after Hurricane Katrina. This individual fraudulently reported that he resided in Louisiana during Hurricane Katrina when, in fact, he resided in Stroudsburg, Pennsylvania. After the man pled guilty to making false statements, the U.S. District Court for the Middle District of Pennsylvania sentenced him to three years' probation, and ordered him to pay restitution of $25,600 to FEMA.

- *USAID*: During FY 2011, USAID OIG had two matters that were related to USAID activities resulting from Haiti's 7.0 magnitude earthquake on January 12, 2010. One case involved fraudulent charges by an employee of a USAID implementing partner under a Haiti Recovery Initiative Task Order. The allegation was self-reported by the implementing partner. The employee was charged in a state circuit court and pleaded guilty to one count. The fraudulent charges were fully reimbursed to USAID by the company. In addition to restitution and court costs, the defendant received a five-year suspended sentence and five years of supervised probation. The case is completed.

  The second case involved a USAID grant provided to an implementing partner to rebuild a public market that had been destroyed in the city of Leogane, Haiti – the epicenter of the earthquake. In March of 2011, USAID's implementing partner awarded a $260,554 limited scope grant to a local construction company to re-build the market in a new location. Because of an ownership dispute over the land where the market was constructed, the partially built market was vandalized. Structures were destroyed and building materials were damaged and stolen. The case is still ongoing.

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Appendix: To Report Disaster-Related Fraud

To report any type of fraud relating to any natural or man-made disaster, including the Deepwater Horizon oil spill, please contact the National Center for Disaster Fraud (NCDF) by –

- Telephone: 1-866-720-5721
- Email: disaster@leo.gov
- Fax: 1-225-334-4707
- Mail: National Center for Disaster Fraud, P.O. Box 4909, Baton Rouge, LA 70821-4909

To report fraudulent or deceptive practices affecting consumers, please contact the Federal Trade Commission's Consumer Response Center at 1-877-FTC-HELP (382-4357).

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