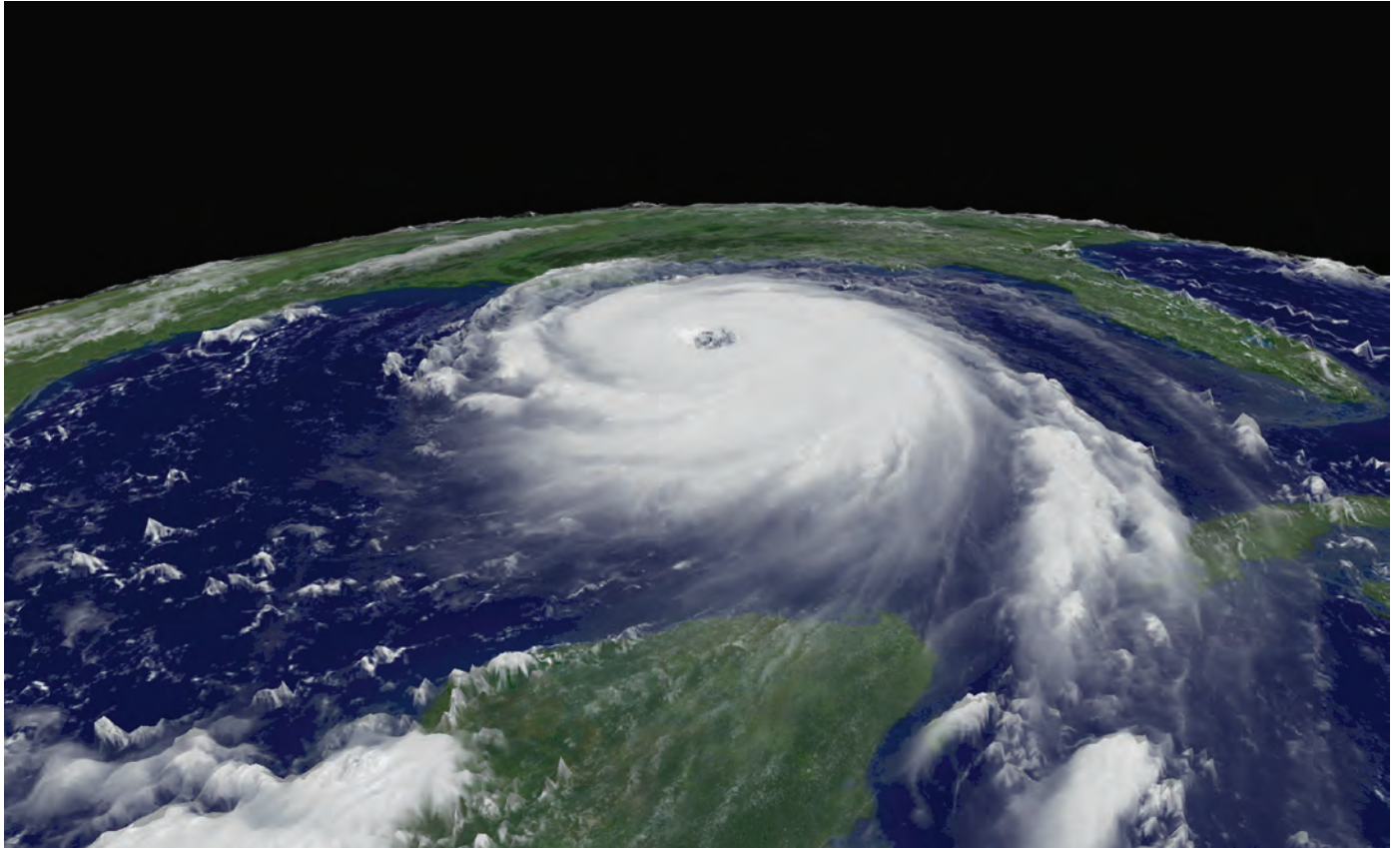




Hurricane Katrina Fraud Task Force



Fifth Anniversary Report to the Attorney General

September 2010

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Photo Credit: Satellite Photo of Hurricane Katrina [NOAA]	

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 Fifth Anniversary Report of the Hurricane Katrina Fraud Task Force. In the five years since Hurricane Katrina first made landfall on August 29, 2005, the Task Force and its members have achieved an unprecedented level of success in investigating and bringing to justice those who callously sought to take advantage of the misfortunes of disaster victims by committing a variety of frauds and related crimes.

When it was established in September 2005, the mission of the Hurricane Katrina Fraud Task Force was to deter, prevent, detect, and punish fraud related to the devastation caused by Hurricane Katrina. Subsequently, as other hurricanes and disasters, both in and beyond the Gulf Coast region, gave rise to similar patterns of fraud, the work of the Task Force has expanded to provide assistance to United States Attorney's Offices and federal investigative agencies and Inspectors General in providing a national mechanism for receiving and referring complaints from the public about suspected fraud. In 2010, for example, the earthquakes in Haiti and floods in New England and Tennessee prompted immediate response by the Task Force and its members.

In the five years since Katrina, United States Attorney's Offices across the country have shown remarkable persistence and dedication in continuing to pursue disaster-related fraud. From September 8, 2005 through September 1, 2010, 47 United States Attorney's Offices across the country have charged more than 1,300 people with various hurricane fraud-related crimes. Depending on the severity of the offenses and the economic losses they caused, some defendants, particularly ringleaders of major schemes, received significant terms of imprisonment, while others – often individuals with no prior criminal records – were convicted of felonies but received sentences of probation and restitution. The Task Force's record in this regard continues to demonstrate the importance of sustained commitment to disaster-fraud prosecution, not only to seek just punishment for offenders but also to deter others from engaging in similar conduct.

It must be said that this extraordinary record of success would not have been possible without the heartfelt and sustained 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 incomparable leadership of its Executive Directors – then-United States Attorney for the Middle District of Louisiana David Dugas from 2005 to 2010, and now United States Attorney for the Eastern District of Louisiana Jim Letten –

and its Deputy Director Kathleen Wylie, the NCDF has screened, deconflicted, and referred more than 39,000 fraud-related tips and complaints. 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, 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 five years.

Sincerely,

Lanny A. Breuer
Assistant Attorney General,
Criminal Division
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 Council of Inspectors General on Integrity and Efficiency (CIGIE), the Executive Council on Integrity and Efficiency, and numerous Inspectors General, including –
 - the Department of Agriculture;
 - the Department of Commerce;
 - the Department of Defense;
 - the Department of Education;
 - the Department of Energy;
 - the Department of Health and Human Services;
 - the Department of Homeland Security;
 - the Department of Housing and Urban Development;
 - the Department of Justice;
 - the Department of Labor;
 - the Department of Transportation;
 - the Department of the Treasury (for Tax Administration);
 - the Environmental Protection Agency;

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

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

I. Task Force Background and Mission Statement

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. The Task Force is charged with deterring, detecting, and prosecuting unscrupulous individuals who try to take advantage of Hurricanes Katrina, Rita, and Wilma and subsequent 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 five 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. As of September 1, 2010, 1,360 people have been federally charged with fraud related to Katrina, Rita, or Wilma. (See Figure 1 below.) 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.

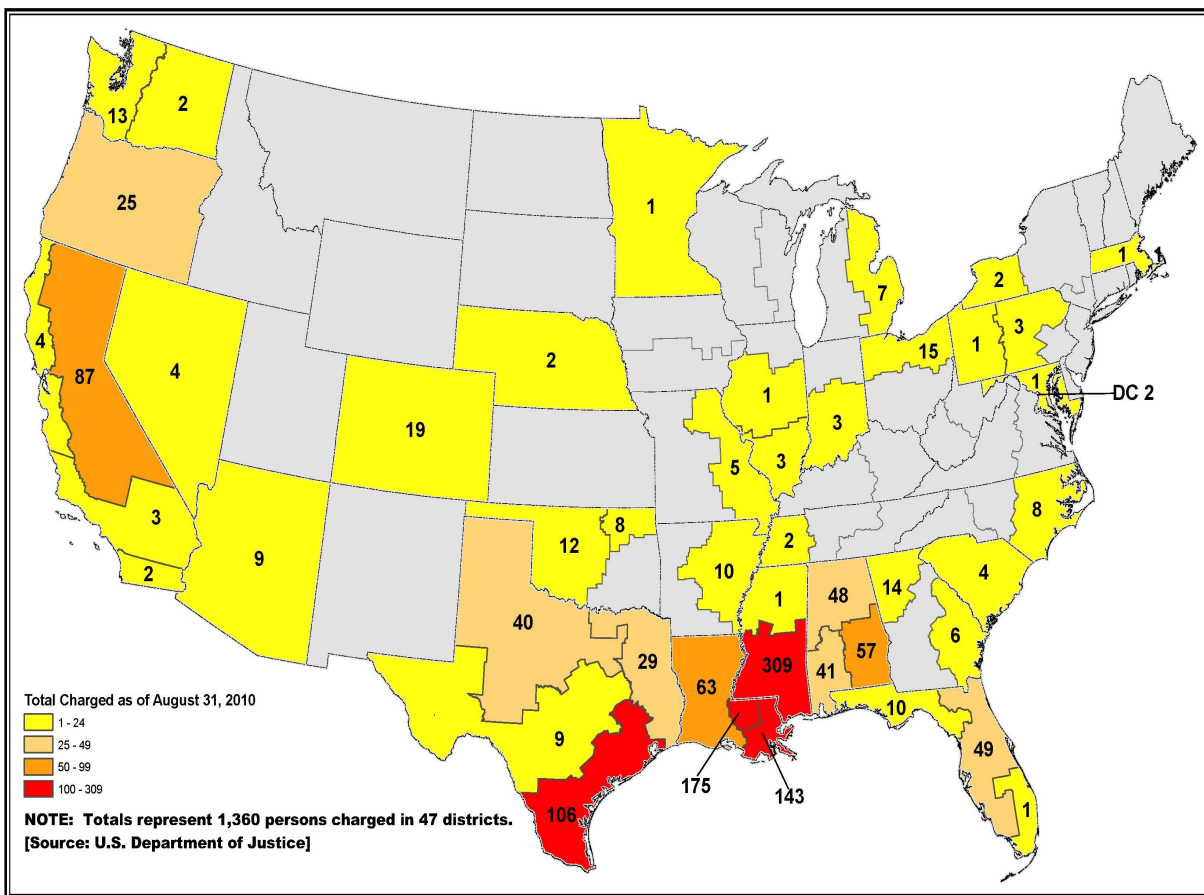


Figure 1

1. Federal Prosecutions

While the majority of Task Force prosecutions over the past five years have involved fraud to obtain individual-assistance benefits from FEMA and the American Red Cross, the Task Force has also pursued a variety of cases involving identity theft, procurement fraud, and public corruption, as well as cases involving efforts to obtain funds from the Louisiana and Mississippi

programs for homeowner assistance that the U.S. Department of Housing and Urban Development (HUD) funded. The following summaries of recent disaster fraud-related cases from a number of United States Attorneys' Offices and from the Antitrust and Civil Divisions of the Department of Justice are offered as a sample of the fraudulent schemes that the Department has successfully investigated and prosecuted during the Task Force's existence.

Alabama - Middle District [United States Attorney Leura Garrett Canary]

- On April 10, 2009, the United States District Court for the Middle District of Alabama sentenced a defendant, a former FEMA manager, to three years probation, a \$1,000 fine, and \$5,311.51 restitution. On June 6, 2008, a federal grand jury in the Middle District of Alabama had indicted the defendant on charges of theft of government property relating to embezzlement of a trailer intended for victims of Hurricanes Katrina and Rita, embezzlement of a government vehicle, and of obstruction of justice. The indictment alleged that while he was the manager of FEMA Emergency Housing Unit in Selma, Alabama, which FEMA used for the storage, transportation, and delivery of travel trailers in the aftermath of Hurricanes Katrina and Rita, the defendant embezzled a 39 foot Cherokee Travel Trailer and his government vehicle, to which he had access by virtue of his management position with FEMA. It also charged him with attempting to corruptly influence the ongoing investigation against him in the Middle District of Alabama. On November 20, 2008, the defendant pleaded guilty to one count of theft of government property. The Department of Homeland Security - Office of Inspector General (DHS-OIG) conducted the investigation.¹
- On January 18, 2008, the United States District Court for the Middle District of Alabama sentenced a defendant to six years imprisonment after he pleaded guilty to four counts of theft of Government property. During the sentencing, the court determined that the defendant and others were part of a larger Hurricane Katrina fraud ring, and that he and others stole nearly \$25,000 intended for the victims of Hurricanes Katrina and Rita. The court also enhanced the defendant's sentence because of his extensive role as a manager or supervisor of the FEMA fraud conspiracy and for obstruction of the administration of justice. The DHS-OIG, with the assistance of the Middle District's Hurricane Katrina Task Force, conducted the investigation.²
- On January 10, 2008, the United States District Court for the Middle District of Alabama sentenced a defendant to 43 years imprisonment, after a trial in which a jury found her guilty of 22 different counts involving the filing of false claims for Hurricane Katrina

¹ See U.S. Attorney's Office, Middle District of Alabama, Press Release (June 6, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/jun/060608Broome-Indictment.pdf>.

² See U.S. Attorney's Office, Middle District of Alabama, Press Release (January 28, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/jan/01-28-08jwarner-sent.pdf>.

disaster assistance, theft of funds intended for victims of Hurricane Katrina, threatening a witness from another Hurricane Katrina case, conspiracy, drug distribution, weapons charges, and lying to federal authorities. This is the longest sentence ever given for a case arising out of Hurricane Katrina or Rita fraud. The defendant's sentence was comprised of 34 years in mandatory minimum sentences for the threatening of a witness, for the drug and gun charges, and for the aggravated identity theft. The additional nine years related to her theft, conspiracy to defraud FEMA, and drug distribution charges. As related to the Katrina fraud, the court also found that while the defendant was successful in stealing \$80,000 from FEMA, her intent was to steal well over \$500,000 in FEMA funds. When the defendant is released, she will be required to repay FEMA the funds she took. The DHS-OIG, with the assistance of the Postal Inspector Service, the Social Security Administration, the United States Secret Service, and the Drug Enforcement Administration, conducted the investigation.³

Alabama - Southern District [United States Attorney Kenyen Ray Brown]

- On March 26, 2007, the United States District Court for the Southern District of Alabama sentenced a defendant to 39 months imprisonment for FEMA fraud after Hurricane Katrina, after his conviction at trial on all eight counts of an indictment that included aggravated identity theft charges. On September 30, 2005, the defendant had listed a townhouse in New Orleans as his primary residence at the time of the hurricane. As a result of his application, he received a total of \$12,858 in benefits from FEMA, including \$10,500 to assist in replacing the townhouse in New Orleans. Evidence at trial, however, established that he in fact had already moved to Alabama prior to the storm. The DHS-OIG conducted the investigation.⁴
- On January 26, 2007, the United States District Court for the Southern District of Alabama sentenced a defendant to more than six years imprisonment and \$267,377.15 in restitution to FEMA, for defrauding FEMA of more than \$267,000 and for aggravated identity theft after Hurricane Katrina. In addition, the defendant was ordered to forfeit all of the property she purchased with the proceeds of her fraud, including four automobiles, real estate, televisions and other electronics. The defendant had pleaded guilty to making false claims to the government, wire fraud, and aggravated identity theft in connection with 28 fraudulent claims for disaster assistance she made to FEMA after Katrina. She admitted that her residence in Jackson, Alabama was not damaged by the hurricane and that she filed 28 fraudulent claims for assistance, falsely claiming to have lived at various addresses in Alabama, Mississippi, Louisiana and Florida. In those applications, she

³ See United States Attorney's Office, Middle District of Alabama, Press Release (January 10, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/jan/01-10-08willis-sent.pdf>.

⁴ See U.S. Attorney's Office, Southern District of Alabama, Press Release (March 26, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/mar/03-26-07-reiss-sent.pdf>.

admitted using Social Security numbers of other people and providing FEMA with fraudulent and fictitious documents that purported to prove her ownership of property she did not own. The DHS-OIG, the FBI, and the Postal Inspection Service conducted the investigation.⁵

Connecticut [United States Attorney David B. Fein]

- On April 8, 2009, a federal grand jury in the District of Connecticut indicted an individual on one count of theft of Government property and two counts of making false statements pertaining to eligibility for Hurricane Katrina benefits. The indictment alleged that, between September 2005 and February 2006, the defendant knowingly stole and converted United States Government funds totaling \$3,472 that were provided through expedited assistance programs maintained by FEMA for Hurricane Katrina victims. The defendant represented that she was eligible for such benefits, when in reality she knew that she was ineligible for the benefits because she was not a Hurricane Katrina victim and because she already had Government-subsidized rental housing in Connecticut.

On July 14, 2009, a federal grand jury in the District of Connecticut returned a superseding indictment alleging that, between December 2005 and October 2006, the individual's landlord business entity, a Connecticut limited liability corporation, and the managing agent for the landlord, knowingly stole and converted United States Government funds totaling \$13,749 that were provided through rental assistance programs maintained by FEMA for Hurricane Katrina victims, but which were unavailable to individuals already receiving other Government-subsidized rental assistance. The rental assistance payments were paid directly to the landlord on behalf of the individual. The superseding indictment also alleges that the managing agent knowingly made materially false statements in an October 2006 document provided to federal agents.

On November 16, 2009, the individual defendant pleaded guilty to one count of making a false statement to federal law enforcement officials. The individual also entered into a cooperation agreement with the Government in which she agreed to testify against her co-defendants named in the superseding indictment. On April 22, 2010, the United States District Court for the District of Connecticut sentenced the individual to three years of probation and \$3,472 in restitution to the Government.

On March 5, 2010, the landlord business entity pleaded guilty to one count of theft of Hurricane Katrina FEMA benefits. The landlord was sentenced on June 1, 2010 to two years of probation and was ordered to pay a fine of \$20,000 for stealing Hurricane

⁵ See U.S. Attorney's Office, Southern District of Alabama, Press Release (January 24, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/jan/01-24-07/lwilliams-sent.pdf>.

Katrina relief benefits. The landlord was also ordered to pay restitution in the amount of \$13,749. At the conclusion of the landlord's sentencing, the court granted the Government's motion to dismiss the charges alleged in the superseding indictment against the managing agent for the landlord. The DHS-OIG and the U.S. Department of Housing and Urban Development Office of Inspector General (HUD-OIG) conducted the investigation.⁶

District of Columbia [United States Attorney Ronald C. Machen]

- On February 5, 2007, the United States District Court for the District of Columbia sentenced a defendant to 102 months imprisonment in connection with a scheme to defraud FEMA of more than \$100,000 in relief funds intended for victims of Hurricanes Katrina and Rita. The defendant had previously pleaded guilty to a three-count information charging bank fraud, mail fraud, and money laundering. According to the government's evidence in this case, between about September 13, 2005 and December 31, 2005, the defendant applied for emergency FEMA funds using the names, birth dates, and Social Security numbers of other individuals, none of whom had given him permission to apply for such benefits on their behalf. The defendant obtained most of this information through the Martindale-Hubble legal directory and various other public databases, as well as through his previous job at a construction company. He admitted that on the portion of the application that asked for the address of a property damaged by Hurricane Katrina or Hurricane Rita, he would fill in addresses that he found on the Internet or that he made up.

As a result of this scheme, FEMA mailed 38 U.S. Treasury checks, made out to the individuals whom the defendant specified, to motels where he was staying or private mailboxes that he had rented in the names of other individuals, using false identification in the names of those individuals, but bearing his own photograph. He then forged the signatures of the payees and deposited the checks into bank accounts that he had opened in the names of other people without their permission, but that he controlled. In particular, he opened an account at an E*Trade Financial Corporation Branch in Northwest Washington, D.C., into which he deposited five of the fraudulently obtained checks, intending to withdraw the money and convert it to his own use at a later date. In addition, he submitted 14 applications, including one in his alias, Jeffrey Alan Zahler, for which he did not receive a check. He also admitted engaging in a number of other fraudulent schemes, including check kiting and credit card fraud in the District of Columbia, Virginia, New York, Florida, and elsewhere. The United States Secret Service, the U.S. Postal Inspection Service, the U.S. Department of the Treasury OIG,

⁶ See U.S. Attorney's Office, District of Connecticut, Press Release (April 8, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/apr/04-08-09_christine-tate-chrgs.pdf.

FEMA, the U.S. Marshal's Office for the Southern District of New York, and the DHS-OIG conducted the investigation.⁷

Georgia - Northern District [United States Attorney Sally Q. Yates]

- On September 1, 2010, the United States District Court for the Northern District of Georgia sentenced a defendant to two years and nine months imprisonment on charges of mail fraud for fraudulently obtaining FEMA disaster assistance funds intended for the victims of several different federally declared disasters. On June 28, 2010, the defendant pleaded guilty to mail fraud charges in the case. From September through December 2005, the defendant filed more than 30 fraudulent claims for disaster relief with FEMA, claiming to have been a victim of Hurricane Katrina in Louisiana, Hurricane Rita in Louisiana and Texas, Hurricane Wilma in Florida, severe storms and flooding in New Hampshire, and a tornado and severe storms in Indiana. In making these claims, he represented that he was living at various addresses in Louisiana, Texas, Florida, New Hampshire, and Indiana, when in fact he did not live at the claimed addresses during the time of the declared disasters. In addition to filing claims under his real name and Social Security number, he also filed claims under the names "James Desima," "Terrell James," and "James Terrell," and used different Social Security numbers not belonging to him. Based on his misrepresentations, the defendant received more than \$30,000 in disaster assistance funds from FEMA. The DHS-OIG and the Postal Inspection Service conducted the investigation.⁸
- On June 3, 2009, a federal grand jury in the Northern District of Georgia returned three indictments against a total of four defendants on charges of fraudulently obtaining FEMA funds in connection with Katrina. Two of the defendants filed a Hurricane Katrina claim in September 2005 at a disaster center in Dekalb County, Georgia, claiming that they had been residing in New Orleans, Louisiana at the time Hurricane Katrina made landfall, when in fact one defendant had been residing in Pasadena, California and the other defendant had been residing in the metro Atlanta area. To perpetuate the fraud, the two defendants provided a Louisiana address where they did not live and falsely claimed that their personal property had been damaged by the hurricane. Based on their misrepresentations, these two defendants received more than \$32,000 for personal property damage and housing and rental assistance. They also received hotel reimbursement for the time they stayed in various hotels in Decatur, Georgia, from September 2005 to May 2006 and again from March 2008 to August 2008. In addition, they received a FEMA travel trailer in Hammond, Louisiana, where they resided from May 2006 to March 2008. After the two defendants pleaded guilty on August 6, 2009 to

⁷ See U.S. Attorney's Office, District of Columbia, Press Release (February 5, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/feb/02-05-07jrothschild-sent.pdf>.

⁸ See U.S. Attorney's Office, Northern District of Georgia, Press Release (September 1, 2010), available at <http://www.justice.gov/usao/gan/press/2010/09-01-10b.pdf>.

mail fraud, false statement, and theft of government money, on October 29, 2009, the United States District Court for the Northern District of Georgia sentenced both of the defendants to 12 months in prison and \$32,374.77 in restitution.

A separate indictment charged the third defendant with mail and wire fraud, false statement to a federal agency, and theft of government property for FEMA fraud. The evidence presented at trial showed that between September 2005 and July 2006, the defendant falsely represented to FEMA that she resided in New Orleans, Louisiana, at the time of Hurricane Katrina, and suffered residential and personal property losses, when in fact she resided in McDonough, Georgia, at the time of the hurricane. To perpetuate the fraud, she gave FEMA a Louisiana address where she did not live, and falsely claimed that her residence had been damaged and that she lost personal property as a result of the hurricane. Based on her false statements, she received \$2,000 in emergency housing assistance and more than \$9,000 for rental and other assistance from FEMA. After she was convicted at trial on all 12 counts of the indictment, on March 9, 2010, the United States District Court for the Northern District of Georgia sentenced her to one year and one day in federal prison and \$11,426.00 in restitution to FEMA.

A third indictment charged the fourth defendant with falsely representing to FEMA that he was a resident of New Orleans at the time of Hurricane Katrina, when in fact he was residing in the metro Atlanta area. After the defendant pleaded guilty to one count of wire fraud on January 28, 2009, the United States District Court for the Northern District of Georgia sentenced him to three years of probation with 4 months home confinement with electronic monitoring and \$18,552.51 in restitution to FEMA. Between November 2005 and January 2006, the defendant falsely represented to FEMA that he was a resident of New Orleans at the time of Hurricane Katrina, when in fact he was residing in the metro Atlanta area. To perpetuate the fraud, he provided a Louisiana address where he did not live and falsely claimed that his residence was damaged by the hurricane. Based on his misrepresentations, he received more than \$18,500 for emergency housing assistance, rental assistance, and personal property damage from FEMA. To perpetuate the fraud, he provided a Louisiana address where he did not live and falsely claimed that his residence was damaged by the hurricane. The DHS-OIG investigated all three cases.⁹

- On May 14, 2009, the United States District Court for the Northern District of Georgia sentenced a defendant to 4 years probation with 60 days home confinement and \$14,749.51 in restitution for fraudulently obtaining FEMA funds intended for the victims of Hurricane Katrina. On November 13, 2008, a federal grand jury had indicted her on charges of mail and wire fraud, false statements, and theft of government property. The indictment alleged that she falsely represented to FEMA that she was a resident of New Orleans, Louisiana at the time Hurricane Katrina made landfall, when in fact she was residing in College Park, Georgia. To perpetuate the fraud, the defendant provided a

⁹ See U.S. Attorney's Office, Northern District of Georgia, Press Release (June 3, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/jun/06-03-09_4-indicted.pdf.

Louisiana address where she did not live and falsely claimed that her residence was damaged by the hurricane. Based on her misrepresentations, she received \$2,000 in emergency housing assistance, \$2,358 in rental assistance, and \$10,391.51 for personal property damage from FEMA. On February 10, 2009, she pleaded guilty to one count of mail fraud. The DHS-OIG conducted the investigation.¹⁰

Illinois - Southern District [United States Attorney Stephen R. Wigginton]

- On February 13, 2009, the United States District Court for the Southern District of Illinois sentenced a defendant to ten months imprisonment following her conviction for committing a Hurricane Katrina related mail fraud. The defendant, who pleaded guilty to the charges, stipulated that she applied for Hurricane Katrina expedited assistance on September 5, 2005, representing to FEMA that, due to the Hurricane Katrina disaster, she was not able to access her residence, had suffered damage to her personal property, and had relocated to O'Fallon, Illinois. The New Orleans address listed on the defendant's FEMA application did not exist, and at the time New Orleans was devastated, she was residing well outside of Hurricane Katrina's path in Gary, Indiana. The defendant illegally collected \$2,000 in FEMA aid. The Postal Inspection Service conducted the investigation.¹¹

Indiana - Southern District [United States Attorney Timothy M. Morrison]

- On May 8, 2007, the United States District Court for the Southern District of Indiana sentenced a defendant to 105 months imprisonment and \$183,845.54 in restitution, after his guilty pleas to theft of government money (Hurricane Katrina FEMA relief funds), loan fraud, false use of Social Security numbers, and Student Financial Aid Fraud (PELL Grant money). On January 31, 2007, the United States Attorney's Office for the Southern District of Indiana had filed an information charging him with those offenses. With respect to Katrina fraud, during October 2005, he filed three totally fictitious applications for FEMA disaster assistance relating to the Katrina natural disaster. He filed two applications in his own name and Social Security numbers (SSNs) – having previously had two SSNs issued to him by SSA, having fraudulently convinced SSA that he was the victim of fraud and that his original SSN had been compromised -- and one in the name and SSN of a relative. At the time, he was living in Bloomington, Indiana. On these claims, he asserted that he and his family member lived at two different addresses in New Orleans and one in Biloxi at the time of the hurricane and flood. He claimed that their housing and two vehicles were destroyed. He also submitted false leases, rental

¹⁰ See U.S. Attorney's Office, Northern District of Georgia, Press Release (November 13, 2008), available at <http://www.justice.gov/usao/gan/press/2008/11-13-08.pdf>.

¹¹ See U.S. Attorney's Office, Southern District of Illinois, Press Release (February 13, 2009), available at <http://www.justice.gov/criminal/katrina/pr/2009/mar/03-27-09dixon-sentenced.pdf>.

receipts and other documents to substantiate the claims. As a result of these false claims, the defendant fraudulently obtained 12 separate payments from FEMA totaling \$43,972.10. The DHS-OIG, the SSA OIG, and the Department of Education OIG conducted the investigation.¹²

Louisiana - Eastern District [United States Attorney Jim Letten]

- In the very first Katrina-related public corruption case in the country, on November 16, 2005 – less than three months after Katrina – the FBI arrested a Mandeville City Councilman on federal bribery and tax-related charges resulting from the swift collaboration of the recently established Hurricane Katrina Fraud Task Force. According to admissions by the defendant, within two weeks after Hurricane Katrina, the former Councilman obtained a debris removal contract on behalf of Pontchartrain Chipping Yard, Inc., based in Lacombe, Louisiana, with Omni-Pinnacle, the company exclusively contracted to remove hurricane debris from the parish. That debris removal contract provided for the removal of millions of cubic yards of wood debris from thousands of hurricane-downed trees in the parish. After Pontchartrain Chipping Yard, Inc. contracted with Omni-Pinnacle, he then solicited Pontchartrain Chipping Yard, Inc. for a portion of the revenues it would receive from the Omni-Pinnacle contract. However, Pontchartrain Chipping Yard, Inc. refused to pay him any portion of the contract revenues. After the owners of Pontchartrain Chipping Yard, Inc. reported the former Councilman's demands to the federal authorities, federal agents obtained evidence and tape-recorded conversations of meetings, in which, according to the former Councilman's instructions, portions of an initial \$165,000 payment to Pontchartrain Chipping Yard, Inc. from Omni-Pinnacle were planned to be routed through the former Mandeville Public Works Director, for the purpose of concealing the former Councilman's share.

On April 3, 2008, the former Councilman pleaded guilty to one count of illegal solicitation in connection with the debris removal contract funded by federal money, and one count of making false statements to the Internal Revenue Service on his 2001 personal income tax return. Relative to the income tax false statement charge, the former Councilman admitted that in April 2002, he electronically filed a 2001 income tax return which falsely reported that he had received a total income of approximately \$34,000, when in truth and in fact, his taxable income amounted to \$52,000 representing an under-reporting of approximately \$18,000. His willful failure to report this \$18,000 on his tax return resulted in a material false statement to the IRS. On December 13, 2006, the former Public Works Director pleaded guilty to a one-count information with knowing about the former Councilman extorting a constituent.

¹² See U.S. Attorney's Office, Southern District of Indiana, Press Release (May 8, 2007), and Press Release (January 31, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/jan/01-31-07aking-charge.pdf>.

On May 13, 2009, the United States District Court for the Eastern District of Louisiana sentenced the former Councilman and the former Public Works Director. The former Councilman was sentenced to 18 months imprisonment and \$3,500 in restitution to the Internal Revenue Service. The former Public Works Director was sentenced to five years probation and a \$20,000 fine. The FBI conducted the investigation.¹³

- In another important Task Force corruption case that moved swiftly, thanks to close collaboration between the FBI and the DHS-OIG, an undercover investigation begun in December 2005 resulted in the arrest of two FEMA base camp supervisors by FBI and DHS-OIG agents in January 2006. The defendants, both residents of Colorado, were FEMA Disaster Assistance employees who were charged with managing the FEMA LB Landry base camp located in New Orleans after Hurricane Katrina, and were public officials in their capacity as FEMA employees. Both defendants were arrested after an undercover investigation, which began after both defendants approached a Louisiana businessman under contract for \$1 million in food services, demanding that the businessman illegally kick back to them an initial payment of \$20,000 and weekly payments of \$5,000 as payment for the contract. After the Louisiana businessman reported the matter to federal authorities, an intensive two-month undercover investigation utilizing electronic surveillance captured both defendants demanding bribes and receiving \$20,000 in cash from the cooperating businessman. On August 30, 2006, the United States District Court for the Eastern District of Louisiana sentenced the two defendants to 21 months imprisonment and fined each of them \$20,000. The FBI and the DHS-OIG conducted the investigation.¹⁴
- In February and April 2010, the United States District Court for the Eastern District of Louisiana sentenced two brothers for their roles in Katrina-related mail fraud. On February 11, 2010, one brother was sentenced to serve five years probation and ordered to pay \$10,391.51 to FEMA. On April 8, 2010, the other brother was sentenced to 16 months imprisonment and \$10,391.51 in restitution to FEMA, with payments at the rate of \$300 per month beginning after release from incarceration. The latter brother's sentence represented an upward departure due to his criminal record and his failure to cooperate with pre-trial services in this case, which the judge concluded represented an increased risk to the community.

On March 13, 2009, a federal grand jury in the Eastern District of Louisiana had indicted the defendants on one count of Katrina-related mail fraud. According to the indictment, after Hurricane Katrina, the defendants, two brothers, each applied for FEMA disaster

¹³ See U.S. Attorney's Office, Eastern District of Louisiana, Press Release (May 13, 2009), and Press Release (December 13, 2006), available at <http://www.justice.gov/criminal/katrina/pr/2006/dec/12-13-06mistichplea.pdf>.

¹⁴ See U.S. Attorney's Office, Eastern District of Louisiana, Press Release (August 30, 2006), available at <http://www.justice.gov/criminal/katrina/pr/2006/aug/08-30-06twosent.pdf>.

relief claiming their primary residence was on Ursulines Avenue in New Orleans and that the storm caused damage to their personal property. Based on these fraudulent claims, FEMA provided funds in response to the brothers' claims that they needed disaster related assistance. The subject property was owned by another person and not occupied or rented at the time of the storm. On October 16, 2009, both brothers pleaded guilty to mail fraud as charged in the indictment. As part of their plea agreement, they both agreed to pay restitution to FEMA in the amount of \$10,391. 51. The Postal Inspection Service and the DHS-OIG conducted the investigation.¹⁵

- On March 27, 2007, the United States District Court for the Eastern District of Louisiana sentenced a defendant to five years probation and \$14,056.21 in restitution for a bank fraud stemming from Hurricane Katrina. On December 4, 2006, the defendant had pleaded guilty in the United States District Court for the Eastern District of Louisiana to bank larceny, pertaining to her unauthorized withdrawal of funds from ASI Federal Credit Union during the aftermath of Katrina. The defendant was a member of ASI Federal Credit Union at the time of Hurricane Katrina. Due to a computer malfunction caused by Katrina, ASI account holders were able to withdraw unlimited amounts of cash through ATM transactions and to make unlimited purchases with their ASI debit cards. The defendant overdrafted her ASI account by \$14,056.21. The FBI conducted the investigation.¹⁶
- On May 16, 2007, the United States District Court for the Eastern District of Louisiana sentenced the Chief and a Captain of the Independence Police Department each to five years probation and \$4,500 in restitution, after they pleaded guilty to theft of government property. On December 1, 2006, the United States Attorney's Office for the Eastern District of Louisiana had filed an information charging both defendants with theft of government property. According to the information, the defendants submitted false and inflated documents to FEMA for overtime hours not worked and vehicle mileage not actually incurred by the police department. The charges arose as a result of a scheme to defraud FEMA out of reimbursements not actually due to the police department. After Hurricane Katrina, FEMA agreed to reimburse qualifying police departments for overtime hours worked by officers in the aftermath of the storm. FEMA also agreed to pay for police equipment used during these overtime hours, such as vehicle usage. By inflating the overtime hours worked by officers within the department, the defendants knowingly stole money belonging to the United States valued in excess of \$1,000. The

¹⁵ See U.S. Attorney's Office, Eastern District of Louisiana, Press Release (March 13, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/mar/03-13-09_jovaughn-quinn-risin-indct.pdf.

¹⁶ See U.S. Attorney's Office, Eastern District of Louisiana, Press Release (December 4, 2006), available at http://www.justice.gov/criminal/katrina/pr/2006/dec/12-04-06_sgrandpreplea.pdf.

FBI, the DHS-OIG, and the Louisiana Attorney General's Office conducted the investigation.¹⁷

Louisiana - Middle District [United States Attorney Donald J. Cazayoux, Jr.]

- On November 5, 2008, the United States District Court for the Middle District of Louisiana sentenced a defendant to 18 months imprisonment pursuant to his plea of guilty to an information in federal court charging him with Hobbs Act extortion. The Louisiana Department of Labor (LDOL) administered the Disaster Unemployment Assistance (DUA) program for residents of the State of Louisiana. DUA provided financial assistance to individuals whose employment had been interrupted or lost as a direct result of a major disaster declared by the President of the United States. The defendant worked for a company contracted to assist recruiting efforts of the Louisiana National Guard. He was assigned to work at offices of the Louisiana Department of Labor on Wooddale Boulevard in Baton Rouge in the Fall of 2005. After Hurricane Katrina struck, the defendant was permitted and encouraged to assist people who came to the state office seeking disaster unemployment assistance, and was granted access to certain computer systems used to process unemployment claims. The defendant pleaded guilty to taking money from people, with their consent, "under color of official right"; that is, causing them to believe he could influence their receipt of funds intended for disaster relief. The Department of Labor Office of Inspector General, the Postal Inspection Service, and the Social Security Administration Office of Inspector General conducted the investigation, with assistance from the Zachary, Louisiana, Police Department.¹⁸
- On February 13, 2008, a jury in the Middle District of Louisiana convicted a defendant on all three counts of an indictment charging him with mail fraud in connection with a fraudulent application for expedited disaster assistance benefits. The defendant applied for disaster assistance from FEMA on September 17, 2005, falsely claiming that he had been living in New Orleans during Hurricane Katrina and that he had evacuated to Denham Springs, Louisiana. In fact, at the time of the storm, and for all of 2005, the defendant was in state custody in the Baton Rouge, Louisiana, area. Prior to being incarcerated, he lived in Baton Rouge. Through his false and fraudulent representations

¹⁷ See U.S. Attorney's Office, Eastern District of Louisiana, Press Release (December 1, 2006), available at <http://www.justice.gov/criminal/katrina/pr/2006/dec/12-01-06jpingnocharge.pdf>.

¹⁸ See U.S. Attorney's Office, Middle District of Louisiana, Press Release (November 5, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/nov/11-05-08Lawless-sentencing.pdf>.

to FEMA, he caused FEMA to mail him three checks for disaster assistance, totaling more than \$14,000. The DHS-OIG conducted the investigation.¹⁹

Louisiana - Western District [United States Attorney Stephanie A. Finley]

- On September 25, 2009, a federal grand jury in the Western District of Louisiana indicted the Mayor and the Chief of Police of Ball, Louisiana, along with three additional municipal employees, were indicted by a federal grand jury on charges of disaster fraud and conspiracy to commit disaster fraud, for falsifying employee timesheets in connection with the town's disaster aid request for payroll reimbursement from FEMA in the aftermath of Hurricane Gustav. The indictment alleged that the defendants defrauded the government by overstating both the hours worked and the mileage on town vehicles and equipment used in response to Hurricane Gustav, and later submitting the falsified time sheets to FEMA for reimbursement. The indictment also alleges that the Mayor and one of the municipal employees did the same thing in January 2006 in response to Hurricane Rita. The FBI and the DHS-OIG conducted the investigation.²⁰
- On March 7, 2006, the United States District Court for the Western District of Louisiana sentenced a defendant, a Hurricane Katrina evacuee from Mississippi, to one year and one day in prison on charges related to the defendant's calling the Red Cross and threatening to blow up targets related to FEMA, the Red Cross, and Keesler Air Force Base in Mississippi. On September 16, 2005, the defendant, who had evacuated from Gulfport, Mississippi after Hurricane Katrina and was staying in a hotel in the Monroe area, telephoned the Red Cross Response Center in Falls Church, Virginia and made the threats. The threats included the use of guns, grenades and mines against both people and property. The FBI conducted the investigation.²¹

Maryland [United States Attorney Rod J. Rosenstein]

- On April 13, 2009, the United States District Court for the District of Maryland sentenced a defendant to three years probation (the first eight months to be served on home detention with electronic monitoring), 200 hours of community service, and

¹⁹ See U.S. Attorney's Office, Middle District of Louisiana, Press Release (February 14, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/feb/02-14-08rjohnson-convict.pdf>.

²⁰ See U.S. Attorney's Office, Western District of Louisiana, Press Release (September 25, 2009), available at <http://www.justice.gov/usao/law/news/wdl20090925.pdf>.

²¹ See U.S. Attorney's Office, Western District of Louisiana, Press Release (March 7, 2006), available at <http://www.justice.gov/criminal/katrina/pr/2006/mar/3-07-06USAOWDLA.pdf>.

\$49,458 in restitution to FEMA for the theft of \$60,200 in Hurricane Katrina disaster relief benefits. According to her plea agreement, from 2003 to November 2008 the defendant owned a home in New Orleans. She moved from Louisiana to Maryland in the summer of 2005 and rented her home in New Orleans to a woman and her two minor children. Hurricane Katrina extensively damaged the home in New Orleans, causing the renter and her children to evacuate. The defendant was in Maryland at the time enrolling her daughter in school. FEMA funds were not available to individuals who were not living in homes damaged by the hurricane. On September 13, 2005, she submitted a fraudulent application to FEMA for disaster assistance relief. That application falsely claimed that at the time of the hurricane, the New Orleans home was her primary residence and that she lived there with her two children. In February 2006, she also submitted a false lease to FEMA in order to obtain further benefits and to convince FEMA that she had been living in New Orleans at the time of the hurricane. She obtained approximately \$30,200 in FEMA disaster relief assistance. She also fraudulently applied for and obtained \$30,000 in grant funds from the Community Development Block Grant which HUD set up to provide disaster assistance. The renter of the home in New Orleans properly applied for disaster assistance relief in September 2005. As a result of the defendant's fraudulent applications, the renter's disaster relief assistance application was subjected to greater scrutiny and payments to the renter were delayed. The HUD-OIG and the DHS-OIG conducted the investigation.²²

Mississippi - Southern District [United States Attorney Don Burkhalter]

- On April 29, 2010, the United States District Court for the Southern District of Mississippi sentenced two defendants to 82 months imprisonment and 114 months imprisonment, respectively, and \$721,212.23 in restitution for conspiracy to commit wire fraud in relation to Katrina fraud. On January 10, 2010, both defendants had pleaded guilty to an information that the United States Attorney for the Southern District of Mississippi filed against them. According to the information, one defendant, a former FEMA employee, was transferred to Biloxi in 2006 to process Katrina disaster assistance claims. The other defendant, the first defendant's cousin, assisted in the conspiracy by recruiting family members and friends to allow the defendants to use the bank accounts of those family members and friends to deposit funds illegally obtained from FEMA. The FBI and the DHS-OIG conducted the investigation.²³
- On August 13, 2009, the United States District Court for the Southern District of Mississippi sentenced a defendant, the former Chief of Police of Lumberton, Mississippi, to 30 months imprisonment and \$29,438.39 in restitution for his role in Katrina fraud.

²² See U.S. Attorney's Office, District of Maryland, Press Release (April 13, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/apr/04-13-09_baptiste-sent.pdf.

²³ See U.S. Attorney's Office, Southern District of Mississippi, Press Release (January 11, 2010).

On May 15, 2009, the defendant was convicted at trial on all eight counts of a Katrina fraud indictment that charged him with false claims to FEMA, false statements to FEMA and the Small Business Administration, and wire fraud in applying for and receiving Hurricane Katrina disaster assistance funds. The evidence at trial showed that the defendant received more than \$19,000 plus a FEMA travel trailer by claiming he was living in a house he had purchased in Poplarville, but to which he had no water or electric service. The United States Court of Appeals for the Fifth Circuit affirmed the defendant's conviction and sentence. The FBI, the DHS-OIG, and the Small Business Administration Office of Inspector General conducted the investigation.²⁴

- On January 9, 2009, the United States District Court for the Southern District of Mississippi sentenced a defendant to 5 years of probation, restitution of \$13,440 and 60 hours of community service. The defendant had pleaded guilty to wire fraud in obtaining disaster crabbing benefits from the Mississippi Department of Marine Resources [MDMR] after Hurricane Katrina. As part of the Hurricane Katrina recovery program, the MDMR administered fishing programs funded by the Department of Commerce through the National Oceanic and Atmospheric Administration. Commercial fishermen who held licenses before Katrina were eligible to be accepted into the contract program in which participants would be paid \$160.00 per day for each day of fishing and reporting by catch and harvest data. The FBI and the MDMR conducted the investigation.²⁵
- On May 18, 2007, the United States District Court for the Southern District of Mississippi sentenced four defendants to terms of imprisonment ranging from 5 to 33 months and \$275,057 in restitution on charges of conspiring to defraud the United States. The conspiracy involved the creation and submission of false debris removal load slips in the amount of \$716,677.00. One of the defendants owned and operated J.A.K. DC&ER, Inc., a debris removal contracting company working as a sub-contractor in Pearl River County, Mississippi. The other two defendants worked for a debris removal monitoring company operating in Pearl River County, Mississippi. As a part of the conspiracy, one of the defendants who worked for the debris removal monitoring company signed false debris load slips misrepresenting that debris was loaded onto trucks on the roadway when the other debris-removal monitoring company defendant was not present at the loading site and, in most instances, created and signed the false load slips at her residence. The false debris load slips misrepresented that certain trucks, belonging to and under the control of the debris-removal contractor defendant and identified by a certain number, were hauling loads of debris at a time when the trucks identified on the debris load slips

²⁴ See U.S. Attorney's Office, Southern District of Mississippi, Press Release (May 15, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/may/05-15-09_hammond-guilty.pdf.

²⁵ See U.S. Attorney's Office, Southern District of Mississippi, Press Release (January 9, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/jan/01-09-09_timthy-rice-sent.pdf.

were not in operation on the roadway or at the dump site reflected on the load slips. The false debris load slips misrepresented that loads of debris were delivered to a designated dump site in Pearl River County, Mississippi when, in truth and fact, no debris was delivered and dumped at the dump site.

One of the monitoring company employee defendants collected the false load slips from his co-conspirators and submitted those false load slips to the debris monitoring company who would, in turn, submit the false load slips to the prime contractor for payment to the debris-removal contractor defendant. That defendant also admitted that, in an effort to conceal the conspiracy, he would deposit the funds obtained through the conspiracy into a bank account opened in the name of one of his employees, and then write a check to an unindicted coconspirator who would cash the check and give the cash to the debris-removal contractor defendant and one of the debris-removal monitoring company defendants. That latter defendant would then pay the other debris-removal monitoring company defendant for completing and signing the false load slips along with an extra amount of “hush money.”²⁶

- On April 9, 2007, the United States District Court for the Southern District of Mississippi sentenced two defendants for their roles in Katrina fraud. On September 27, 2006, two FEMA employees were arrested for making false statements to FEMA for Hurricane Katrina assistance. According to the criminal complaint and affidavit filed in U.S. District Court, one of the defendants filed a disaster assistance application with FEMA claiming his primary residence was a houseboat in Moss Point, Mississippi, which had been destroyed by the hurricane. However, he was not the owner of the houseboat. Both defendants created and submitted to FEMA false documentation to portray one of the defendants as the owner and when a FEMA representative sought to verify ownership of the houseboat, the other defendant falsely identified herself over the phone as the person who sold the houseboat to her co-defendant. As a result of the fraudulent application and scheme, the defendant who filed the application received approximately \$25,500 from FEMA in disaster assistance. One defendant, who pleaded guilty to one count of false claims, was sentenced to 12 months imprisonment and \$25,000 in restitution. The other defendant, who pleaded guilty to one count of false statement, was sentenced to five years probation and \$21,052.75 in restitution.²⁷

²⁶ See U.S. Attorney’s Office, Southern District of Mississippi, Press Release (May 18, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/may/05-18-07akitto-sent.pdf>.

²⁷ See U.S. Attorney’s Office, Southern District of Mississippi, Press Release (September 26, 2006), available at <http://www.justice.gov/criminal/katrina/pr/2006/sep/09-27-06adam-fuqua-arrest.pdf>.

Texas - Eastern District [United States Attorney John M. Bales]

- On April 14, 2010, the United States District Court for the Eastern District of Texas sentenced a defendant to 18 months probation and \$28,800 in restitution for his role in Hurricane Ike-related fraud. On May 21, 2009, a federal grand jury in the Eastern District of Texas had indicted the defendant on charges of theft of public funds, and the defendant later pleaded guilty to one count of theft of public funds. The man had previously owned a lot on Pleasure Island, Texas, but no longer owned the lot and had never built a home on the property. After Hurricane Ike made landfall on the Texas coast on September 13, 2008, the defendant filed claims with FEMA, stating that his primary residence was the lot located at 3694 Martin Luther King Drive in Port Arthur and that it had been destroyed during Hurricane Ike. However, the defendant did not reside at this location before or during Hurricane Ike and was not entitled to receive disaster assistance based on his claims. As a result of these fraudulent claims, the defendant received \$28,800.00 in federal disaster assistance and use of a FEMA trailer. The DHS-OIG and FEMA conducted the investigation.²⁸

Texas - Northern District [United States Attorney James T. Jacks]

- On November 6, 2006, the United States District Court for the Northern District of Texas sentenced a defendant to 70 months imprisonment for conducting a scheme that defrauded FEMA of more than \$80,000. The defendant had pleaded guilty to one count of conspiracy to commit theft of federal public funds and one count of aggravated identity theft. In a related case, she pleaded guilty to count one of an indictment that charged her with failure to appear. The defendant admitted that from August 2005 through December 21, 2005, she conspired with 10 co-defendants, many of whom are related, to commit the crime of theft of public money. They submitted fraudulent claims for disaster assistance and disaster unemployment assistance, falsely representing that their primary residences were located in declared disaster areas and had been damaged by Hurricane Katrina and/or that they became unemployed because of Hurricane Katrina. The defendant submitted numerous fraudulent on-line applications to FEMA for disaster assistance on behalf of and with the knowledge of many of her co-defendants. All of the defendant's co-defendants pleaded guilty to their roles in the scheme and were sentenced.

In one instance, on September 14, 2005, the defendant submitted a fraudulent on-line application to FEMA for disaster assistance under another woman's name and social security number, falsely representing that the other woman's primary residence was in Slidell, Louisiana and that it had been damaged by Hurricane Katrina. The other woman did not authorize the defendant to use her identification, and provided FEMA her own mailing address on Jadewood Drive in Dallas to receive the disaster assistance money. Based on the fraudulent application, FEMA sent the defendant a check for \$2000, which

²⁸ See U.S. Attorney's Office, Eastern District of Texas, Press Release (May 28, 2009), available at http://www.justice.gov/criminal/katrina/pr/2009/may/05-28-09_bales-arrest.pdf.

she gave to her mother, a co-defendant, who cashed the check and used the funds for her own personal use.

In another instance, in November 2005, the defendant submitted a fraudulent on-line application to the Louisiana Department of Labor (LDOL) for Hurricane Katrina disaster unemployment assistance in the name of "E Hall," using another woman's Social Security number. In the application, the defendant falsely represented that "E Hall" became unemployed from Eastgate Church as a result of the hurricane. The defendant, knowing that she did not have authority to use the other woman's means of identification, provided LDOL with her own mailing address on Jadewood Drive in Dallas to receive the disaster assistance funds. LDOL issued a Chase debit card in the name of "E Hall" and the defendant gave this debit card to her mother, a co-defendant. Disaster assistance funds were withdrawn from this debit card and used for the defendants' own personal benefit. The Department of Labor - OIG, the Postal Inspection Service, the DHS-OIG, and the Louisiana Department of Labor conducted the investigation.²⁹

- On September 6, 2006, the United States District Court for the Northern District of Texas sentenced a defendant to 126 months imprisonment, after his conviction at trial on all 14 counts of a superseding indictment that charged him with various federal crimes relating to a FEMA fraud scheme that he ran. The defendant and others conspired to defraud the United States by obtaining, and aiding one or more individuals to obtain, disaster relief funds from FEMA by submitting false claims representing that their primary residences, located in areas damaged by Hurricanes Katrina and Rita, suffered property damage as a result of the hurricanes. The Court ruled that the defendant intended to defraud FEMA out of \$655,000.

The government presented evidence at trial that on October 21, 2005 the defendant, or an unknown conspirator, applied for immediate disaster assistance from FEMA by telephoning the FEMA emergency assistance hotline, representing that his name was Roosevelt Hicks, that his apartment in New Orleans suffered property damage as a result of Hurricane Katrina, and that his current address was 3478 Catclaw Drive in Abilene, Texas. That address, however, was a United Parcel Service (UPS) store. Using a slight variation of the same alias, he also claimed a different residential address was damaged by Hurricane Rita. The defendant found an individual at a homeless shelter and hired him to pick up four to eight packages per day relating to his fraud scheme from various UPS stores or other commercial receiving agencies. For example, on November 30, 2005, the individual that the defendant had hired called the defendant and told him that three packages had arrived. When the defendant traveled to a hotel to pick up the three packages noted above, he attempted to flee the hotel but was apprehended by law enforcement after a brief foot chase. Multiple identification cards were in his wallet,

²⁹ See U.S. Attorney's Office, Northern District of Texas, Press Release (November 6, 2006), available at http://www.justice.gov/usao/txn/PressRel06/hall_lakietha_fema_fraud_sen_pr.html.

including a North Carolina Drivers license in the name of the man to whom the Priority Package was addressed. The defendant was identified by his fingerprints to his true name and had several active warrants for his arrest, and NCIC records revealed that he had at least 27 known aliases. His cell phone records indicated that he had contacted 21 different UPS stores in three different states. The Postal Inspection Service and the DHS-OIG conducted the investigation.³⁰

Texas - Southern District [United States Attorney José Angel Moreno]

- On June 21, 2010, the United States District Court for the Southern District of Texas sentenced a pastor from a former church in southwest Houston called “Fishers of Men Worship Center” (FOM) to 40 months imprisonment and ordered to pay \$218,000 in restitution to FEMA for conspiring to defraud the United States by having FOM submit grossly inflated claims for reimbursement to Harris County for a FEMA-funded program that reimbursed groups sheltering Hurricane Katrina evacuees during fall 2005. FOM participated in a FEMA-funded program that Harris County administered to reimburse groups providing shelter to Hurricane Katrina evacuees at \$30/day per evacuee. The defendant, along with the church corporate secretary, signed a contract with Harris County, Texas to have FOM participate in the program. When FOM submitted an invoice that substantially overstated the number of evacuees staying at FOM, and Harris County sent FOM a letter questioning the number, the defendant sent a reply vouching for the accuracy of the numbers. This resulted in \$320,580 in FEMA funds being paid to FOM. The defendant then persuaded his brother-in-law, who worked as a church groundskeeper, to open bank accounts into which the FEMA funds were deposited, and withdrew more than \$100,000 during the month following receipt of the funds. The United States Secret Service and the Texas Department of Public Safety conducted the investigation, which resulted in the defendant’s pleading guilty to conspiracy to defraud the United States.³¹
- On January 11, 2010, the United States District Court for the Southern District of Texas sentenced a defendant to time served, three years supervised release, and a \$5,000 fine (after paying \$5,893 in restitution before sentencing), for committing fraud in connection with a major disaster. On October 1, 2009, the defendant pleaded guilty in the United States District Court for the Southern District of Texas to filing a false claim for disaster assistance in connection with Hurricane Ike. The defendant admitted that on September 18, 2008, five days after Hurricane Ike made landfall, he filed a claim with FEMA for Ike

³⁰ See U.S. Attorney’s Office, Northern District of Texas, Press Release (January 27, 2006), available at http://www.justice.gov/criminal/katrina/pr/2006/sep/TXN_09062006_mcclain.pdf.

³¹ See U.S. Attorney’s Office, Southern District of Texas, Press Release (June 21, 2010), available at <http://www.justice.gov/usao/txs/releases/June%202010/062110%20Washington%20and%20Overstreet.htm>.

disaster assistance using a Social Security Number one digit off his own and listing a damaged address in Galveston that did not exist. The defendant had previously filed a legitimate disaster assistance claim using his true Social Security number and damaged address and his second application was made in an effort to obtain additional funds. He obtained \$5,893 as a result of his fraudulent claim. The DHS-OIG conducted the investigation.³²

- On January 21, 2010, the United States District Court for the Southern District of Texas sentenced two defendants, two sisters, to nine months imprisonment and one day, respectively, and \$14,214.74 in restitution. The two sisters, who pleaded guilty, admitted that they submitted fictitious rental receipts and other documents to FEMA claiming to be entitled to rental assistance. One sister had previously purchased a new, fully-furnished home that was financed by “Oprah’s Angel Network,” Habitat for Humanity and the City of Houston as part of a program intended to allow selected victims of Katrina and Rita to purchase new homes in Houston at deeply discounted prices. That sister also admitted she made the fraudulent submissions to FEMA while she was employed by Harris County -- at times as a probation officer -- and after she had received more than \$23,000 in legitimate disaster assistance for being displaced from her home in New Orleans by Katrina.

In a nearly identical case, on April 1, 2010 the United States District Court for the Southern District of Texas sentenced a defendant to three years probation and \$9,082 in restitution. This defendant, who pleaded guilty to making false statements to FEMA, also purchased a home on Angel Lane through the same charitable programs and she similarly submitted bogus rental receipts in order to fraudulently obtain nearly \$10,000 in additional disaster assistance from FEMA. Prior to making her fraudulent submissions to FEMA, the defendant received more than \$16,000 in legitimate disaster assistance as a result of being displaced from New Orleans by Katrina. The DHS-OIG, the Department of Labor Office of Inspector General, and the Federal Protective Service conducted the investigation.³³

- On November 12, 2008, the United States District Court for the Southern District of Texas sentenced a defendant to five years imprisonment for operating a fraudulent investment scheme in which he falsely told investors he was using their money to purchase and refurbish FEMA trailers. The defendant admitted that during the fall of 2006 he took out classified ads in the Houston Chronicle soliciting people to invest in a

³² See U.S. Attorney’s Office, Southern District of Texas, Press Release (October 1, 2009), available at <http://www.justice.gov/criminal/katrina/pr/2009/oct/10-01-09morgan-guilty.pdf>.

³³ See U.S. Attorney’s Office, Southern District of Texas, Press Release (October 2, 2009), available at <http://www.justice.gov/criminal/katrina/pr/2009/oct/10-02-09poole-guilty.pdf>.

“real estate deal.” When readers contacted him about the deal, he claimed that he was purchasing used FEMA trailers, refurbishing them, and then selling them to HUD for a significant profit. He entered into contracts with some of the people who responded to his ads. Those contracts stated the investor would be providing him a loan, listed specific trailers with vehicle identification numbers (VINs) that were to be purchased with the money, and provided an amount that he was supposed to repay in a short period of time after the supposed resale of the refurbished trailers. The defendant admitted he made up the VINs used in the contracts, never purchased any trailers, and used the money he obtained for personal expenses. The Housing and Urban Development OIG, the DHS-OIG, and Friendswood Police Department conducted the investigation.³⁴

- On September 26, 2008, the United States District Court for the Southern District of Texas sentenced a defendant to 30 months imprisonment for filing a false claim with FEMA’s Short Term Lodging Program in the aftermath of Hurricanes Katrina and Rita. FEMA had created that program to provide free hotel rooms to Hurricane Katrina and Rita evacuees. In pleading guilty to the charge, the defendant admitted that he took over FEMA billing matters from one employee and directed another to fax the Flagship Hotel’s daily report listing which guests were checked into which rooms, to his home each evening. He submitted the reimbursement claims through the internet from home using his laptop computer. In early October 2005, he provided a desk clerk with approximately 30 names to enter into the hotel reservation system at the FEMA rate of \$84.99/night. The defendant picked up the room cards created for these individuals’ rooms at the hotel and began billing FEMA for rooms in the names of these individuals even though they had not checked into the hotel. The investigation revealed that a number of these individuals were relatives and friends of the defendant who were not hurricane evacuees and that the defendant also billed FEMA for rooms in the names of hotel employees. The investigation into the Flagship for fraudulent billing began when federal agents received a tip stating that the hotel records showed full occupancy when, in fact, a significant number of rooms were unoccupied. The DHS-OIG, with assistance from the United States Secret Service, conducted the investigation.³⁵
- On June 9, 2008, the United States District Court for the Southern District of Texas sentenced eight defendants to between 33 months imprisonment and three months probation, for participating in a FEMA fraud conspiracy involving more than seventy applications for Katrina and Rita benefits on behalf of residents in area apartment complexes who were not victims of the hurricanes. Three individuals obtained Social Security numbers and dates of birth from residents of apartment complexes in Houston

³⁴ See U.S. Attorney’s Office, Southern District of Texas, Press Release (November 12, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/nov/11-12-08mcperson-sentenced.pdf>.

³⁵ See U.S. Attorney’s Office, Southern District of Texas, Press Release (September 26, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/sep/09-26-08-hotel.pdf>.

and provided that information to one of the defendants who was the leader of the scheme. The leader then filed FEMA claims in those persons' names, listing damaged addresses in New Orleans (for the Katrina claims) or Beaumont (for the Rita claims) even though the applicants were living in Houston when the hurricanes struck. A number of the individuals listed in the claims, including the leader, were living in Housing and Urban Development (HUD) Section 8 housing in Houston prior to Katrina and Rita. The leader had the FEMA checks mailed to her address or to the address of a mailbox at her apartment complex for which another individual had given her the key. After receiving the checks, the leader, or one of her recruiters, would take the check to the individual listed in the claim and go with that individual to a business where the check could be cashed. The leader then collected a portion of the cash for herself and for the person who had recruited that applicant. The investigation discovered more than 75 claims filed as part of the scheme, on which FEMA paid \$92,958. Many of the claims were filed after the deadline for receiving emergency assistance. The DHS-OIG, the HUD - OIG, and the FBI conducted the investigation.³⁶

- On November 28, 2007, the United States District Court for the Southern District of Texas sentenced two defendants to 63 and 57 months imprisonment, respectively, after their jury convictions of multiple counts of wire fraud and aggravated identify theft as the result of fraudulently operating a website that purported to raise money on behalf of the Salvation Army for Hurricane Katrina victims. The evidence at trial proved that the defendants, two brothers, registered <http://www.salvationarmyonline.org> on September 3, 2005, less than a week after Hurricane Katrina struck New Orleans. The website stated that it was "The Salvation Army International Home Page" and falsely purported to solicit charitable donations for Hurricane Katrina (and later Hurricane Rita) relief. A link on the website directed those wishing to donate to PayPal, a service that allows for online money transfers. The defendants created numerous accounts with PayPal, such as salvationarmyonline@yahoo.com, and registered those accounts using the names and identification information, including social security numbers, of other individuals not involved in the fraudulent scheme. The PayPal accounts, however, were linked by the brothers to bank accounts belonging to one or both of them. To make it appear to PayPal that the linked bank accounts belonged to the other individuals in whose names they had registered the PayPal accounts, the defendants submitted copies of their bank statements to PayPal that had the names and addresses of the other individuals pasted onto the part of the bank statements where the defendants' information appeared. The fraudulent website collected more than \$48,000 before all the PayPal accounts were frozen based on

³⁶ See U.S. Attorney's Office, Southern District of Texas, Press Release (June 98, 2008), available at <http://www.justice.gov/criminal/katrina/pr/2008/jun/06-09-08-eight-sentenced.pdf>.

fraud reports. The FBI, with assistance from the Social Security Administration OIG, conducted the investigation.³⁷

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.

In 2007, the Division filed a one-count information in the Eastern District of Louisiana, charging a former U.S. Army Corps of Engineers contract employee with bribery in connection with a more than \$15 million Hurricane Protection Project for the reconstruction and enlargement of the Lake Cataouatche Levee, south of New Orleans, Louisiana. Between August and October 2006, he and another U.S. Army Corps of Engineers contract employee each agreed to accept approximately \$299,000 from a sand and gravel subcontractor in return for confidential bid, proposal, and source selection information. He was sentenced to 4 months imprisonment, 5 months home confinement, and fined \$3,000.

In 2008, another former U.S. Army Corps of Engineers contract employee and a sand and gravel subcontractor were indicted on conspiracy and bribery counts involving the same Lake Cataouatche Levee project. In August 2009, after being found guilty at trial, the U.S. Army Corps of Engineers contract employee was sentenced to 70 months imprisonment and fined \$15,000 for conspiring to commit bribery and bribery. The sand and gravel contractor was sentenced to 60 months imprisonment and fined \$5,000 for conspiring to commit bribery and bribery. The U.S. Army Criminal Investigation Division and the Department of Defense's Criminal Investigative Service conducted the investigations.

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. For example, in a Katrina-related affirmative civil enforcement case, *U.S. v. Lighthouse Disaster Relief et al.* (M.D. La. 06-161), the Civil Division, in conjunction with the United States Attorney's Office for the Middle District of Louisiana, brought a suit against a company from West Virginia that did not adequately perform its \$5.4 million contract to construct and operate a base camp in New Orleans. The United States recovered \$1.3 million in funds from a frozen bank account and a civil judgment against the principals in Lighthouse in the amount of \$4 million.

³⁷ See U.S. Attorney's Office, Southern District of Texas, Press Release (November 28, 2007), available at <http://www.justice.gov/criminal/katrina/pr/2007/nov/11-28-07stevebarth-stephens-sent.pdf>.

2. State and Local Prosecutions

A number of state Attorneys General, local district attorneys, and other local authorities have actively pursued Katrina-related fraud cases for conduct such as contractor fraud and emergency-benefit fraud. Some examples from the past five years include:

- In 2006, the Metropolitan Crime Commission (MCC) of New Orleans received allegations that a New Orleans Police Sergeant had defrauded people by accepting payments to renovate their Katrina-damaged home but only partially completing the renovation. After the MCC determined that the sergeant was on paid disability leave at the time he was doing the renovations, and forwarded its findings to the New Orleans Police Department, the subsequent investigation led to the sergeant's dismissal from the Department and conviction for a federal charge of mail fraud in November 2007. On February 19, 2008, the United States District Court for the Eastern District of Louisiana sentenced the former sergeant to five years probation and \$8,760 in restitution.³⁸
- In March 2006, a woman residing in Brooklyn, New York was charged in Kings County (New York) Supreme Court with grand larceny for claiming, in an application to FEMA for emergency benefits, that she lived in Mississippi and was a victim of Katrina.³⁹ The defendant pleaded guilty to welfare fraud in the third degree on February 21, 2007. On March 12, 2007, she was sentenced to one year imprisonment.
- In July 2009, a Special Grand Jury in Orleans Parish, Louisiana indicted a modular home builder on five counts of felony theft and five counts of misapplication of contractor payments in excess of \$10,000. The defendant was accused of depriving victims of a collective \$427,000.⁴⁰ A trial date has been set for November 29, 2010.
- In September 2009, a defendant surrendered to authorities after the Mississippi Attorney General's Office, with assistance from the Gulfport District Attorney's Office, obtained an indictment on felony home-repair fraud charges relating to the defendant's alleged

³⁸ See Metropolitan Crime Commission, Case Files, available at <http://www.metropolitancrimecommission.org/html/casefiles.html>.

³⁹ See Associated Press, *N.Y. Woman Charged for Fraud for Receiving Katrina Aid*, ClaimsJournal.com, March 24, 2006, available at <http://www.claimsjournal.com/news/east/2006/03/24/66759.htm>.

⁴⁰ See Allison Landa, *Modular-Home Builder Faces Accusations Of Fraud*, NuWire Investor, July 29, 2009, available at <http://www.nuwireinvestor.com/articles/modular-home-builder-faces-accusations-of-fraud-53386.aspx>.

failure to repair a Katrina-damaged home.⁴¹ On March 8, 2010, the Harrison County Circuit Court (Mississippi) dismissed the case because the defendant agreed to cooperate with the government.

- In October 2009, two out-of-state contractors were arrested on charges brought by the Mississippi Attorney General's Office on three indictments for felony home repair fraud. The charges relate to alleged failure to do work that the defendants were paid to do on Mississippi homes that were destroyed by Hurricane Katrina.⁴² Trial dates have been set for November 29, 2010 and February 7, 2011.
- In February 2010, an Orleans Parish judge sentenced a former Alabama legislator to 60 years imprisonment for defrauding six New Orleans families in a post-Katrina modular-home scheme. The defendant pleaded guilty to six counts of theft over \$500, for taking approximately \$240,000 from people who wanted to return home after Katrina.⁴³

B. Increased Coordination

1. The National Center for Disaster Fraud

Shortly after the establishment of the Task Force, then Assistant Attorney General for the Criminal Division Alice S. Fisher directed the creation of a Joint Command Center for the Task Force in Baton Rouge, Louisiana. Located beyond the area of greatest devastation after Katrina, and housed in a facility with suitable workspace and robust communications, the Command Center rapidly became a resource for federal agents to meet and to obtain and exchange information about their disaster-fraud investigations. Over time, thanks to the support of the Department of Justice, the FBI, and DHS-OIG, the Command Center substantially expanded its physical facilities to accommodate the operations of its call center and to provide additional workspace for agents and analysts from multiple agencies. It also expanded its mission to address the needs of federal law enforcement agencies in various parts of the country to receive,

⁴¹ See Wally Northway, *Builder arrested for Katrina fraud*, Mississippi Business Journal, September 24, 2009, available at <http://msbusiness.com/blog/2009/09/builder-arrested-for-katrina-fraud/>.

⁴² See Office of the Attorney General, State of Mississippi, Press Release, *Two Contractors Arrested for Felony Home Repair Fraud on Mississippi Coast* (October 16, 2009), available at http://www.ago.state.ms.us/index.php/press/releases/two_contractors_arrested_for_felony_home_repair_fraud_on_mississippi_coast/.

⁴³ See *Former Alabama legislator gets 60 years for Katrina-related contractor fraud*, New Orleans Times-Picayune, February 12, 2010, available at http://blog.al.com/live/2010/02/former_alabama_legislator_gets.html.

deconflict, and refer reports of fraud related to other disasters to law enforcement. As a result, the Command Center was renamed the National Center for Disaster Fraud (NCDF).

Today, the NCDF continues to receive and process more than 200 complaints and leads of disaster-related fraud each week, and has referred nearly 25,000 leads to law enforcement agencies and field offices around the country. Agencies that have agents assigned to the NCDF include the FBI, HUD-OIG, DHS-OIG, and the Postal Inspection Service. Agents from the other agencies (listed below) attend the meetings and work as members of the Task Force. 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, e-mail, and direct input by law enforcement agencies on Law Enforcement Online (LEO).

Regular Joint Command Center meetings and day-to-day interaction of the Joint Command Center staff and agency representatives have produced onsite interagency exchange of information and trends. This interaction has been particularly valuable in alerting participating agencies to fraud indicia revealed by ongoing investigations. In addition, agency representatives share information on the programs used by their departments to disburse disaster relief assistance and discuss appropriate investigative methods to detect criminal activity related to those programs. The LEO Support Center, located in the same building as the Joint Command Center, continues to provide invaluable support and technical assistance to the Joint Command Center operations.

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

- Department of Justice, Criminal Division;
- Department of Justice, Civil Division;
- Department of Justice, Antitrust Division;
- Department of Justice, Office of Inspector General;
- Federal Bureau of Investigation;
- DHS-OIG;
- United States Secret Service;
- Social Security Administration, Office of Inspector General;
- Department of Housing and Urban Development, Office of Inspector General (HUD-OIG);
- Department of Labor, Office of Inspector General;
- U.S. Postal Inspection Service;
- U.S. Postal Service, Office of Inspector General;
- Internal Revenue Service, Criminal Investigation;
- Treasury Inspector General for Tax Administration;
- Department of Health and Human Services, Office of Inspector General;
- Environmental Protection Agency, Office of Inspector General;
- Environmental Protection Agency, Criminal Investigative Division;

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

From 2005 through 2010, then-United States Attorney for the Middle District of Louisiana David R. Dugas served as the Executive Director of the NCDF. With the resignation of Mr. Dugas to return to the private sector, Assistant Attorney General Lanny A. Breuer named United States Attorney for the Eastern District of Louisiana Jim Letten as the new Executive Director. In addition, through a cooperative agreement between the Department of Justice and Louisiana State University, Ms. Kathleen Wylie serves as the NCDF's Deputy Director.

2. Other Investigative Coordination and Action

a. Investigative Agencies

Federal Bureau of Investigation

From September 2005 to September 2010, the FBI bureau-wide initiated more than 1,220 hurricane-related fraud investigations in 31 different field divisions. The Jackson and New Orleans field divisions have opened more than 1,050 hurricane-related investigations, which include public corruption and government fraud. To date, the investigation of criminal matters related to Hurricanes Katrina, Rita, and Wilma have resulted in 391 individuals charged and 326 convictions.

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

The FBI assumed a lead investigative role at the Hurricane Katrina Fraud Task Force Command Center in Baton Rouge, including the assignment of FBI agents and support personnel to what is now the NCDF. The FBI has provided more than \$1.1 million in support of the NCDF, and currently has assigned a full-time Supervisory Special Agent to the NCDF to support its screening and referral functions.

The Jackson and New Orleans field divisions developed working relationships with numerous federal and state agencies to conduct hurricane-related public corruption and fraud investigations. The Jackson division also executed a Memorandum of Understanding with the Mississippi State Auditor's Office and the State of Mississippi, using a \$5 million grant from Community Development Block Grant funds to establish a Katrina Fraud Task Force.

Postal Inspection Service

As a vital member of the Hurricane Katrina Fraud Task Force since its inception, the U.S. Postal Inspection Service remains committed to aggressively pursuing disaster-related fraud schemes utilizing the mail - in particular charity fraud, identity fraud/theft, and government benefit fraud. The agency's efforts have gone further than investigative case work to encompass consumer education campaigns, law enforcement training, and command center presence. Through FY 2010, the Postal Inspection Service participated in 299 investigations, resulting in 242 convictions and fines and restitution of \$1,429,709.

When the Task Force's Joint Command Center was established, the Postal Inspection Service committed a Postal Inspector as the Inspection Service's point of contact. This Inspector was responsible for overseeing the Service's national coordination case and one fraud analyst was assigned to assist with analyzing complaints and referrals. In July 2007, the Inspection Service dedicated a full-time Postal Inspector to the task force who worked on a daily basis at the command center screening, analyzing, and reporting suspect matters to appropriate agencies. As of September 2010, the Inspection Service continues to staff the Task Force's Joint Command Center with a full-time Analyst, who continues to analyze complaints and make referrals to field investigators. A Postal Inspector continues to participate on the Task Force on a limited basis. Since January 2007, the Postal Inspection Service has referred approximately 9,994 Hurricane Katrina fraud-related inquiries/complaints for review and appropriate attention to various task force agencies.

At the Task Force's inception, the Inspection Service met with representatives of the American Red Cross in Washington, D.C. regarding Red Cross complaints going to the Task Force. As a result of this meeting, the Inspection Service began sending Red Cross referrals to Inspection Service field offices to be presented to the local Assistant United State's Attorneys for prosecutorial consideration. As of September 2010, the Inspection Service continues to adhere to this referral protocol involving Red Cross complaints.

United States Secret Service

The United States Secret Service remains dedicated to aggressively pursuing the fraudulent use of disaster related relief funds. For example, in 2009 and 2010, the Secret Service partnered with the Louisiana Department of Social Services Fraud and Recovery Section to investigate and present for federal prosecution a case involving a number of suspects employed in state and parish positions of trust. Fourteen of the indicted suspects served in various capacities, including the Director of 911 Emergency Communications System for a southern parish and employees of the Department of Health and Hospitals.

The 57-count indictment alleged involvement by these individuals in the fraudulent certification of disaster food stamp cases following Hurricanes Katrina, Rita, Gustav and Ike. Their actions resulted in the theft of more than \$50,000 in U.S. Department of Agriculture funds which were allocated to assist the citizens of Louisiana affected by the various storms. The suspects were found to have applied for assistance for deceased or non-existent people, as well as for people who resided in other states. As of August 19, 2010, 13 of the 14 have pleaded guilty to various federal fraud-related charges and are to be sentenced at a future date.

b. Inspectors General

The federal Inspectors General community has played a key role in the work of the Task Force since its inception. Department of Justice representatives of the Task Force continue to attend regular meetings of CIGIE working groups, as well as special meetings with Inspectors General on specific issues.

Offices of Inspectors General (OIGs) reported the following participation in the Task Force through FY 2010:⁴⁴

- *Department of Agriculture OIG:* Investigations that USDA OIG worked jointly with the Small Business Administration SBA OIG and the Southern District of Mississippi Hurricane Katrina Fraud Task Force, and an audit report on controls over multi-family housing funds provided for hurricane relief efforts.⁴⁵
- *Department of Defense OIG:* Investigations that resulted in the conviction of six defendants, as well as audit reports on the approval process, tracking, and financial

⁴⁴ Note: The statistical data listed in this section include participation by each reporting OIG, but should not be cumulated as certain investigations and prosecutions involved participation by more than one OIG.

⁴⁵ See Office of Inspector General, U.S. Dep't of Agriculture, Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts, Report No. 04601-0013-Ch (September 2006), available at <http://www.usda.gov/oig/webdocs/04601-13-CH.pdf>

management of DOD disaster relief efforts⁴⁶ and debris removal contracts that the U.S. Army Corps of Engineers awarded.⁴⁷

- *Department of Energy OIG*: Audit reports on the Department's response to Hurricanes Katrina and Rita.⁴⁸
- *Environmental Protection Agency OIG*: Investigations that led to the conviction of one defendant, as well as audit reports on the EPA's initial response to Hurricane Katrina, housing to support the Command Center, and cost controls for equipment used during emergencies.⁴⁹
- *General Services Administration OIG*: Nine investigations and an audit report on GSA's response to Hurricane Katrina.⁵⁰

⁴⁶ See Office of Inspector General, U.S. Dep't of Defense, Approval Process, Tracking, and Financial Management of DOD Disaster Relief Efforts (Department of Defense Office of Inspector General), Report No. D-2008-130 (September 2008), *available at* <http://www.dodig.mil/Audit/reports/08report.htm> [report D-2008-130].

⁴⁷ See Office of Inspector General, U.S. Dep't of Defense, Debris Removal Contracts US Army Corps of Engineers, Report No. A-2007-0016-FFD (November 2006).

⁴⁸ See Office of Inspector General, U.S. Dep't of Energy, The Department of Energy's Response to Hurricanes Katrina and Rita, Report No. DOE/IG-0707 (November 2005), *available at* <http://www.ig.energy.gov/documents/CalendarYear2005/ig-0707.pdf>, and Follow-Up Review of the Department of Energy's Response to Hurricanes Katrina and Rita, Report No. DOE/IG-0733 (July 2006), *available at* <http://www.ig.energy.gov/documents/IG-0733.pdf>.

⁴⁹ See Office of Inspector General Environmental Protection Agency, Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist, Report No. 2006-P-00038 (September 27, 2006), *available at* <http://www.epa.gov/oig/reports/2006/20060927-2006-P-00038.pdf>, New Housing Contract for Hurricane Katrina Command Post Reduced Costs but Limited Competition, Report No. 2007-P-00015 (March 29, 2007), *available at* <http://www.epa.gov/oig/reports/2007/20070329-2007-P-00015.pdf>, and EPA Needs to Improve Cost Controls for Equipment Used during Emergencies, Report No. 10-P-0047 (December 16, 2009), *available at* <http://www.epa.gov/oig/reports/2010/20091216-10-P-0047.pdf>.

⁵⁰ See Office of Inspector General, General Services Administration, Audit of GSA's Response To Hurricane Katrina, Report No. A060055/A/R/F07009 (February 2007), *available at* http://www.gsa.gov/graphics/staffoffices/A060055_R2C37-u_0Z5RDZ-i34K-pR.pdf.

- *Department of Health & Human Services OIG:* Twenty-two investigations that resulted in the indictment of 22 defendants and 18 convictions to date, as well as an audit report on state and local pandemic influenza preparedness.⁵¹
- *Department of Homeland Security OIG:* 1,764 investigations that resulted in the charging of 1,292 defendants and the convictions of 1,096 defendants to date; the recovery of \$34,936,887.02, restitution of \$46,866,082.49, court-ordered fines of \$2,967,728.74, and cost savings of \$171,818,510.42; the suspension of two maintenance and deactivation contractors who had submitted inflated invoices; and audit reports on Hurricanes Ivan, Dennis, and Katrina Activities for Baldwin County, Alabama and FEMA's response to formaldehyde in trailers⁵² ; and a management report on FEMA's response to Hurricane Katrina.⁵³
- *HUD-OIG:* 477 investigations that led to the conviction of 94 defendants; recovery of \$3,009,197, court-ordered restitution of \$3,005,997, court-ordered fines of \$7,700, and cost savings of \$1,893,975; and audit reports on Louisiana "Rome Home" funded grants,⁵⁴ the Texas Department of Housing and Community Affairs' acquisition of its program management firm,⁵⁵ the extent to which the City of New Orleans met requirements in

⁵¹ See Office of Inspector General, Dep't of Health & Human Services, State and Local Pandemic Influenza Preparedness: Medical Surge, Report No. OEI-02-08-00210 (September 2009), available at <http://oig.hhs.gov/oei/reports/oei-02-08-00210.pdf>.

⁵² See Office of Inspector General, Dep't of Homeland Security, Hurricane Ivan, Dennis, and Katrina Activities for Baldwin County, Alabama, Report No. DA-09-03 (December 4, 2008), available at http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-09-03_Dec08.pdf, and FEMA Response to Formaldehyde in Trailers (Redacted), Report No. OIG-09-83, (June 2009), available at http://www.dhs.gov/xoig/assets/mgmttrpts/OIGr_09-83_Jun09.pdf.

⁵³ See Office of Inspector General, Dep't of Homeland Security, Management Advisory Report: FEMA's Response to Hurricane Ike, Report Number OIG-09-78 (June 2009), available at http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_09_78_June09.pdf

⁵⁴ See Office of Inspector General, Dep't of Housing and Urban Development, State of Louisiana, Baton Rouge, Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Report No. 2008-AO-1002 (January 2008), available at <http://www.hud.gov/offices/oig/reports/files/ig08a1002.pdf>.

⁵⁵ See Office of Inspector General, Dep't of Housing and Urban Development, The Texas Department of Housing and Community Affairs Did Not Fully Follow Requirements or Best Practices in the Acquisition of Its Disaster Recovery-Funded Program Management Firm, Report

administering certain projects under the Orleans Parish Long Term Community Recovery Program;⁵⁶ and an audit memorandum on the Housing Authority of New Orleans' capacity to adequately administer recovery funding.⁵⁷

- *Department of Justice OIG*: Investigations that led to the conviction of a Federal Bureau of Prisons correctional officer for FEMA fraud and voluntary repayment of \$2,000 by the correctional officer to FEMA, as well as the voluntary repayment by a Department of Justice Trial Attorney of approximately \$7,000 of FEMA relief funds for losses incurred due to Hurricane Katrina to her residential property in Louisiana.
- *Department of Labor OIG*: 363 investigations that led to 144 convictions, fines and restitution of \$2,466,642 and forfeitures of \$432,754; and audit reports on Louisiana's payment of unemployment compensation claims.⁵⁸
- *Postal Service OIG*: Investigations that resulted in five convictions and fines and restitution of \$25,938.95.

No. 2010-FW-1005 (July 2010), available at <http://www.hud.gov/offices/oig/reports/files/ig1061005.pdf>.

⁵⁶ See Office of Inspector General, Dep't of Housing and Urban Development, The State of Louisiana's, Baton Rouge, LA, Subrecipient Did Not Always Meet Agreement Requirements When Administering Projects Under the Orleans Parish Long Term Community Recovery Program, Report No. 2010-AO-1005 (August 2010), available at <http://www.hud.gov/offices/oig/reports/files/ig10a1005.pdf>.

⁵⁷ See Office of Inspector General, Dep't of Housing and Urban Development, HUD Needs to Ensure That the Housing Authority of New Orleans Strengthens Its Capacity to Adequately Administer Recovery Funding, Audit Memorandum No. 2010-AO-0801 (December 2009), available at <http://www.hud.gov/offices/oig/reports/files/ig10110801.pdf>.

⁵⁸ See Office of Inspector General, Dep't of Labor, Louisiana May Have Paid At Least \$3.7 Million in Hurricane-related Unemployment Compensation Claims Based on Claimants Using Invalid Social Security Numbers, Report No. 06-07-001-03-315 (March 2007), available at <http://www.oig.dol.gov/public/reports/oa/2007/06-07-001-03-315.pdf>, and The Louisiana Department of Labor (LDOL) Paid \$51 Million in Hurricane-related Unemployment Benefits on Questionable Claims Management Letter Number 06-07-003-03-315 (September 2007), available at <http://www.oig.dol.gov/public/reports/oa/2007/06-07-003-03-315.pdf>.

- *Small Business Administration OIG*: Investigations that resulted in 74 convictions and fines and restitution of \$2,855,164; and 28 audit reports with a total of \$151,770,939 in monetary benefits.⁵⁹
- *Social Security Administration OIG*: Investigations resulting in 71 convictions and fines and restitution of \$37,366; and audit reports on SSA's service delivery to individuals and beneficiaries affected by Hurricanes Katrina and Rita,⁶⁰ SSA's accountability of FEMA funds provided for hurricane relief efforts,⁶¹ and accountability over duplicate payments, equipment and records in the hurricane recovery area.⁶²
- *Department of Transportation OIG*: Investigations pertaining to hurricane-related fraud.
- *Department of the Treasury OIG*: Investigations that led to three convictions and fines and restitution of \$139,196.13.

⁵⁹ See Office of Inspector General, Small Business Administration, Quality of Loans Processed Under the Expedited Disaster Loan Program, Report No. 7-34 (September 2007), available at http://www.sba.gov/idc/groups/public/documents/sba/oig_reptbydate_7-34.pdf, and The Small Business Administration's Fiscal Year 2007 Improper Payment Rate for the Disaster Loan Program, Report No. 9-10 (March 2009), available at http://www.sba.gov/idc/groups/public/documents/sba/oig_reptbydate_9-10.pdf.

⁶⁰ See Office of Inspector General, Social Security Administration, SSA's Service Delivery to Individuals and Beneficiaries Affected by Hurricanes Katrina and Rita, Report No. A-06-06-26072 (September 2006), available at <http://www.ssa.gov/oig/ADOBEPDF/A-06-06-26072.pdf>.

⁶¹ See Office of Inspector General, Social Security Administration, SSA's Accountability of Federal Emergency Management Agency Funds Provided for Hurricane Relief Efforts, Report No. A-06-06-26138 (March 2007), available at <http://www.ssa.gov/oig/ADOBEPDF/A-06-06-26138.pdf>.

⁶² See Office of Inspector General, Social Security Administration, Accountability over Duplicate Payments, Equipment and Records in the Hurricane Recovery Area, Report No. A-06-06-26137 (April 2007), available at <http://www.ssa.gov/oig/ADOBEPDF/A-06-06-26137.pdf>.

c. Other Agencies and Organizations

American Red Cross

In 2005, the American Red Cross responded to Hurricanes Katrina, Rita and Wilma by launching a \$2.2 billion relief operation spanning several years and providing more than four million people, or about 1.4 million families, with emergency financial assistance.

Beginning on September 8, 2005, the Red Cross stood up the Hurricane Katrina Fraud Investigative Unit, directed by the Vice President of the Office of Investigations, Compliance and Ethics to review what eventually would be more than 27,000 allegations of fraud from these three hurricanes, including allegations of inappropriate business transactions and fraudulent client financial assistance.

The highlights of these investigations include the following activities:

- Reviewed 27,000 allegations of fraud, representing seven-tenths of one percent of the four million people helped by emergency financial assistance from the Red Cross.
- Collected \$2.5 million in financial assistance overpayments that were voluntarily returned to the Red Cross.
- Referred to law enforcement 3,271 cases covering \$12.7 million in Red Cross funds.
- Received court-ordered restitution to the Red Cross from prosecutions of fraud totaling \$1.1 million to date.

The Red Cross continues to strengthen and enhance its internal controls and oversight, working to deter and detect fraud, waste and abuse with the utmost seriousness and to fulfill its obligation of stewardship for every donation received.

III. Conclusions

Since 2005, the Hurricane Katrina Fraud Task Force and its members have compiled an enviable record of success in investigating and prosecuting disaster-related fraud. From their collective experience in these investigations and prosecutions, the Task Force has identified several factors that directly affected its ability to prevent and combat disaster-related fraud:

- ***Absence of Fraud-Prevention Controls and Measures:*** In the wake of Hurricanes Katrina and Rita, the absence of effective fraud-prevention internal controls and measures made it possible for many people fraudulently to obtain emergency benefits from FEMA and the American Red Cross. While it is always vital in any disaster to provide prompt financial support to victims whose jobs or businesses have been severely affected by the disaster, a balance also must be struck between speed of payment and effective measures to verify identities and other information that claimants provide. Both FEMA and the Red Cross have since substantially revamped their internal processes and improved their capabilities to oversee the disbursement of emergency assistance and to facilitate identification of suspicious claims or transactions.⁶³
- ***Centralized Process for Intake and Referral of Disaster Fraud Reports:*** The NCDF's record in handling nearly 40,000 fraud reports on numerous disasters since Katrina demonstrates the value of having a single, integrated process to ensure channeling of all public reports of disaster-related fraud to a single location and promptly deconflicting and referring meritorious reports to law enforcement.
- ***Close Coordination Among Investigative Agencies and Inspectors General:*** In their responses to Katrina and later disasters, investigative agencies and Inspectors General were able to work efficiently and effectively, in large measure, because they consistently demonstrated a willingness to cooperate as necessary in investigating particular cases and to minimize the potential for overlap or duplication of resources in investigating the same individuals.

As the public reports alleged frauds related to the Deepwater Horizon oil spill and other disasters in the future, law enforcement will need to build on the lessons of the last five years and encourage donor and grant-making organizations to maintain effective controls, make full use of the NCDF in receiving and processing fraud reports, and maintain close cooperation among agencies in order to sustain its noteworthy record of success in combating disaster-related fraud.

⁶³ See, e.g., HURRICANE KATRINA FRAUD TASK FORCE, U.S. DEP'T OF JUSTICE, SECOND YEAR REPORT TO THE ATTORNEY GENERAL at 29 (September 2007), available at <http://www.justice.gov/criminal/katrina/docs/09-04-07AG2ndyrprogrpt.pdf>.

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: 1-877-NCDF-GCF (623-3423)
- 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).

To report other types of crime, such as public corruption or Internet crime, please contact the FBI at 1-800-CALL-FBI (1-800-225-5324), or the Internet Crime Complaint Center (a joint project of the FBI and the National White Collar Crime Center) at <http://ic3.gov>.

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