



# **Fraud Awareness**

**Hon. David R. Dugas**

**Executive Director**

**Joint Command Center, Hurricane  
Katrina Fraud Task Force**

# **Joint Command Center**

**2<sup>nd</sup> Floor of Johnston Hall**

**LSU Campus, Baton Rouge**

## **➤ LEO**

- Complaint Referral Database**
- Fraud Hotline**
- Screening, de-confliction and referral**
- Intelligence Analysts**
- Agency representatives**

# **Joint Command Center**

## **Contact Numbers**

- **Phone – (225) 334-4800**
- **Fax – (225) 334-4707**

## **Physical Location**

- **Second Floor of Johnston Hall**
- **Secure location with keypad controlled entrance and picture id required**

# Joint Command Center

## Hotlines

- **HKFTF hotline – (866) 720-5721**
- **FBI hotline – (800) CALL FBI**
- **E-mail – [HKFTF@leo.gov](mailto:HKFTF@leo.gov)**
- **Address – Hurricane Fraud Task Force  
Baton Rouge, LA 70821-4909**

# Joint Command Center

- **RADD database**
  - **Complaint receipt, screening and referral**
  - **Complaint tracking**
- **Agent screening of complaints**
- **Analyst review**
  - **NEMIS review**
  - **SBA database**
  - **HUD database**
- **CDBG anti-fraud work**

# Joint Command Center

- **Attacks from the outside**
- **Exploitation by insiders**
- **Exploitation of the Public**
  - **Charity fraud**
  - **Contractor fraud**
  - **fake check and advance fee fraud**

# Task Force Accomplishments

- **808 defendants charged in 41 judicial districts around the country**
- **13,000+ complaints indexed in the Complaint database and referred for investigation**
- **30+ federal agencies, IG offices and USAO offices represented at the Command Center**
- **Nationwide coordination of Hurricane Katrina, Rita and Wilma anti-fraud efforts**

# Attacks from the Outside

- Emergency Assistance Schemes
  - Begins as soon as public is informed that the government and private entities are providing assistance for victims and businesses
  - Progresses from individual claims to multiple claims to organized rings
  - Maintaining internal controls critical
  - Data management and analysis



# Individual Assistance Fraud

- **A Georgia man was convicted of submitting 51 fraudulent claims for Disaster Unemployment Assistance to the Louisiana Department of Labor. Gave same mailing address for all claims.**

# Individual Assistance Fraud

- **On October 14, 2005 a Portland, Oregon man was charged with submitting a fraudulent claim for Individual Assistance benefits to FEMA. In January of 2006 another 9 Portland, Oregon residents were indicted and charged with being part of the same scheme. Initial lead came from Postal Inspectors.**

# Individual Assistance Fraud

- **On March 2, 2006 a grand jury in Houston, Texas returned a 39-count indictment charging an individual with twenty-two counts of wire fraud and seventeen counts of filing false claims against the Federal Emergency Management Agency (FEMA). The defendant is the principal owner of a hotel in Texas and is accused of wire fraud and filing false claims totaling at least \$232,000 in connection with disaster relief lodging programs for hurricane evacuees funded by FEMA's Public Assistance Program. Eight others were previously arrested in this district on charges of fraud in connection with hurricane disaster relief programs.**

# Individual Assistance Fraud

- **On May 25, 2006 the Middle District of Florida charged 26 people with submitting false claims to FEMA. The defendants submitted multiple false claims totaling as \$170,000 and were successful in collecting over \$150,000 in disaster assistance benefits.**

# Individual Assistance Fraud

- **The United States Attorney's Office for the Eastern District of California and the FBI have investigated a scheme to defraud the American Red Cross of funds intended for Hurricane Katrina victims by submitting or causing others to submit fraudulent claims through the American Red Cross call center located in Bakersfield. Over 80 persons have been federally charged.**

# Exploitation by Insiders

- Individuals Use Their Positions to Exploit Relief Programs
  - Public Officials
  - Government Agencies
    - FEMA, Army Corps of Engineers, LA Dept. Of Labor
  - Charitable Organizations
    - Red Cross

# Exploitation by Insiders

- **Four individuals have been indicted for conspiracy to defraud the United States involving the creation and submission of fraudulent debris removal load slips in the amount of \$716,677. The indictment charges that a debris removal contracting company working in Pearl River County, Miss., and three individuals working for a debris removal monitoring company signed false debris load slips misrepresenting that debris was loaded onto trucks on the roadway when the monitors were not present at the loading site and, in most instances, created and signed the false load slips at their residences. The indictment also charges that one defendant, in an effort to conceal the conspiracy, deposited the funds into a bank account opened in the name of one of his employees and then write a check to an un-indicted co-conspirator who paid the conspirators.**

# Exploitation by Insiders

- **Two individuals pled guilty to conspiracy to commit bribery involving debris removal in Perry County, Miss. One defendant was employed as a quality assurance representative for the U.S. Army Corp of Engineers and the other was a contractor responsible for debris removal in Perry County, Miss. following Hurricane Katrina. The Corp employee accepted cash bribes in exchange for creating false load tickets for loads that the contractor did not haul or dump. Federal agents recorded conversations between the two in which the contractor paid \$100 for five false load tickets. The defendants admitted to at least 14 additional false load tickets.**



# Exploitation by Insiders

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

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# Exploitation by Insiders

- **Two FEMA employees were convicted of soliciting bribes from a base camp operator in exchange for allowing the base camp operator to inflate his daily meal charges.**

# Exploitation by Insiders

- **Four FEMA employees in Baton Rouge, LA were charged with stealing air conditioning units intended for use with the travel trailers that FEMA used for temporary housing for storm victims.**

# Exploitation by Insiders

- **A Fire Chief and two other individuals have plead guilty to stealing \$500,000 in medical equipment from an EMT staging area set up by FEMA in Baton Rouge following Hurricane Katrina. The Fire Chief also plead guilty to attempting to murder a federal witness.**

# Exploitation by Insiders

- **A Corps of Engineers employees has been charged with agreeing to accept \$299,000 in bribes and kickbacks in exchange for providing inside information to a subcontractor on the bids submitted for a contract to repair a portion of the levee system that protects New Orleans.**

# Exploitation by Insiders

- **Lessons**

- Internal controls – that's why they exist
- Multiple layers of review

# Exploitation of the Public

- Charity Fraud Schemes
  - Begins at or shortly before the time a disaster strikes
  - Lifecycle extends from onset to four to six weeks thereafter
  - Exploits the outpouring of private and public support for victims
  - Includes fraudulent websites



# Exploitation of the Public

- **On September 17, 2005 two individuals were arrested in Burbank, California for impersonating American Red Cross workers soliciting contributions for Hurricane Katrina relief.**

# Exploitation of the Public

- On October 3, 2005 a man in Aventura, Florida was charged with operating a fraudulent website, [www.AirKatrina.com](http://www.AirKatrina.com), and soliciting donations for relief flights to Louisiana. The website included false descriptions of scenes of destruction and suffering that he supposedly saw when flying relief supplies into the affected areas.

# Exploitation of the Public

- **Two Romanian nationals were indicted for allegedly operating an internet scam involving bogus auctions on E-bay, Yahoo! Auctions and Autotrader.com. To encourage bidders, the defendants often masqueraded as Hurricane Katrina relief organizations.**

# Exploitation of the Public

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

# Exploitation of the Public

- **Contractor fraud**
- **Fake check schemes**
- **Advance fee schemes**
- **Public awareness outreach should be part of any program**