U.S. Department of Justice

STATEMENT

OF

ALICE S. FISHER

ASSISTANT ATTORNEY GENERAL

CRIMINAL DIVISION

UNITED STATES DEPARTMENT OF JUSTICE

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE, AND ACCOUNTABILITY

OF THE

COMMITTEE ON GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

"AFTER KATRINA: THE ROLE OF THE DEPARTMENT OF JUSTICE KATRINA FRAUD TASK FORCE AND AGENCY INSPECTORS GENERAL IN PREVENTING WASTE, FRAUD AND ABUSE"

PRESENTED ON

MAY 10, 2006

Testimony of Alice S. Fisher
Assistant Attorney General of the Criminal Division
United States Department of Justice
Before the Subcommittee on Government Management, Finance, and Accountability
Government Reform Committee
U.S. House of Representatives
Concerning
"After Katrina: the Role of the Department of Justice's Katrina Fraud Task Force and Agency Inspectors General in Preventing Waste, Fraud, and Abuse"

May 10, 2006

Chairman Platts, Ranking Member Towns, and distinguished Members of the Subcommittee, thank you for inviting me to testify before you today about the activities of the Hurricane Katrina Fraud Task Force.

Amid the challenge of the immediate response to Hurricane Katrina, the Department of Justice was mindful of the need to ensure that the money pouring into the region got into the hands of the needy and was concerned about ensuring the integrity of what promised to be an unprecedented relief and reconstruction effort. Against that backdrop, Attorney General Gonzales announced the creation of the Department of Justice Hurricane Katrina Fraud Task Force on September 8, 2005, and appointed me as its Chair.

The Task Force's mission is to detect, deter and prosecute Hurricane Katrina-related fraud, and associated crimes such as public corruption. Of course, the mission has expanded to include frauds associated with Hurricanes Rita and Wilma that followed on the heels of Katrina. Our immediate goal was to spread the word that the Department will not tolerate opportunistic fraud in the midst of this humanitarian crisis and to send the unequivocal message that we will work tirelessly to discover these frauds, and corrupt public officials, and prosecute them vigorously. To that end, and to deter fraud in the first place, the Attorney General announced a zero-tolerance policy for hurricane-related fraud offenses and associated corruption crimes.

I have been honored to lead the efforts of the Task Force, whose members include Department of Justice components, such as the Federal Bureau of Investigation (FBI); other federal law enforcement agencies, such as the U.S. Postal Inspection Service and U.S. Secret Service; the federal Inspector General community; and federal regulators with civil enforcement powers. The Task Force has also partnered with other regulators, private partners and state and local law enforcement, to accomplish its mission. The progress and accomplishments of the Task Force are the result of the combined and coordinated efforts of this community.

I firmly believe that it is our responsibility as a nation to provide the necessary support to the people and communities of the Gulf region to rebuild their lives and their communities. That

worthy goal commands a high price. To date Congress has appropriated more than $85 billion to that effort. Maintaining the integrity of the relief and reconstruction effort will promote confidence in those who provide the money for this worthy effort – be they individual donors to the American Red Cross or the American taxpayer through this Congress. Conversely, a lack of confidence in the integrity of the process could dry up donations and undermine taxpayer confidence. It would also significantly impact the reconstruction effort with necessary reconstruction either not happening (because the contractor was a fraud) or happening in a seriously substandard fashion that could have a devastating impact down the road. For these and many other reasons, I view the role of the Hurricane Katrina Fraud Task Force as vitally important.

I am so pleased to report that the Task Force has enjoyed early success. I can think of few other circumstances where the federal law enforcement community pulled together so cohesively, and so quickly, to send a palpable and effective message of deterrence. The sheer number of prosecutions that have been undertaken to date – in just eight months – reflects the singular purpose with which we have approached this challenge.

To date, the Task Force has brought criminal charges against 261 defendants in 218 cases in 24 judicial districts across the country, and has obtained 44 convictions, including at trial. I should point out that many of these prosecutions were undertaken by the besieged U.S. Attorneys' Offices in the affected area – making their contribution that much more meaningful.

The success of our Task Force, which I outline below, can be credited to the unprecedented level of genuine cooperation and coordination of the Task Force members. We pulled together our resources, quickly and efficiently, to turn our mission into a reality. U.S. Attorneys in the affected areas formed working groups that brought together federal law enforcement, including agents from the Inspector General community, and state and local law enforcement. I directed the creation of a Joint Command Center to add the important elements of deconfliction, coordination, lead referral and analysis. Today, that Joint Command Center is up-and-running, making new headway with each passing day. From joint databases, to systematic lead referral to trend analysis, the Joint Command Center is improving the capabilities of each individual IG and law enforcement agency and U.S. Attorney-led working group to fulfill their crucial mission of detecting and deterring hurricane-related fraud in the region.

The birth of the Joint Command Center itself exemplifies the high degree of cooperation and coordination among the Task Force members. The FBI immediately located space for the Command Center in Baton Rouge, a city that was bursting at the seams with evacuees and where space was nearly impossible to come by. That space was provided to us by Louisiana State University (LSU) – whose assistance has been unwavering. Men and women from the Department of Justice traveled down with supplies in hand – from computers to staplers – to jump-start the operation. New Orleans United States Attorney Jim Letten, battling the loss of his city, widely dispersed staff, and a colossal law enforcement crisis, provided leadership for the Command Center in its start-up phase. Even before U.S. Attorney Letten and his staff were able to return to New Orleans, his close partner, the United States Attorney for the Middle District of

Louisiana, David Dugas, accepted the responsibility of managing the day-to-day operations of the Command Center. Under his leadership, the Command Center is making important strides. The Inspector General community immediately detailed or assigned points of contact to the Command Center. Other law enforcement agencies, such as the Postal Inspection Service, immediately volunteered to provide human resources to support the operation. Perhaps most important has been the tremendous support of the FBI to this endeavor.

Truly, the FBI has been instrumental in turning the Command Center into a functioning and valuable asset. The support has come from the highest levels of headquarters all the way down to the Special Agents in Charge and their personnel in the region. Without this support – in the form of money, personnel, commitment and vision – we would not be nearly as successful.

The United States Attorney's community has been equally instrumental. Every U.S. Attorney's Office has heeded the Attorney General's directive that no hurricane-related fraud is too small to be prosecuted. The U.S. Attorney community worked with the IG community and law enforcement partners to quickly develop these cases and bring charges. The numbers of prosecutions to date reflect well on the U.S. Attorney community.

Finally, the IG community itself has been an invaluable partner. I particularly appreciate the close and cooperative relationship with Department of Homeland Security Inspector General Rick Skinner, who is coordinating the efforts of the IG community generally. He has proven to be a true partner and responsive colleague. Like Rick, there are a number of Inspectors General who have worked hand-in-glove with the Task Force. Their combined efforts and support have made our successes possible.

I wish I could do justice to the contributions of each and every one of the Task Force members and partners. In addition to those already mentioned, federal regulators such as the Securities and Exchange Commission (SEC) and Federal Trade Commission (FTC) have worked closely with us to monitor hurricane-related activity in their areas of interest. The FTC has been particularly active in getting the word out to people so they will not become victims of hurricane-fraud identity theft. The Postal Inspection Service has been another true partner in that effort. The American Red Cross has worked closely with the Task Force to allow us to identify and successfully prosecute Red Cross charitable donation and benefit fraud. The Secret Service and the FBI mobilized quickly to shut down fraudulent websites seeking to solicit donations. State and local law enforcement, through the National Association of Attorneys General and the National Association of District Attorneys, have coordinated with, and provided support to the Task Force.

The Task Force published a progress report to the Attorney General in February 2006 that provides greater detail on our progress and accomplishments. However, I want to take this opportunity to update you on some of the more important accomplishments:

- The establishment of the Task Force's Joint Command Center, which has become a model for nationwide coordination, deconfliction, and referral of disaster-related fraud cases;
- Extensive national-level coordination among multiple agencies - at all levels of government and with the private sector – to expedite the identification and investigation of fraud cases; and
- A substantial number of prosecutions that United States Attorneys across the country are pursuing.

The Joint Command Center

Early on it became apparent that we needed to develop a mechanism to coordinate our anti-fraud efforts. There were scores of Inspectors General on the ground in the affected area following the trail of their agency money and looking for fraud and corruption. Other law enforcement agencies had their boots on the ground – FBI, U.S. Postal Inspection Service, U.S. Secret Service, and more. Added to the mix were the men and women from state and local law enforcement also looking to safeguard the integrity of the relief and reconstruction effort. With so many law enforcement agents, from so many different agencies, an effective means of deconflicting and coordinating was absolutely essential. We needed to find a way to make sure one agency did not inadvertently disrupt the investigation of another, and to make sure that lessons learned of one agency could benefit the entire law enforcement community. From that goal was born the Joint Command Center.

Located in a secure facility on the LSU campus in Baton Rouge, Louisiana, the Command Center is playing a vital role in ensuring nationwide coordination of our law enforcement efforts in rooting out disaster-related fraud and corruption. Already, the Command Center has a number of important accomplishments, listed below. As we move forward, with a database in place and full-time analytical staff, I expect that the Command Center will be instrumental in identifying fraud trends, pockets of fraud, and systemic vulnerabilities where we will likely find fraud.

Early accomplishments:

- ***Made hotline tips readily accessible to the law enforcement community***: Two major Task Force hotlines – operated by the FBI and the President's Council on Integrity & Efficiency (PCIE) Homeland Security Working Group – have already received many complaints. To standardize the process of complaint intake, the Command Center created a standard Task Force Complaint Referral Form for transmitting fraud complaints and investigative leads to the Command Center, and an interagency complaint index to expedite screening, deconfliction, and referral of complaints to appropriate law enforcement agencies and Task Force working groups for investigation. We are now answering the PCIE hotline, and receive about 50 calls on weekdays and about half that number on weekends. We have sufficient staff at the Command Center to screen and refer those calls daily, so we have no backlog. Now that we are answering the PCIE

hotline, the DHS-Office of Inspector General has been able to work through most of its backlog of complaints previously received on the hotline. All future complaints will be handled by the Command Center, relieving the agents and supervisory agents in the field of that burden.

- ***Designed and developed a deconfliction database:*** The Command Center has developed, in conjunction with Department of Justice technical personnel, an innovative Referral and Deconfliction Database (RADD). The RADD will allow automatic deconfliction of complaints and leads, merger of duplicate complaints, referral of complaints to appropriate agencies and working groups, and tracking of complaints and referrals. The database will be brought online in the near future. The Command Center is performing those functions currently with a more limited database. We currently have more than 3,000 complaints indexed in our database. All have been screened by agents at the Command Center and referred for follow up if appropriate.

- ***Promoted meaningful coordination between federal law enforcement partners:*** To date, 32 federal agencies and Department of Justice components have representatives assigned to the Joint Command Center or designated as Points of Contact for the Command Center. The Command Center now has onsite interagency exchange of information and trends, through regular (weekly) Joint Command Center meetings and day-to-day interaction of the Joint Command Center staff and agency representatives. We also have 210 Task Force personnel who are enrolled in the LEO Hurricane Katrina Fraud Special Interest Group, representing these 32 law enforcement agencies.

- ***Assigned full-time personnel to add analytical value:*** In addition to these Command Center agency representatives, the Command Center currently has an FBI supervisory agent, an FBI agent, two full-time FBI analysts, two full-time FBI support personnel, and a student worker. The DHS-Office of Inspector General supervisor in Baton Rouge is moving into an office at the Command Center and soon will have an agent and intelligence analyst stationed full time at the Command Center. In addition, HUD-Office of Inspector General has assigned a forensic analyst to the Command Center who will report for duty in June. These full-time analysts at the Joint Command Center play a vital role in ensuring that information gathered by the Joint Command Center is properly screened, analyzed, and reported to investigative agencies on a timely basis. The Joint Command Center analysts also review information obtained from ongoing investigations and prosecutions in order to detect trends or patterns of fraudulent activity and possible systemic weaknesses. The analytical work at the Command Center is generating investigative leads that are being referred to the field for follow up. In addition, the Command Center staff is providing support to ongoing investigations by doing research and gathering information for the agents.

- ***Training:*** To enhance interagency coordination and development of cases, the Command Center is providing periodic on-site training for federal agents and prosecutors. Building on an initial training and information-sharing law enforcement

conference that the Task Force held in New Orleans in October 2005, the Command Center has already hosted two training sessions by Department of Justice prosecutors: one for Inspector General auditors, and a second for agents assigned to the Command Center on a variety of topics relating to fraud and public corruption.

National-Level Coordination

To complement the coordination that the Command Center is providing in the field, the Task Force has taken a number of steps to ensure full and meaningful coordination and cooperation among all Task Force members. I have promoted this coordination in a number of ways. Since the initial set-up meetings of the Task Force, I have convened two plenary meetings, one in September and another in December 2005, where member agencies are represented at a headquarters level. At these meetings we are able to identify, discuss and resolve important issues affecting our common ability to combat this type of fraud.

I convened an all-hands meeting of the Task Force in New Orleans in October of 2005 to bring definition to our common mission, to learn from and of each other, and to introduce the Joint Command Center. We had approximately 100 participants from a wide swath of agencies. Agencies were represented by their on-the-ground assets as well as their headquarters policy makers. Attorney General Gonzales, Louisiana Attorney General Foti, FBI Assistant Director Chris Swecker, and Department of Homeland Security Inspector General Rick Skinner were among those attending and speaking.

I have met with or spoken personally, often on numerous occasions, with my counterparts in many affected agencies, to identify issues and to resolve them quickly. My staff and the Executive Director of the Command Center, U.S. Attorney David Dugas, meet with and speak to affected agencies on a daily basis – identifying monies destined for the affected region, learning of the fraud controls if any, and identifying means to curb any fraud from the outset.

My staff participates in the regular meetings of the Command Center and visits often. We are in daily communication with Executive Director David Dugas – often until late hours of the night. I have personally visited the Command Center in Baton Rouge twice, and have been highly impressed by the continuing professionalism and dedication of the agents and prosecutors I have met there. What makes that professionalism and dedication all the more significant is that many of these agents and prosecutors who live in the Gulf Coast region are working under the same difficult conditions as many others whose homes and offices were damaged or destroyed by the hurricanes. For example, the staff of the United States Attorney's Office for the Eastern District of Louisiana did not return to its offices in New Orleans until late December. Yet that office continued to pursue new cases, including Katrina Fraud Task Force cases, even while it was temporarily co-located in Baton Rouge with the United States Attorney's Office for the Middle District of Louisiana between late August and the end of December 2005.

The Inspector General community has embraced the Task Force. My staff attends all the PCIE Homeland Security Roundtable meetings and participates in several of the working groups.

We are working with investigative agencies and the IG community to proactively and expeditiously identify possible fraud. For example, we are working closely with several Offices of Inspectors General to track the disbursement of disaster-related funds in the affected areas, and to streamline processes for analyzing disaster-benefit applications and identifying significant cases of potential benefit fraud. Because the Federal Emergency Management Agency (FEMA) reports that more than 2.5 million people have applied for Hurricane Katrina or Rita benefits as of early January 2006, the Task Force's members recognize the importance of finding ways to identify fraud schemes as quickly as possible and pursuing these cases efficiently.

Prosecutions

This coordination, at both the national and field levels, and the dedication and commitment of federal agents and United States Attorneys across the country to a zero-tolerance approach to this type of crime, has resulted in a truly remarkable number of prosecutions in such a short period of time. There is some evidence that our strategy of maximizing deterrence through swift and certain prosecution is having the desired effect – with the Red Cross and FEMA reporting to the Task Force that, together, they have seen money returned by individuals – some under circumstances suggesting that fear of prosecution was driving the decision to return the funds (or to ask for a payment plan to repay already spent funds).

The prosecutions brought to date cover the gamut of the Task Force's mandate: charity fraud; Government and private-sector benefit fraud; identity theft; insurance fraud; procurement fraud; and public corruption. Here are just a few examples of the Task Force's current cases:

Contract and Benefit Fraud and Public Corruption

- On May 3, 2006, a contract employee working at the Louisiana Department of Labor (LDOL) was arrested in the Middle District of Louisiana after accepting a payment from an individual for a fraudulent benefit card that he issued at the request of the individual. The former contract employee allegedly facilitated numerous fraudulent claims for disaster unemployment assistance (DUA) benefit cards.[1]

- On April 5, 2006, two former FEMA employees pleaded guilty in the Eastern District of Louisiana to soliciting bribes as public officials. According to the criminal charges in the case, the two FEMA employees were responsible for managing the FEMA base camp located in Algiers, Louisiana. Those employees approached a local contractor and, in a series of meetings, solicited a $20,000 bribe from the contractor in exchange for inflating the headcount for a $1 million meal service contract at the base camp. The two FEMA

[1] *See* United States Attorney's Office, Middle District of Louisiana, Press Release, May 4, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/05-04-06-FEMAFraud-LawlessArrest.pdf.

employees were arrested on January 27, after each took one envelope containing $10,000 from the contractor.[2]

- On March 21, 2006, in the Southern District of Mississippi, a subcontractor involved in debris removal after Hurricane Katrina, as well as a U.S. Army Corps of Engineers employee, pleaded guilty to conspiracy to commit bribery of a federal official. The subcontractor paid the Corps of Engineers employee multiple bribes, to create false load tickets for debris that the subcontractor never dumped at a dumpsite where the Corps of Engineers employee served as a quality assurance representative. Federal agents recorded conversations between the two defendants in which the subcontractor paid the Corps of Engineers employee $100 for five false load tickets. The defendants admitted to at least 14 additional false load tickets.[3]

- In addition, on December 16, 2005, a federal grand jury for the Eastern District of Louisiana indicted a St. Tammany Parish Councilman on charges of extortion under the Hobbs Act and 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 the defendant pressured the owners of the second company to pay him 50 percent of the funds that the company received from the prime contractor.[4]

- Finally, the Civil Division, working jointly with the office of the United States Attorney for the Middle District of Louisiana, has filed a False Claims Act complaint in a case involving a contract to build a base camp outside New Orleans for the first responders arriving from all over the country to help with post-Katrina recovery. In *United States v. Lighthouse Disaster Relief, et al.* (M.D. La.), the Government filed suit alleging that Lighthouse and its principals did not adequately perform their responsibilities under a contract with the General Services Administration which was funded by FEMA. The suit alleges that the defendants knowingly billed the Government for services it never delivered. The United States also filed an application for garnishment of bank accounts pending resolution of the suit, pursuant to the prejudgment remedies provisions of the Federal Debt Collection Procedures Act. The application for pre-judgment garnishment

---

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

[3] See United States Attorney's Office, Southern District of Mississippi, Press Release, March 21, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/3-21-06USAOSDMS.pdf.

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

was granted, and the Government garnished $1,500,000 in funds in the bank accounts held by Lighthouse and its principals.

Benefit Fraud and Identity Theft

The vast majority of persons charged to date allegedly engaged in fraud when applying for and receiving disaster-assistance benefits to which they were not entitled. Here are some of the most frequent patterns of criminal conduct we are seeing in these cases:

- The first involves multiple applications and claims with others' identifying information. For example, on March 2, 2006, a federal grand jury in the Southern District of Texas indicted a defendant, the principal owner of a company that operated a hotel in Galveston, Texas, for filing false claims with FEMA. The defendant allegedly filed six types of fraudulent claims with FEMA for reimbursement: (1) rooms in the names of hotel employees who previously stayed at the hotel free of charge as part of their employment arrangement; (2) rooms in the name of supposed hurricane evacuees on dates when those rooms were occupied by paying hotel guests with different names; (3) rooms occupied by friends, relatives, and employees of his wife's business, who were recruited to stay at the hotel, but were not evacuees; (4) rooms in the names of supposed hurricane evacuees who never had rooms at the hotel; (5) rooms in the name of supposed hurricane evacuees on dates when those rooms were unoccupied; (6) for multiple rooms in the names of a single guest when, in fact, the guest occupied fewer rooms than billed.[5]

- On January 20, 2006, the United States Attorney's Office for the Southern District of Texas filed a criminal complaint against a man on mail fraud charges relating to his fraudulently applying for disaster unemployment assistance. The man had evacuated from New Orleans to Conroe, Texas because of Hurricane Katrina. He proceeded to recruit multiple residents of Conroe, who had not been evacuees, to let him use their identifying information to obtain multiple debit cards issued by the Louisiana Department of Labor for disaster. According to the complaint, the individual paid people in cash or drugs for their information.[6]

- On December 13, 2005, federal authorities arrested a man on a criminal complaint in the Middle District of Louisiana, alleging wire fraud and false use of Social Security numbers to obtain fifty disaster unemployment debit cards for alleged losses resulting from Hurricane Katrina. According to the complaint, 50 applications filed with the Louisiana Department of Labor resulted in fifty disaster unemployment debit cards being

---

[5] *See* United States Attorney's Office, Southern District of Texas, Press Release, March 2, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/3-2-06USAOSDTX.pdf.

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

mailed to a post office box in Villa Rica, Georgia. The complaint alleges that 49 of the 50 applications for unemployment assistance bore the same date of birth, all had the last name of Ramirez or Garcia, and all the Social Security numbers were the same, except for one or two digits.[7]

- In some of these cases, the ringleader of the scheme sought the assistance of family members or acquaintances to carry out the criminal scheme. For example, on January 11, 2006, a federal grand jury in the Northern District of Texas indicted three Dallas-area residents and two Meyersville, Mississippi, residents, for various offenses related to their role in a FEMA fraud scheme. According to the indictment, the defendants made numerous fraudulent claims for hurricane disaster relief by filing the fraudulent claims over the telephone and online with FEMA and the Louisiana Department of Labor (LDOL). The lead defendant reportedly submitted more than 50 fraudulent online applications to FEMA and the LDOL, and filed most of the fraudulent claims on behalf of family members who lived in two areas not affected by Hurricane Katrina. The lead defendant allegedly received approximately $65,000 in fraudulently obtained Hurricane Katrina disaster benefits and there is no evidence to indicate that she ever lived in New Orleans.[8]

- The second type of conduct involves applications by persons living well outside the disaster areas. We have seen numerous cases in which the applicants for disaster benefits lived two, three, or more states beyond the affected areas, and were not in fact displaced by the hurricanes. For example, between March 27 and April 6, eight Portland-area residents have pleaded guilty in connection with charges relating to their falsely representing that they were displaced by Hurricane Katrina in order to receive FEMA expedited-assistance and rental-assistance checks.[9]

- One factor that made this possible was the creation, by disaster-relief organizations, of telephone and Internet-based application processes for disaster assistance. While this was a necessary decision to try to improve timely delivery of emergency assistance to people displaced from their homes, a number of our cases show that criminals have been able to exploit those processes for their personal benefit. The most significant example of this to date is the fraud scheme that the United States Attorney's Office for the Eastern District of California and the FBI have been investigating in connection with the American Red

---

[7] *See* United States Attorney's Office, Middle District of Louisiana, Press Release, December 14, 2005, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/12-14-05USAOMDLA.pdf.

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

[9] *See* United States Attorney's Office, District of Oregon, Press Release, April 7, 2006, *available at* http://www.usdoj.gov/katrina/Katrina_Fraud/HKFTF_PressRoom/USAO_OR_04072006.pdf.

Cross's call center in Bakersfield, California. The scheme was to defraud the American Red Cross of funds intended for Hurricane Katrina victims, by submitting or causing others to submit fraudulent claims through the call center. The indictments allege that a number of temporary employees at the Bakersfield call center, and some close associates of those temporary employees, obtained false claim information and, using that information, obtained payment from Western Union.[10] As of April 12, 2006, 70 persons have been federally charged in this investigation.

- The third type of conduct involves applications by some prison inmates at institutions outside the disaster areas. For example, on October 27, 2005, a federal grand jury in the Western District of Louisiana indicted two women, incarcerated at the Avoyelles Women's Correctional Facility in Cottonport, Louisiana, for claiming to be hurricane victims in order to fraudulently obtain FEMA relief funds.[11]

- The fourth type of conduct involves schemes by individuals to defraud the public of their money by falsely representing themselves to be charitable organizations or agents of charitable organizations. There have been a number of cases where persons falsely claimed to represent the American Red Cross and received "donations." In other cases, persons set up fraudulent websites to collect money from unsuspecting donors. For example, one defendant who pleaded guilty on January 30, 2006 in the Southern District of Florida, set up a website (www.airkatrina.com) which netted him $40,000 in donations in just two days from 48 different victims around the world. He falsely claimed that he was piloting flights to Louisiana to provide medical supplies to the areas affected by Hurricane Katrina and to evacuate children and others in critical medical condition. He further claimed that he had organized a group of Florida pilots to assist him in his supposed relief efforts.[12] On May 5, 2006, he was sentenced to 21 months imprisonment and 2 years supervised release, having already paid restitution.

As the bigger dollars start flowing into the area for the major reconstruction projects, we expect that we may see a greater number of procurement fraud cases developing. We have geared up for this important phase, with a robust infrastructure that supports broad-based information-sharing, deconfliction and analysis.

---

[10] *See, e.g.,* United States Attorney's Office, Eastern District of California, Press Release, October 27, 2005, *available at* http://www.usdoj.gov/usao/cae/PRESS/pdf_2005/10-27-05katrinarelease.pdf.

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

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

I am pleased to share with this Subcommittee the early successes of the Task Force and am humbled by the talent and commitment of the men and women who are turning this important mission into a reality.

Mr. Chairman, that concludes my prepared statement. I would be pleased to take the Subcommittee members' questions at this time.

* * *