



Jonathan J. Rusch
Executive Director, Disaster Fraud Task Force
Deputy Chief for Strategy and Policy, Fraud
Section
Criminal Division
U.S. Department of Justice
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Disaster Fraud

Background

“Cycle” of Disaster Fraud

- Charity Fraud: D-1 – Weeks/Months
- Benefit Fraud: D+1 or 2 – Months/Years
- Insurance Fraud – D+1 or 2 – Months/Years
- Identity Theft: D+1 or 2 – Months/Years
- Public Corruption: D+1 – Months/Years
- Procurement/Contract Fraud – D+2 – Months/Years
- Investment Fraud – D+10 - Months
- Other Offenses

Types of Disaster Fraud Schemes

Charity Fraud

Benefit Fraud

Insurance Fraud

Identity Theft

Public Corruption

Procurement/Contract Fraud

Investment Fraud

Other Offenses



Charity Fraud - Examples

- Websites and Emails
 - Hurricane Katrina (2005): Some domain names purchased even before Katrina made landfall
 - Typhoon Haiyan (2013): Public reports of email account takeovers to send bogus requests for donations
- Local Solicitations
 - False charity names, sometimes including American Red Cross logo or name

Benefit Fraud



Disaster-Related Financial Assistance

- FEMA – Individual Assistance
 - Housing needs
 - Temporary housing, repair of primary residence, home replacement)
 - Non-housing needs
 - Disaster-related medical/dental and funeral/burial expenses
 - Clothing; household items (e.g., furniture); tools required for job; necessary educational materials
 - Fuels for primary heat source
 - Cleanup items
 - Disaster-related damage to vehicle
 - Disaster-related moving/storage expenses
 - Other necessary expenses or serious needs determined by FEMA
 - Application
 - Online, smartphone, phone
 - Payment by check or EFT
- FEMA – Governmental Assistance

Disaster-Related Financial Assistance

- SBA
 - Needs
 - “. . . low interest disaster loans to homeowners, renters, businesses of all sizes and private, nonprofit organizations to repair or replace real estate, personal property, machinery & equipment, inventory and business assets that have been damaged or destroyed in a declared disaster.” (www.sba.gov)
 - Application
 - Online or at SBA regional centers



Disaster-Related Financial Assistance

- HUD
 - Foreclosure relief
 - Community Development Block Grant and HOME program funds to state and local governments
 - FHA insurance to disaster victims for purchase, refinancing, or rehabilitation of single-family homes
 - Loan guarantee assistance

Types of Emergency-Assistance Fraud

- Single-Defendant Fraudulent Submissions
 - Many by persons with no prior criminal records
 - Some involve more complex or protracted conduct
 - U.S. v. Williams (S.D. Ala, sentenced 2007)
 - Defendant sentenced to 75 months imprisonment, restitution of more than \$267,000 for filing 28 Katrina fraudulent claims with FEMA
 - Bought four automobiles, real estate, TVs, and other electronics with fraud proceeds
 - U.S. v. Miller (S.D. Miss., sentenced 2007)
 - Defendant used FEMA registration number to obtain multiple hotel rooms at nine different hotels, rented them out to others
 - U.S. v. Yeh (S.D. Tex., sentenced 2008)
 - Hotel owner fraudulently billed FEMA for rooms purportedly for evacuees, but under names of friends, relatives, hotel employees who were not evacuees
 - U.S. v. Moses (E.D. La., sentenced 2012)
 - Defendant fraudulently applied for Katrina disaster-assistance funds from American Red Cross on 11 separate occasions between September and October 2005, and received \$16,915 from ARC
 - U.S. v. Magee (S.D. Cal., sentenced 2010)
 - Defendant submitted false Katrina claim to FEMA and received \$14,000, and traveled throughout the Gulf Coast region collecting American Red Cross disaster-relief debit cards by falsely claiming to reside in Louisiana and Mississippi and receiving more than \$5,000 in ARC disaster-assistance funds

Types of Emergency-Assistance Fraud

- Fraud Conspiracies
 - Family members, neighbors
 - U.S. v. Caldwell et al. (S.D. Tex., indicted 2007)
 - Five defendants conspired to file more than 100 fraudulent Katrina/Rita claims with FEMA over more than 9 months in 2005-06
 - Defendants used SSNs belonging to others, used different middle initials and different mailing addresses
 - U.S. v. Hines et al. (N.D. Tex., sentenced 2006-2007)
 - Three siblings convicted of stealing and using at least 80 Red Cross debit cards intended for hurricane evacuees
 - Brother Brian Hines, both a paid Red Cross temporary worker and an unpaid Red Cross volunteer, assisted the Red Cross by performing several duties, including evacuee interviews, distribution of client assistance cards, and data entry
 - Brian Hines was authorized access to Red Cross debit cards (client assistance cards) and was authorized to activate and load these debit cards with a pre-approved dollar limit
 - Brian stole more than 100 ARC cards and shared them with brother Abram and sister Charmaine
 - Abram received approximately \$15,000 in the form of cash, credit cards and an automobile as a result of the fraud

Types of Emergency-Assistance Fraud

- Fraud Conspiracies
 - Family members, neighbors
 - U.S. v. Holverson (S.D. Tex., indictment filed May 18, 2011)
 - Two brothers (real estate developer and construction company head) charged with conspiring to obtain approximately \$1 million in disaster relief funds
 - Developer filed an application for a SBA commercial disaster loan in the aftermath of Hurricane Ike, requesting more than \$1 million
 - To get SBA to disburse the loan funds, developer allegedly submitted more than \$600,000 in false invoices and cancelled checks purporting to show payments to his brother's company, Quality Construction
 - Brother falsely affirmed he had performed the work and been paid the money

Insurance Fraud

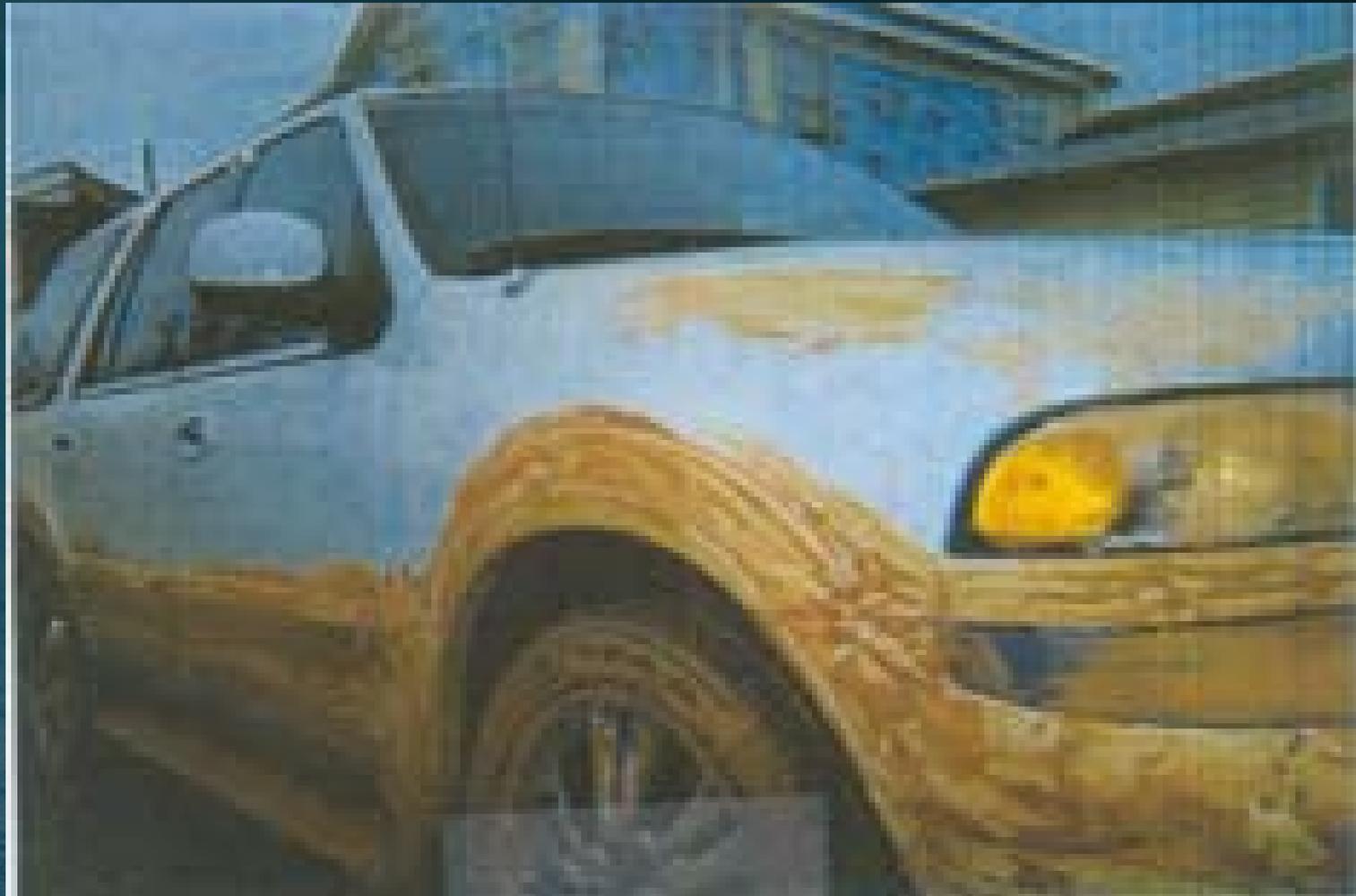
Varieties of Insurance-Related Fraud

- Louisiana State Police
 - Unauthorized removal of flooded vehicles
 - Theft for salvage
 - Cleaning and resale elsewhere
 - Fraud
 - Multiple claims for preexisting damage
 - Claims for damage not caused by disaster
 - Phony/forged receipts for personal property loss, hotel stays
 - Phony insurance adjuster/direct billing to victims for poor or incomplete repair work

Actual Flood Damage – St. Bernard Parish, 2005



Fraud - Gretna, LA, 2006



Fraud – Gretna, LA, 2006



Fraud - Gretna, LA, 2006



Identity Theft

Disaster-Related Identity Theft - Examples

- Use of Others' Names or SSNs Without (Or With) Permission
 - U.S. v. Hall (N.D. Tex, sentenced 2006)
 - Defendant and 10 codefendants 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
 - Used third parties' names and SSNs for some claims
 - Sentenced to 71 months imprisonment
 - U.S. v. McClain (N.D. Tex., sentenced 2006)
 - Defendant submitted numerous FEMA claims relating to Katrina and Rita, seeking to defraud FEMA out of \$655,000 and using multiple names of other individuals
 - Defendant recruited homeless people to pick up packages containing FEMA and SBA letters and checks
 - At time of arrest, defendant found to have at least 27 known aliases
 - Sentenced after conviction at trial to 126 months imprisonment

Public Corruption

Disaster-Related Extortion and Bribery - Examples

- U.S. v. Rose and Holliman (E.D. La. 2005)
 - FEMA officials sought to extort payments from FEMA base camp contractor and to instruct contractor on how to pad invoices to FEMA
- U.S. v. Impastato (E.D. La. 2005)
 - Parish councilman used his official position to influence a prime contractor in his parish to enter into a contract with victim company, Pontchartrain Chipping Yard, for debris removal, and pressured owners to pay him 50 percent of the funds Pontchartrain received from prime contractor
- U.S. v. Lawless (M.D. La. 2005)
 - Contractor assigned to assist people who came into the Louisiana Department of Labor office in Baton Rouge seeking employment and unemployment assistance after Katrina extorted applicants

Procurement and Contract Fraud

Load Capacities



Load Capacities – Hand-Loaded Truck or Trailer (Reimbursement: 50 Percent)



Debris-Removal Fraud

- Debris Removal – Overbilling
 - Obtaining of additional/bogus load tickets
 - Multiple drivethroughs with same load
 - Adding water to load (if paid by ton)
 - Adding steel grating 2-3 feet above truck bed to reduce capacity
 - Bribery of inspectors or monitors
 - U.S. v. Kitto et al. (S.D. Miss., sentenced 2007)
 - Defendant Kitto operated debris-removal contractor; defendants Robertson and Miller worked for debris-removal monitoring company
 - Robertson signed false debris load slips misrepresenting that debris was loaded onto trucks on the roadway when she was not present at the loading site and, in most instances, created and signed the false load slips at her residence
 - Trucks listed on slips were not in operation on the roadway or at the dump site, and debris listed on slips was not delivered
 - Miller collected and submitted false load slips, paid Robertson for her false slips plus “hush money” that Kitto provided through third parties

Investment Fraud

- Example: U.S. v. Doyle (D. Hawaii, indictment filed January 25, 2012)
 - Defendant allegedly purchased air-time on California talk radio stations to broadcast “radio infomercials” that he hosted and produced touting the benefits of Mississippi “GO Zone” real estate investments
 - “Gulf Opportunity Zone” (“GO Zone”) implemented by the federal government to provide tax incentives to real estate investors and developers seeking to build affordable housing in the Gulf region
 - Listeners to the programs were encouraged to call DOYLE’s office in Kailua for investment information.
 - When potential investors called defendant’s Kailua office, they were allegedly encouraged to wire transfer a refundable deposit to his business bank account in Hawaii
 - Seventeen individuals wire transferred or mailed more than \$890,000 to defendant in Hawaii as deposits for “GO Zone” investments that were never built
 - Instead of preserving the money for potential refunding, defendant allegedly spent investor money on unrelated personal and business obligations including mortgage payments on his Kailua home and yachting expenses

Further
Information

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- Slide 17-19: Louisiana State Police
- Slides 25-26: FEMA

Contact Data

- Email: Jonathan.Rusch2@usdoj.gov
- Phone: 1-202-514-0631
- Cell: 1-202-355-5712
- Mail: Room 4414, Bond Building, 10th Street and Constitution Avenue, N.W., Washington, DC 20530