



Prevention and Detection of Fraud Related to Hurricane Katrina

Mississippi

Office of the State Auditor

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and

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Auditor Meets With Local Officials

After Katrina the State Auditor:

- Met with city and county officials to inform that technical assistance was available through our office
- In these meetings, and in press conferences, the State Auditor stressed that fraud would not be tolerated





Katrina Fraud Prevention and Detection Unit

Katrina Unit created by the Office of the State Auditor in the summer of 2006

Established to investigate reported instances of:

- Fraud identified in the application and verification process of the Homeowners Assistance Program
- Suspected fraud related to the rebuilding efforts in general within the Katrina disaster area of Hancock, Harrison, Jackson and Pearl River Counties
- Other subsequent CDBG programs

Funded through a 2 year CDBG subgrant from the Mississippi Development Authority, with an option to renew for an additional 3 years





Mississippi CDBG Funds

- \$5.2 billion in Katrina related CDBG funding appropriated for Mississippi
- The Mississippi Development Authority is Mississippi's designated agency responsible for administering Katrina related CDBG funds
- **Current operational CDBG programs:**
 - Homeowner Assistance Grant Program
 - Public Housing Program
 - Regional Infrastructure Program
 - Ratepayer and Wind Pool Mitigation
 - Economic Development Program
 - Small Rental Assistance Program
- **Current proposed CDBG programs:**
 - Gulf Coast Regional Infrastructure Program



Katrina Fraud Prevention and Detection Unit

- Staff of the Katrina Unit includes:
 - 1 Supervisor
 - 7 Investigators
 - 1 part-time attorney
 - 2 support staff
- The Katrina Unit is working out of office in Hattiesburg
- The Katrina Unit works with federal agencies, including:
 - Housing and Urban Development
 - Homeland Security
 - Small Business Administration
 - Health and Human Services
 - Department of Labor
 - FBI
 - IRS





KATRINA FRAUD PREVENTION & DETECTION UNIT

OFFICE OF THE STATE AUDITOR

1-800-956-1846

www.osa.state.ms.us

Protecting Yourself From Contractor Fraud: *Warning Signs*

- The contractor solicits business door-to-door. This sales approach is often accompanied by high pressure sales tactics, intimidation and threats.
- You can't verify the remodeler's name, address, phone number or credentials.
- The contractor claims to be endorsed by the Federal Housing Administration for the Title I home improvement loan program. (More information on this type of deceptive advertising is available from HUD's website.)
- The contractor is not willing to offer references, or the references provided are not happy with the contractor's work.
- You are asked to pay for the entire job in advance.
- The contractor will accept payment only in cash.

If you do sign a contract and then have second thoughts, remember that the Federal Trade Commission's "Cooling Off Rule" may apply if the contract was signed somewhere other than the contractor's place of business (in your home, for example). Under this law, you have up to 72 hours to cancel the agreement.

Beware of Fly-By-Night Contractors: *Warning Signs*

- You're told that on this job, a contract "won't be necessary."
- You're asked to pay for the entire job "up front"—or pay cash to a salesman instead of a check or money order to a company.
- You are confronted with scare tactics, intimidation or threats.
- You're told you've been "chosen" as a demonstration project at a special, low price.
- You're told a "special low price" is good "only if you sign a contract today."
- The contractor won't give you references—or the references given can't be located.
- You can't verify the contractor's business address.

If you are aware of fraud, waste and abuse in Katrina Homeowner Assistance programs and operations, report it to the State Auditor's Katrina Fraud and Prevention Hotline:

1-800-956-1846

www.osa.state.ms.us

*Sources:

Home Builders Association of Mississippi, www.hbam.com
National Association of Home Builders, www.nahb.org

Informing the Public of the Katrina Unit

The public was informed of the creation and purpose of the Katrina Unit and how to contact through:

- State Auditor press conferences
- Press releases
- Flyer distribution
- Public service announcements





Complaints Received by the Katrina Unit

Complaints received by the Katrina Unit come from:

- The company administering the Homeowners Assistance Program for MDA
- Communications from individuals
- Referrals from local, state and federal agencies





Current Activity of the Katrina Unit

A lot of complaints received are related to matters outside the Unit's scope

To date, all the investigations opened are related to the Homeowner Assistance Program

Open investigations include:

- Suspected fraudulent application information – The result of information forwarded by the program administrator
- Suspected contractor fraud – The result of communications from individuals
- Investigations based on information forwarded to the Unit by other agencies



Katrina Unit Cases

Since the inception of the Unit, it has received 689 complaints

Complaints received determined to be within the scope of the Unit have resulted in the:

- Opening 85 Homeowner Assistance Program application fraud investigations
- Opening 32 contractor fraud investigations
- Referring 26 Homeowner Assistance Program application fraud investigations for prosecution
- Referring 5 contractor fraud investigations for prosecution
- Closing 55 Homeowner Assistance Program application fraud investigations without recommending prosecution or prosecutor choosing not to prosecute
- Closing 8 contractor fraud investigations without recommending prosecution or prosecutor choosing not to prosecute



Prosecution of Katrina Unit Cases

Prosecution of Homeowner Assistance Program application fraud cases rests with the U.S. Attorney's Office

Prosecution of Homeowner Assistance Program contractor fraud cases rests with the U.S. Attorney's Office, the Mississippi Attorney General's Office, or the local District Attorney

Successful prosecutions by the U.S. Attorney's Office related to the Homeowner Assistance Program application fraud include such charges as:

- False claims
- Knowingly and willfully making false and fraudulent material statements or representations
- Stealing or knowingly converting funds to his own use
- Wire fraud
- Mail fraud



Current Results of Katrina Unit's Investigations

Referred for prosecution:

- 26 Homeowner Assistance Program application fraud
- 5 Contractor fraud

Indictments:

- 9 Homeowner Assistance Program application fraud

Guilty pleas:

- 8 Homeowner Assistance Program application fraud

Gone to trial:

- 1 Homeowner Assistance Program application fraud

Guilty verdicts:

- 1 Homeowner Assistance Program application fraud



Other OSA Efforts to Prevent and Detect Fraud

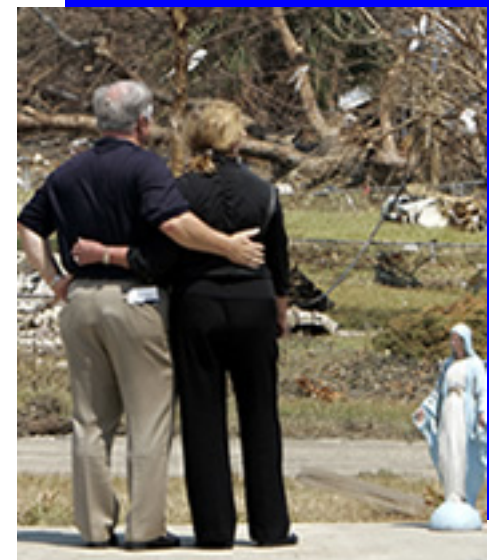
In addition to the Katrina Unit, the regular Investigative Division of the OSA has assigned 1 Special Agent full-time and other Special Agents on an as-needed basis to assist federal agencies on Katrina cases.

To date, the primary focus of this assistance has been related to FEMA debris removal and cleanup contracts.

Areas being investigated include billing by contractors for such things as:

- Non existing debris
- Phantom employees
- Charging for same employee's time for 2 separate jobs

Suspected kickbacks to local government officials by contractors are also being investigated





OSA Info on Potential Katrina Fraud

Call Toll Free **800-956-1846** Nationwide

Write or Visit Us

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