



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY  
EXECUTIVE COUNCIL on INTEGRITY & EFFICIENCY



September 29, 2005

The Honorable Charles E. Grassley  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510-6200

Dear Chairman Grassley:

Thank you for your September 23, 2005, joint letter with Senator Baucus relating to the creation of an effective mechanism for the oversight and accountability of Federal funds appropriated for Hurricane Katrina emergency relief. The Inspector General (IG) community shares your concern for the victims of the hurricane and has already begun to move forward aggressively with actions to prevent and detect fraud, waste, and abuse of Katrina funds. This includes helping to ensure that the Federal Government expends the funds on essential goods and services; obtains fair value; and, utilizes the funds for their intended purpose, that is, to assist the affected citizens and businesses in recovering from this tragedy.

Inspectors General Recommendation

In your letter, you asked for our recommendation as to the best model to ensure appropriate stewardship of the Katrina funds. Given that these funds will be expended through existing Federal agencies, we believe the current Federal IG structure, augmented by additional resources, provides the most effective model for achieving this objective. As currently organized, and under its current mission, the IG community offers:

- A 25+ year proven track record with an established and effective infrastructure and supporting systems and processes to respond swiftly and aggressively to prevent and detect fraud, waste, and abuse.
- Extensive knowledge of individual agency operations, including contracting processes and vulnerabilities in program administration and internal controls.
- Effective relationships between the Inspectors General to work cooperatively on issues that cross agency lines.
- Established institutional relationships with agency officials and with Congress as well as Federal, State and local officials, prosecutors, and other law enforcement organizations.



The Inspectors General have responded aggressively to issues relating to hurricane relief. In fact, we are currently on-the-ground with a robust and effective oversight program for related Federal spending.

#### Inspectors General Response to Katrina

Several months ago, prior to Katrina, the IG community established a Homeland Security working group to address relevant audit, inspection, and investigation issues. Richard Skinner, Department of Homeland Security (DHS) Inspector General, was appointed chair. The charge to the working group was to develop a collaborative effort between multiple IG offices to review the performance of agency programs and operations that impact homeland security.

On August 29, 2005, a major challenge for the working group became evident with the devastation associated with Hurricane Katrina. The IG community took immediate action and is directly involved in stewardship activities to oversee the Federal funds appropriated for Katrina relief efforts. Through the Homeland Security working group, we have:

- Mobilized the Inspectors General of the 12 agencies which received the vast majority of mission-related relief funds. The agencies include: Department of Homeland Security; Department of Defense; Department of Transportation; Environmental Protection Agency; Department of Health and Human Services; General Services Administration; Department of Justice; Department of Agriculture; United States Postal Service; Department of Housing and Urban Development; Department of Commerce; and, Department of the Interior.
- Developed a common work plan for IG Katrina relief oversight.
- Established an Office for Hurricane Katrina Oversight within the DHS IG to provide full time focus on preventing problems through a proactive program of assessing controls; advising management on issues, policies, and approaches as they arise; and, conducting contract and grant audits to ensure disaster assistance funds are being spent wisely.
- Established a Katrina Hotline, which has been funneling complaints to the appropriate OIG for resolution.
- Deployed more than 300 IG auditors, investigators, and inspectors dedicated to Katrina operations. This number will increase over the next 90 days.
- Established a requirement for biweekly status reports to key Administration officials and Congressional committees.

- Expedited the use of the Defense Contracting Audit Agency's contract audit expertise.
- Joined the Department of Justice Hurricane Katrina Fraud Task Force. The Task Force will combat all types of fraud relating to Hurricane Katrina and its aftermath, with an initial emphasis on charity fraud, identity theft, insurance fraud, and procurement and Government-benefit fraud. Our focus is on prevention and prompt law enforcement response.

We want to emphasize that audits, investigations and inspections are actively in process. For example, the DHS IG auditors have been monitoring operations at the Federal Emergency Management Administration headquarters since September 1, 2005, and teams of auditors and investigators are in place at the Joint Field Offices. Also, DHS—working in conjunction with the United States Attorney's Office, Federal Bureau of Investigation, and the United States Postal Inspector—has arrested and charged an individual with stealing money from the U.S. Government and mail fraud based on a false claim for Katrina relief funds. A copy of the press release is enclosed.

The IG community has emphasized a "zero tolerance" policy for fraud, waste and abuse, and has issued public alerts pertaining to Hurricane Katrina and likely fraud schemes, and how to report suspected incidents of fraud, waste, and abuse. In addition, individual Inspectors General have taken a number of actions regarding oversight of Hurricane Katrina funds, by aggressively working issues related to the specific missions of their own agencies. Each IG will expand its efforts based on the individual agency assignments as they evolve.

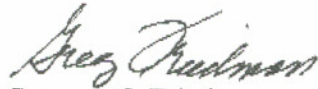
#### Resources

Although agency officials have primary responsibility for the management and operational control of Katrina-related funds, as well as establishing effective internal control systems, the IG community plays an indispensable oversight role in protecting the interests of the hurricane victims and the American taxpayer by vigorously engaging in the prevention and detection of fraud, waste and abuse. To be fully effective, an effort of this magnitude will require additional resources.

In our judgment, in the first year post-Katrina the IG community will need an additional \$30 million for oversight efforts in addition to the \$15 million already appropriated to the DHS IG. This \$45 million figure would support a professional staff of approximately 302 IG auditors, investigators and evaluators, as well as related support costs (e.g., contracting, travel, facilities and supplies, and other activities). This is a preliminary estimate and each IG office will better define its respective resource needs. Supplemental funding will enable the IG community to focus on the appropriate expenditure of relief funds while also continuing to aggressively combat fraud, waste and abuse in general agency operations.

We appreciate your continuing support of the Federal IG community. The community will continue to work with you and your colleagues in preventing fraud, waste, and abuse in Government programs, with specific emphasis on the challenges associated with disaster relief.

Sincerely,



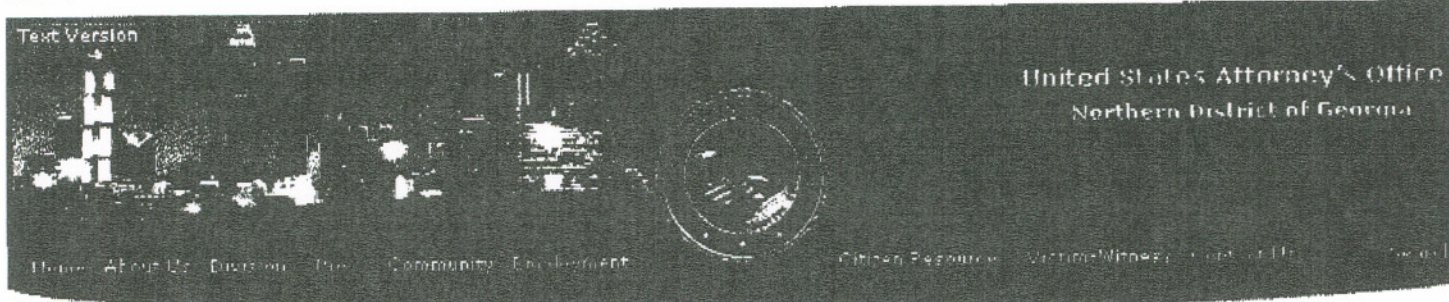
Gregory H. Friedman  
PCIE Vice Chair



Barry R. Snyder  
ECIE Vice Chair

Enclosure

cc: The Honorable Clay Johnson, III



## FEDS CHARGE ATLANTA WOMAN WITH FILING FALSE CLAIM FOR FEMA HURRICANE VICTIMS FUNDS

September 21, 2005

U. S. Attorney's Office  
Northern District of Georgia  
75 Spring Street, S.W. - Suite 600  
Atlanta, Georgia 30303

Tel: 404.581.6000  
Fax: 404.581.6181

**FOR IMMEDIATE RELEASE**

David E. Nahmias, United States Attorney for the Northern District of Georgia; Gregory Jones, Special Agent in Charge, Federal Bureau of Investigation; Martin Phanco, Inspector in Charge, United States Postal Inspection Service; and Richard L. Skinner, Inspector General of the Department of Homeland Security, today announced the arrest of NAKIA DEWUANE GRIMES, 30, of Atlanta, Georgia. GRIMES is charged in a criminal complaint with stealing money from the United States government and mail fraud based on a false claim made to the Federal Emergency Management Agency (FEMA) for \$2,000 in relief funds available to victims of Hurricane Katrina. GRIMES is scheduled to have an initial appearance before United States Magistrate Judge Joel M. Feldman at 4:00 on September 21, 2005, in Courtroom 2022 in the Richard B. Russell Federal Building and Courthouse. According to Nahmias and the documents filed in court:

GRIMES is a resident of Atlanta, Georgia. On September 14, 2005, GRIMES submitted an application, via the Internet, to FEMA seeking a \$2,000.00 payment available to victims of Hurricane Katrina. GRIMES submitted false information on the application indicating that she was a resident of New Orleans and a victim of the hurricane. In fact, she was not a victim of the hurricane and was living in Atlanta, Georgia. GRIMES requested that her relief check of \$2,000.00 be sent to her at a relative's house in Atlanta. On September 20, 2005, GRIMES was notified by the United States Postal Service that she had a letter that she needed to sign for at the Post Office. GRIMES arrived at the Post Office and was arrested after she signed for and accepted the letter from FEMA containing the \$2,000.00 relief check.

U.S. Attorney David Nahmias said of the case: "It is shameful that someone would try to take advantage of a national tragedy by filing a false claim for money dedicated to the victims of Hurricane Katrina. While the amount of money involved in this case is not large, we will not tolerate any attempts by individuals to obtain public or private disaster relief funds to which they are not entitled. We will prosecute to the full extent of the law those who fraudulently seek funds that are needed to help rebuild the lives of the many real victims of Hurricane Katrina."

Attorney General Alberto R. Gonzales recently created the Hurricane Katrina Fraud Task Force, designed to deter, investigate and prosecute disaster related federal crimes such as charity fraud and insurance. The Hurricane Katrina Fraud Task Force - chaired by Assistant Attorney General Alice S. Fisher of the Criminal Division - includes members from the FBI, the Federal Trade Commission, the Postal Inspector's Office, and the Executive Office of the United States Attorneys, among others.

Members of the public are reminded that the criminal complaint only contains charges. The defendant is presumed innocent of the charges and it will be the government's burden to prove the defendant's guilt beyond a reasonable doubt at trial.

This case is being investigated by Special Agents of the Federal Bureau of Investigation with the assistance of Inspectors with the United States Postal Inspection Service and Special Agents with the Department of Homeland Security, Office of the Inspector General.

Assistant United States Attorney Aaron M. Danzig is prosecuting the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney or F. Gentry Shelnett, Chief, Criminal Division, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/ga](http://www.usdoj.gov/usao/ga).