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Case Studies

2005 Hurricanes Katrina and Rita, Gulf Coast, United States

Extensive Fraud in Post-Katrina Audit

After Hurricanes Katrina and Rita devastated the U.S. Gulf Coast in 2005, the Federal Emergency Management Agency (FEMA) began a process for registering the people affected by the storms and providing them with "expedited assistance" (EA) payments. Using both Internet and telephone registration systems, FEMA registered 2.5 million households in the three months following the disaster. By December 2005, FEMA had disbursed US\$2.3 billion (officially, US\$2,000 per household). Those registered for EA were also potentially eligible for further assistance of up to US\$26,200.

In December 2005, the General Accountability Office (GAO), the investigative arm of the United States Congress, began an audit of the process. GAO identified significant flaws in procedures for preventing, detecting, and deterring fraud, including limited controls to verify the identity and residence of those registering. Registrants using bogus social security numbers and property addresses were able to register, some multiple times, and were not screened out of the registration lists. FEMA's lack of controls also meant that many legitimately registered recipients erroneously received multiple payments. FEMA later estimated that as many as 900,000 of the 2.5 million people registered were duplicates. Using data-mining techniques, GAO estimated in 2006 that as much as US\$1.5 billion of FEMA's EA payments were fraudulent.

Source: U.S. GAO, 2006, Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to be between \$600 Million and \$1.4 Billion (Washington, DC: GAO), <http://www.gao.gov/new.items/d06844t.pdf>.