

TUESDAY, FEBRUARY 14, 2006

# **COLLINS, LIEBERMAN HOLD HURRICANE KATRINA HEARING ON WASTE, FRAUD AND ABUSE IN FEMA'S ASSISTANCE PROGRAMS**

Senate Homeland Security and Governmental Affairs Committee Chairman Susan Collins and Ranking Member Joseph Lieberman heard officials of three federal investigative agencies testify about substantial waste and fraud that has marred the Hurricane Katrina recovery efforts. An official from the U.S. Government Accountability Office (GAO) described significant flaws in the process for registering disaster victims that leave the federal government vulnerable to fraud and abuse, and the Committee heard that hundreds of millions of dollars have been wasted on unusable manufactured homes. This was the 19th in an ongoing series of hearings that are part of the committee's investigation of the government's preparation for and response to Hurricane Katrina.

Gregory Kutz, Managing Director, Forensic Audits and Special Investigations, GAO, testified to a new report that concludes weak and non-existent controls exposed the government to significant fraud and abuse.

The GAO report points out that although FEMA has put in place limited procedures designed to prevent, detect, and deter certain types of duplicate and potentially fraudulent disaster registration, the agency did not apply these limited procedures to most registrations.

Richard L. Skinner, Inspector General, U.S. Department of Homeland Security testified that FEMA had wastefully purchased 25,000 manufactured homes at a cost of nearly \$900 million. By regulation the homes cannot be deployed in locations where they are most needed, and 10,000 of the homes are deteriorating as they sit in a muddy field in Arkansas. Only 1000 of the homes have been used for Katrina victims.

“To date, FEMA has distributed more than \$6 billion in financial and housing assistance to nearly 1.5 billion individuals. Most of that aid is essential, and most of the recipients are true victims. However, some of the money desperately needed by victims has gone to people who were nowhere near Hurricane Katrina and were in no way harmed by it,” said Senator Collins. “GAO investigators found that debit cards had been used for such items as a tattoo, gambling, and a diamond ring when they were intended for necessities such as food and shelter. We must do more to prevent such fraud, waste, and abuse.”

“We have all been struck, over the past few months of our Katrina investigation, by the importance of preparedness and how it can mean the difference between an effective response and failure,” said Senator Lieberman. “Once a storm of Katrina’s magnitude hits, it is too late to devise the proper controls to prevent fraud, waste, and abuse. These controls must be in place ahead of time. If they are not, grave consequences result, as we have seen.”

In addition to Gregory Kutz and Richard Skinner, Alice S. Fisher, Assistant Attorney General, Criminal Division Chairman, Hurricane Katrina Fraud Task Force U.S. Department of Justice also testified at today’s hearing.