

**Opening Statement of  
Senator Susan M. Collins  
Chairman, Committee on Homeland Security and  
Governmental Affairs**

**Hurricane Katrina:  
Stopping the Flood of Fraud, Waste, and Abuse**

**December 6, 2006**

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**Today, the Committee holds its fourth hearing investigating the loss of taxpayer dollars to fraud, waste, and abuse in the wake of Hurricane Katrina.**

**I would like to thank our two witnesses, Greg Kutz and John Ryan of GAO's Forensic Audits and Special Investigations Unit for their dedicated work, and I welcome them back to the Committee.**

**It has been more than 15 months since Hurricane Katrina devastated our Gulf Coast and since this Committee launched an investigation into the failures at all levels of government that came to light in that disaster. Katrina revealed how unprepared the nation was for a natural disaster that was long predicted and specifically forecast - and raised serious concerns about our ability to respond effectively to a terrorist attack.**

**Although the initial focus of our investigation was to identify ways to expedite relief to the stricken region, most of our work examined the many flaws in our nation's emergency preparedness and response structure.**

**No flaw has been more persistent and more damaging - to effective relief for disaster victims**

**and to public confidence in their government – than the rampant fraud, waste, and abuse that have plagued federal relief and recovery programs.**

**Today’s hearing provides a follow-up to three hearings we held earlier this year: the February hearing that focused on FEMA’s Individuals and Households Program, or IHP; the field hearing in April examining FEMA’s purchase of thousands of manufactured homes that sat unused in Hope, Arkansas; and the July hearing investigating the Department of Homeland Security’s use of purchase cards.**

**At these hearings, our GAO witnesses testified that weak or non-existent controls left the IHP program vulnerable to widespread misuse. They testified that fraudulent or improper IHP payments**

**could total more than \$1 billion. Just think of the additional relief and rebuilding that could be accomplished with the money lost to fraud, mismanagement, and poor decision-making.**

**Today, our witnesses will discuss their continuing work, and their findings are truly alarming. I will cite a few:**

- Nearly \$20 million in potentially improper or fraudulent disaster-assistance payments went to some 7,000 individuals who appear to have registered the same damaged property for both Katrina and Hurricane Rita.**
- FEMA paid nearly \$3 million to more than 500 ineligible foreign students. In several cases, payments were made even after the students**

**informed FEMA of their international student status, and thus their ineligibility for aid.**

- **Our witnesses will also testify that FEMA has collected only \$7 million of the estimated \$1 billion of fraudulent and improper payments. FEMA has informed me that they have repayment plans in place to collect another \$8 million. While FEMA is attempting to recover assistance obtained by some ineligible individuals, that recovery still amounts to only pennies on the dollar and is happening far too slowly. The fact is that once the money is out the door, it is very difficult for FEMA to recover it.**

**To be sure, the majority of the billions in assistance provided to more than 2.6 million**

**applicants in the wake of hurricanes Katrina and Rita was necessary and warranted. But FEMA has yet to strike a proper balance between expedited assistance and good stewardship of taxpayer funds. Current practices invite and enable fraud, harming the very people the program is designed to help.**

**In our July hearing, the GAO also found excessive prices, duplicative payments, wasteful purchases, and substantial missing property. Equipment was not tracked and may have been lost or stolen.**

**Committee colleagues may remember that two hours before our hearing convened on July 19, DHS issued a statement claiming that they had located 80 percent of missing purchases, from electronics to**

**flat-bottomed boats, disputing the GAO testimony before it could be delivered.**

**Special Agent Ryan told the Committee that morning that he was skeptical of DHS's claim. We now have evidence that his skepticism was warranted. We will hear today that 48 items that the Department claimed it had located in that early-morning announcement on July 19 are, in fact, still missing. The GAO witnesses will describe their efforts to verify the location of items purchased by DHS for hurricane relief. I understand that 34 percent of the items that they tried to locate are still lost, missing, or stolen.**

**I should add that one of the flat-bottomed boats reported missing in July has been located - not by DHS personnel, but by GAO investigators. I will be**

**interested to hear why DHS was not able to locate this boat and where GAO investigators found it.**

**This Committee performed an extensive investigation in response to the Katrina debacle. Our work has gone beyond merely uncovering problems and has extended to crafting remedies. Our legislation to rebuild FEMA and our entire national emergency-management structure provides a clear road map to improvement, but we must remain committed to see that it is followed and that administrative reforms are implemented.**

**Throughout our Katrina investigation, I was concerned that another major natural or manmade catastrophe would strike while a structure that so utterly failed was still in place. We got lucky. The 2006 hurricane season has passed without a major**

**storm coming ashore, and we have been spared other disasters.**

**We have been given the luxury of time to get this right. We must use that time wisely. The American people are generous and willingly open their hearts and their wallets to the victims of disasters. But they expect that their tax dollars will be spent carefully to help storm victims, not be lost to a hurricane of waste, fraud, and abuse.**