

AVOIDING FRAUD AND ABUSE IN DISASTER RECONSTRUCTION EFFORTS

The recent series of natural disasters has left a staggering toll of ruin and loss. The instinct of all involved, citizens, businesses and government, is to clear the debris, restore energy and communications, and rebuild and repair infrastructure and buildings as quickly as possible.

Indeed, the recovery work itself is a cathartic experience that expresses hope in a restored future and the determination to get there.

Unfortunately, massive recovery efforts contain the seeds of their own failures, presenting fertile [opportunity for fraud](#), waste and abuse. The combination of immense human suffering and destruction on a vast scale creates a need for a recovery which is both fast and effective; in the rush to respond, cost considerations are often understandably of secondary importance. Yet, when recovery efforts conclude and costs are scrutinized, revelations of fraud and abuse can be an unwelcome conclusion to the painful process.

Recovery, of course, takes place on a vast range of scales from municipal infrastructures to individual homeowners and businesses. In each scenario, there are common essential players:

- Appraiser
- Financial source (insurance, bank or government)
- Contractor(s)
- Owner

No matter how communal the sense of urgency to recover and restore, there will be conflicting interests and opportunities for a corruption of the process. The array of such opportunities is almost endless. Appraisers and contractors can demand illicit compensation for faster or more preferable results. Owners can offer such payments to secure preferred treatment. Carriers and government can lose paperwork and mishandle claims and applications. Contractors without sufficient experience or with fraudulent intent can appear, sign contracts, collect what they can up front and then disappear, leaving more despair and frustration in their wake.

For all of these reasons, the involvement of an [independent Integrity Monitor](#) has been deemed critical by many

experienced public and private entities faced with such daunting recovery efforts. For example, after [Superstorm Sandy](#), [New York City](#) financed emergency repairs to private residences damaged by the storm. The City contracted with [Integrity Monitors](#) and assigned one to each of the eight prime contractors engaged to coordinate and make those repairs.

Groups of smaller businesses can similarly benefit from having an Integrity Monitor observe the activities of contractors performing repairs in post-disaster settings. The Integrity Monitor will focus on the accuracy of invoices and estimates for contract change orders, safety and environmental compliance, and the backgrounds of contractors and subcontractors. On major construction and disaster recovery efforts, the incremental cost of an Integrity Monitor is minimal, but it can save far more than its cost. Indeed, it has been shown that simply having an Integrity Monitor onsite often has a considerable deterrent effect.

Unfortunately, natural disasters will continue to happen and they will exact their toll on communities. But, those responsible for the recovery would be well advised to consider how Integrity Monitors might be engaged to ensure that the heartache caused by the disasters is not exacerbated by a corruption of recovery efforts.



KENNETH CITARELLA JD, MBA, CFE, CIPP/US

Senior Managing Director, Investigations and Cyber Forensics, Chief Privacy Officer

Ken Citarella is the Chief Privacy Officer for Guidepost Solutions. In that capacity he guides the international compliance efforts of the firm in its investigative, security consulting, due diligence and compliance consulting practices, including advising clients on how to create and maintain a privacy compliance program. An attorney and Certified Information Privacy Professional by the International Association of Privacy Professionals, Mr. Citarella was one of the earliest prosecutors in the nation involved in the investigation and prosecution of computer-based crime. The High Technology Crime Investigation Association bestowed its Lifetime Achievement Award on Mr. Citarella in 2011.