

Financial Controls and Disaster Relief Oxymoron or Realistic Objective?

By S. D. Skip Booren

Leadership Is Critical to Prepare for, Respond to, and Recover from Catastrophic Disasters:

In preparing for, responding to, and recovering from any catastrophic disaster, the legal authorities, roles and responsibilities, and lines of authority at all levels of government must be clearly defined, effectively communicated, and well understood to facilitate rapid and effective decision making. ... to integrate and define what needs to be done, where, and by whom (roles and responsibilities), how it should be done, and how well it should be done -- that is, according to what standards.

GAO Report GAO-07-835T
 'Homeland Security: Observations on DHS and FEMA Efforts to Prepare for and Respond to Major and Catastrophic Disasters and Address Related Recommendations and Legislation' – 15 May 07

Background

Catastrophic disasters (whether the result of natural events like hurricanes, tornadoes, or earthquakes OR from manmade events like terrorist activities, accidents, wildfires, or some other human caused event), can impact thousands of individuals, families, and businesses. They disrupt normal daily activities, force people from their homes, limit access to businesses like banks and other financial institutions and otherwise create havoc and chaos. Sometimes the impact is short-lived. At other times recovery can take weeks, months and even years.



Very public events, like the recovery from Hurricane Katrina have demonstrated the human devastation that can occur and the need for well-planned assistance to mitigate individual suffering. Unfortunately, disasters like Katrina, that impact thousands of people, also provide fertile ground for fraud, waste, and abuse. In these instances it is not uncommon for normal financial controls to be swept aside in favor of quickly providing the needed assistance. Exigencies like this leave government agencies like FEMA vulnerable to charges of abuse of public funds.

Financial controls in times of disaster recovery DO NOT have to wait until post recovery audits to determine if fraud or waste has occurred. They can be in place before the first dollar of relief is provided and tracked concurrently with relief operations, IF appropriate mechanisms, systems and tools are in place as well.



In instances of natural disasters like hurricanes, recovery efforts can begin even before the predicted storm makes landfall, with the mobilization of resources, agencies, and pre-staged materials and equipment.

Two key elements to disaster relief financial controls are

- 1) Identifying victims qualifying for financial relief to ensure only qualified individuals receive relief and to minimize opportunities for duplication of relief granted, and
- 2) Tracking spending to ensure monies are spent on appropriate relief activities.

Following Hurricane Katrina, in an effort to expedite getting initial recovery funds into the hands of people in desperate need, FEMA and the American Red Cross provided pre-loaded debit cards, funded with \$2,000 on each card in lieu of cash payments. Unfortunately, there was no adequate mechanism in place to prevent fraudulent applications or duplicate payments.

Controls and accountability mechanisms help to ensure that resources are used appropriately. Nevertheless, during a catastrophic disaster, decision makers struggle with the tension between implementing controls and accountability mechanisms and the demand for rapid response and recovery assistance. On one hand, ... quick action could not occur due to procedures that required extensive, time-consuming processes, delaying the delivery of vital supplies and other assistance. On the other hand, ... FEMA's processes assisting disaster victims left the federal government vulnerable to fraud and the abuse of expedited assistance payments.

GAO Report GAO-07-835T

We estimated that through February 2006, FEMA made about \$600 million to \$1.4 billion in improper and potentially fraudulent payments to applicants who used invalid information to apply for expedited cash assistance.

GAO Report GAO-07-835T

In the wake of Hurricane Katrina, FEMA issued \$2,000 debit cards to over 60 registrants who provided Social Security Numbers that were never issued or belonged to deceased individuals. We also found that FEMA made multiple expedited assistance payments to over 5,000 of the 11,000 debit card recipients. That is, FEMA provided the registrant both a \$2,000 debit card and a \$2,000 check or electronic fund transfer.

We found that while debit cards were used predominantly to obtain cash, food, clothing, and personal necessities, a small number were used for adult entertainment, bail bond services and weapons purchase, which do not appear to be items or services that are essential to satisfy disaster related essential needs.

GAO Report GAO-06-403T

A Proposal to address the Issues of Fraud Prevention and Expedited Relief Payments

Pre-paid debit cards are an ideal instrument for quickly getting Disaster Relief funds in the hands of hurting disaster victims, while minimizing the security challenges associated with handling large quantities of cash. With appropriate controls, processes and procedures in place, debit cards can be quickly disbursed, spending activity tracked, and limits placed on daily spending or on merchants where the card can be used. When these cards are also branded with the VISA or MasterCard logo, they enjoy wide acceptance and are thus convenient for use in obtaining necessities like food, clothing, transportation, shelter, etc.

The Solution

1. Enrollment

Enrollment of victims can be effected via mobile enrollment facilities located in vans or small RV's and employing the Kerridge International Modular Retail Teller Terminal (MRTT) with KISS (Keep It Simple Solution) software, supported by RBA International debit card processing and Internet connections via wireless broadband or satellite phone/datalink.

With this system, applicant information and ID's if available are quickly entered into the tracking database, and compared with information in the system's databases to eliminate fraud and/or duplication. The MRTT offers:

- ◆ "Plug-n-Play" Solution with Easy to Follow Graphic Touch Screens
 - NO special "Installation Task Force" required
 - Footprint JUST 2.6 sq ft NO huge terminal
 - Short learning curve for minimal "Teller" operator training
- ◆ Scans and Images Client ID in seconds
 - Enables comparison of data to known black lists, OFAC and FEMA databases
 - OCR reduces errors, eliminates key strokes & speeds entry
- ◆ Signature Capture Pad
- ◆ Photographs Client
- ◆ Encrypted Customer PIN Pad
- ◆ Instant Issue **VISA**® Pre-paid Debit Card with assigned FDIC Account, PIN, and client's name and photo on the card

This system can be easily integrated with the controls associated with FEMA's Internet Application procedures.

"With regard to balancing speed and flexibility with accountability, FEMA has stated it can register up to 200,000 applicants per day for individual assistance while including safeguards for preventing fraudulent and duplicate applications. The inability to reliably and efficiently identify fraudulent and duplicate applications was a major problem following Katrina that resulted in millions of dollars in improper payments."

GAO Report GAO-07-835T



2. Accounting

Finally, catastrophic disasters not only require a different magnitude of capabilities and resources for effective response, they may also require more flexible policies and operating procedures. In a catastrophe, streamlining, simplifying, and expediting decision making should quickly replace "business as usual" and unquestioned adherence to long-standing policies and operating procedures used in normal situations for providing relief to disaster victims. At the same time, controls and accountability mechanisms must be sufficient to provide the documentation needed for expense reimbursement and reasonable assurance that resources have been used legally and for the purposes intended.

GAO "recommended that DHS create accountability systems that effectively balance the need for fast and flexible response against the need to prevent waste, fraud, and abuse. Doing so would enable DHS to provide assistance quickly following a catastrophe and keep up with the magnitude of needs to confirm the eligibility of victims for disaster assistance ..."

GAO Report GAO-07-835T

Instant Issue **VISA**[®] Pre-paid Debit Card supported by RBA International and issued by University National Bank or West Coast Bank pursuant to a license from VISA International comes with the following features to further minimize fraud and abuse, while protecting the individual client.

- ◆ Card may be used anywhere VISA logo is displayed
- ◆ Card may be used at any ATM where STAR or VISA logo is displayed – with cash withdrawal limits established by FEMA
- ◆ All Point of Sale purchases (signature or PIN based) are free
- ◆ Electronic Funds Transfer Deposits are controlled by FEMA
- ◆ Purchases can be controlled using Merchant Category Codes
- ◆ Daily or transaction based spending "limits" may be set for all transactions – based on pre-set business rules
- ◆ Cards may be "turned OFF"/deactivated at any time by FEMA
- ◆ Client has capability of turning card ON/OFF for personal security purposes using their cell phone identified with the system on card activation
- ◆ Client may choose to receive text message (SMS) to their cell-phone and/or email notifications of transactions on the card's account – deposits, purchases, remaining balance, etc.
- ◆ Available funds may be recovered by FEMA at any time
- ◆ All VISA Debit Card transactions are recorded in real-time for reporting purposes on a FEMA controlled website
- ◆ Customized "Potentially Fraudulent Purchases" Report available daily, weekly or monthly
- ◆ FEMA "owns" all cards and has complete access to all related cardholder information

Pilot Project – Proof of Concept

Since the underlying technology is highly scalable, it is possible to demonstrate the system with a small project involving a single Kerridge MRTT and limited personnel. With validation, additional resources can then be acquired. The following would be required:

- ◆ FEMA approved as a commercial business account holder and applies for business account
- ◆ University National/West Coast Bank approve FEMA business account
- ◆ FEMA moves desired funds into business account
- ◆ FEMA defines any custom reporting/control requirements
- ◆ Kerridge International delivers MRTT and conducts training
- ◆ MRTT is connected to RBA International RBANet and delivered to disaster relief site and connected to Internet via wireless broadband, satellite datalink connection, or DSL/Broadband
- ◆ Disaster clients apply for and are instant issued **VISA**[®] Pre-paid Debit Cards which are then loaded with appropriate funding
- ◆ After Action Audits validate processes and provide Corrective Action recommendations

A solution like this will demonstrate a proactive approach by FEMA to prevent potential fraud and/or abuse of public funds.

Who is RBA International?

RBA International provides financial and banking products, processing services, and secured hosting on a global basis. RBA provides a debit card processing platform for license to member banks. All cardholder support, order fulfillment, regulatory compliance review, settlement reporting, and security are included. In the course of developing these products and services, RBA has developed proprietary tools and methodologies for assessing, analyzing, and evaluating existing processes and procedures in use at client banks and financial institutions.

Founded in 1994, RBA has serviced over 80 clients, including Fortune 500 companies. RBA's staff has won awards for technology innovations and successfully managed multi-million dollar projects. RBA uses advanced technologies designed for scalability, security, performance, and integration with legacy systems. RBA has applied for and received patents on banking technologies and methods, as well as for phone based Mobile Banking and security applications. RBA was runner-up for the "Oscards 2006" Technology award for its Mobile Banking security innovations.

RBA's co-founders' experience goes back many years before that seminal date in 1994. They cut their engineering teeth in the world of the "old" Hewlett Packard, when Bill and Dave still roamed the labs and passageways of HP. This was a time when solid engineering was deemed of greater value than marketing, and when technology was built to last.

Even at HP they were visionary. They automated and turned the lights out in the data center at a printer manufacturing facility in Vancouver WA. In doing so, they thereby increased its uptime by eliminating as much as possible human interactions. This allowed the plant to engage in a new manufacturing philosophy then known as "Just in Time Manufacturing." Their efforts received a great deal of notoriety and acclaim throughout HP.

Early on in its existence, RBA's technicians were involved with cellular phone technology supporting development work for the billing system for McCaw Cellular, which later became AT&T Wireless. RBA developed the technology behind one of the first US pre-paid phone cards for Bottomline Telecommunications which was bought by MCI Worldcom. RBA developed technology for the billing system for NTT DoCoMo Japan's pre-paid cell phones.

As on-line banking came to the fore RBA's professionals developed the On-line Express Banking for US Bank and on-line payment systems supporting Washington's King County licensing services.

In 2003, RBA conducted a Global IT Security Operations analysis for **VISA International**. Out of that analysis came an operational model for Global IT security that was adapted by the **VISA** Executive Management team.

RBA is a certified processor for **Star**, **VISA**, and its member banks, as well a bank merchant. RBA uses First Data's EFS Net, VeriSign's Secure Commerce Technology, Global Server Certificates, and Verified by **VISA**. RBA's technology complies with **VISA**'s CISP and **MasterCard**'s SDP requirements, and uses Fair Isaac's neural network to prevent card fraud.

OSCARDS 2006

**Sponsors –
French Media
MasterCard**

**Competition –
700+ bank card
products worldwide in
Technology Division**

**Results –
Winner: French Bank
with MasterCard
product**

**Runner-up: RBA with
VISA Debit Card and
an American Bank**

Priceless

RBA International - Key Personnel

René Babi - Founder and President



Mr. Babi has over 35 years of extensive international experience in business processes, banking systems, information systems technologies and methodologies, and organizational development. He is described as a visionary, inventor, product evangelist, and dynamic leader.

Prior to founding RBA International, Mr. Babi served as Worldwide Service Systems Manager, Group Marketing Systems Manager, and IT Director for Hewlett Packard, IT Director for Mentor Graphics, and VP and CIO for Sequent Computer.

He has been the keynote speaker at numerous technology conferences by Apple, Hewlett Packard, Council of Logistics Management, Airfreight Forwarders, and recently the 2006 MVNO Conference in Las Vegas. He was asked to provide a white paper to the US Senate Banking Committee.

Since founding RBA International, Mr. Babi has founded and helped form numerous companies here and abroad. He is a technology and business consultant for emerging and established companies, including VISA, Nike, and Hewlett Packard. Mr. Babi and the RBA team have won prestigious awards and international recognition for their innovations and strategic contributions. Foremost is the "MCI Entrepreneur of the Year Award."

Mark Silbernagel - VP of Engineering



Mr. Silbernagel has been a partner with Mr. Babi since 1985, and has over 25 years experience as a software engineer and systems architect. He specializes in object oriented technologies for eCommerce and banking systems and worldwide network and server security.

Mr. Silbernagel served as a Technology Development Manager for Hewlett Packard, Mentor Graphics, and Sequent Computer. He was an architect for HP's global systems and Internet security policies. He was the Systems Network Architect and Project Support Manager for one of the world's largest object-oriented development projects (over 2,000 engineers, 10+ million lines of code). He has been a key speaker at Interop.

Sam Rollins - SVP of Bank & Security Products



Mr. Rollins has over 30 years in management of information technology and security systems. Most recently, as Senior Vice President of Global Information Security for VISA, he established the Information Security function at VISA, developed VISA's global security operations, risk assessment, and global network security monitoring processes, including the VISANet Security Compliance Management Framework. He was responsible for the implementation of VISA's Information Security Program at VISA member banks globally.

Prior to VISA, Mr. Rollins was Senior Manager of Information Technology for Nike, he was responsible for developing and deploying Nike's global product design and production networks linking Asia, Europe, South America and the USA. He designed and implemented Nike's financial management network and Information Security Program.

RBA International, Inc.
703 Broadway, Suite 600
Vancouver, WA 98660
800-348-8962
www.rbaintl.com