

A Pilot Study Examining Rational Choice and Techniques of Neutralization as Explanatory Theories for the Crime of FEMA Benefit Fraud

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Abstract

This pilot study examines the reliability of a Likert scale survey designed to determine the strengths of rational choice (RC) and techniques of neutralization (TN) theories in explaining FEMA benefit fraud following Hurricane Katrina. The reliability of RC and TN items were analyzed for all participants, for those who had received FEMA money for and those who had not. It was hypothesized that whichever theory had more reliable items was the better explanatory theory for the crime of FEMA fraud after Katrina. Rational choice items were generally more reliable than techniques of neutralization items, allowing the tentative conclusion that rational choice shows greater utility in explaining FEMA benefit fraud. As a theory, it provides useful tools for fraud prevention.

Introduction

On August 29, 2005, Hurricane Katrina made landfall on the Gulf Coast of the United States. Katrina was the third strongest hurricane of all time, killing over 1,300 people in Louisiana alone (*USA Today*, 2006). It breached three levees in New Orleans, flooding 70 to 80 percent of the city, which remained underwater for two weeks. Hundreds of thousands of people evacuated New Orleans in advance in the storm, but many stayed in the city. They were evacuated after the floodwaters were pumped out in early September, 2005. Shortly after this second evacuation, the Federal Emergency Management Agency (FEMA) announced that it would provide assistance to those affected by Hurricane Katrina. People who wished to receive benefits for a variety of needs, including but not limited to general

emergency assistance, renter's and homeowner's assistance and vehicle replacement assistance could register with FEMA. Provided people registered properly and resided in the affected area at the time of the storm, they would receive emergency assistance in the amount of \$2,000 at minimum. More assistance was possible depending on the extent of losses due to the storm. Over 990,000 people registered with FEMA during September, 2005 in Louisiana alone and a total of \$1.2 billion was distributed among FEMA registrants in Louisiana during that time (DHS OIG, 2006).

However, not everyone who registered with FEMA was entitled to assistance (i.e. they did not live in the affected area at the time of Katrina, they had never lived there or they invented benefit recipients by providing nonexistent Social Security numbers). Information on FEMA benefit and other types of fraud is being continuously compiled as U.S. Attorney's Offices in districts around the country work in conjunction with the Department of Justice and other federal agencies to prosecute those who committed fraud in Hurricane Katrina's wake. In October, 2005, the Department of Justice had charged 36 people across the United States with hurricane-related fraud. By September, 2006, that number had risen to over 400. By September, 2007, nearly 800 people across the United States had been prosecuted for hurricane-related fraud (USDOJ, 2007). Two of the three U.S. Attorney's District Offices in Louisiana have been collecting information about those people who committed FEMA benefit

fraud and those who are suspected of doing so. In Louisiana's western and middle districts, U.S. Attorneys charged 102 people with FEMA benefit fraud in the 18 months following Katrina (USAO/LAW, 2007; USAO/LAM, 2007).

Following an introduction on fraud and an explanation of both rational choice and techniques of neutralization theories, the results of a survey designed to determine which of the two aforementioned theories better explains the crime of FEMA benefit fraud will be presented. Limitations and future directions for research will also be included.

Literature Review

Fraud

The crime of fraud has an extensive representation in the literature. The majority of research on fraud has been done within the confines of white collar crime dating back to Sutherland's (1949) work. Other more recent work has focused on different areas, among them insurance fraud (Clarke, 1989; Clarke, 1990; Morley et al., 2006; Tennyson, 1997). Benefit fraud has also received attention in the literature (McKeever, 1999a, 1999b, 2003). In short, fraud occurs in a variety of contexts and has many correlates. It is because of the unprecedented situation created by Hurricane Katrina and its aftermath that consideration of fraud in that particular context has been undertaken here.

Rational Choice Theory

Rational choice theory, as conceived of by Derek Cornish and Ronald Clarke, is characterized by both the cost-benefit analysis associated with a specific crime and the opportunities to commit that crime (1986). Once people have made up their minds to engage in criminal behavior, they choose their crimes based on the opportunities to commit them and if the benefits of doing so are estimated to outweigh the costs. The choice to commit crime in the first place is

based on a number of factors, including temperament, upbringing, self-perception and previous experience with crime (1986, p. 279). Benefits of a crime that increase its likelihood of being selected by an offender can include low effort, little skill, available targets, high expected yield, confrontation or lack thereof with victim and low risk of apprehension while costs can be thought of as the opposites (i.e. high effort, high skill, high risk of getting caught, etc.). Rational choice is considered a crime specific theory because different crimes meet different needs for the offender and because the context in which the rational choice (i.e. the cost benefit analysis) is made will be different for different offenses. Cornish and Clarke later elaborated on rational choice theory, noting that it was developed with crime prevention in mind (1987). Rational choice as an explanatory theory of crime has received support in the literature (Guerette, et al., 2005; Nagin & Paternoster, 2003; Matsueda, et al., 2006; Horney & Marshall, 1992; Wright, et al., 2004; Paternoster & Simpson, 1996).

Techniques of Neutralization

First proposed by Gresham Sykes and David Matza in 1957, techniques of neutralization theory counters the idea that all delinquents unequivocally approve of delinquency. Instead, people who commit delinquent acts feel a sense of guilt or shame and rationalize their behavior to themselves and to the wider world in a variety of ways, the first of which is denial of responsibility. When delinquents deny responsibility, they view their behavior as a result of circumstances beyond their control. When delinquents deny injury, the second technique of neutralization, they feel as though their behavior did not hurt anyone, even though it is against the law. Third, delinquents may engage in denial of the victim, where they decide the victim was deserving of his or her injuries in light of the circumstances. Delinquents may also engage in condemnation of the condemners, wherein they concentrate on the motives or behaviors of those disap-

proving of their actions. Finally, delinquents may engage in appeal to higher loyalties, wherein they see themselves as acting rightly according to the norms they give most weight to, even if those norms are in discord with the law. These techniques of neutralization may be employed singly or in conjunction with one another. They may be employed before commission of a crime, afterward, or both. Some support for techniques of neutralization as an explanatory theory of crime is found in the literature (Gauthier, 2001; Copes, 2003; Evans & Porche, 2005; Piquero, et al., 2005).

The present pilot study has the potential to add to literature on fraud. While fraud in general has been much studied, the type of fraud under consideration here occurred in very specific, more temporally bound circumstances, and such fraud is less investigated. The opportunity to commit this type of fraud only existed because of Katrina and was only possible in the storm's aftermath. Devising a method of investigation for post-Katrina FEMA benefit fraud, even a preliminary one such as this, can add to current knowledge on fraud and allows for revision and future study of fraud in similarly specific circumstances. To the extent that it is well designed, the results of the study can add to the literature on rational choice or techniques of neutralization as the better explanatory theory for this specific crime and from that, have the potential to indicate which is the better theory to explain the crime of fraud more generally.

Methodology

Rational choice and techniques of neutralization theories were chosen for testing in this pilot study for several reasons. First, after experience with the legitimate receipt of FEMA benefits and a consideration of the commission of FEMA benefit fraud, both theories seemed to have potential explanatory power. It could be that people were committing FEMA benefit fraud because it

was easy to do, because the risk of getting caught was low, et cetera, or because it was perceived as a victimless crime and those who committed FEMA benefit fraud needed the money; they seemed equally plausible. Second, these theories lent themselves to testing using a Likert scale survey. Third, the aforementioned plausibility and relative ease of testing made for a useful pilot study.

A ten item Likert scale survey was designed to determine the ability of rational choice and techniques of neutralization theories to explain FEMA benefit fraud. Five of the items on the scale were written to discern the power of rational choice as an explanatory theory of FEMA benefit fraud and the other five were written to determine the power of techniques of neutralization to explain this crime. An attempt was made to incorporate the tenets of each theory into its respective items. Rational choice items inquire about ease, skill needed, strength of target, risk of apprehension and expected yield. Techniques of neutralization items inquire about denial of responsibility, denial of injury, denial of the victim, condemnation of the condemners and appeal to higher loyalties. A copy of the survey administered to participants appears in Appendix A (items 1, 3, 6, 7, and 8 measure rational choice theory and items 2, 4, 5, 9, and 10 measure techniques of neutralization). The tenets of rational choice theory lent themselves much more readily to items that seemed to be valid on their face than did the tenets of techniques of neutralization.

A senior professor at the university where the survey was administered agreed with the construction of items on the Likert scale survey, giving the scale at least some inter-rater reliability. The survey was administered to 90 students at a private Southeastern university during early 2007. Participants were informed that the survey was a pretend exercise and that there was no assumption that they had committed FEMA benefit fraud. A factor analysis was

performed to determine whether survey items loaded onto intended factors, namely, rational choice and techniques of neutralization. Responses to survey items on each factor and to survey items as a whole were analyzed, first for all participants and then by receipt of FEMA benefits after Hurricane Katrina. It was suspected that whichever theory had more reliable items was the better explanatory theory for the crime of FEMA benefit fraud.

Results

The descriptive statistics for survey participants appear in Table 1. Over half of the participants were aged 18 to 21 years and over two thirds were aged 18 to 25. A large majority of the participants were enrolled as undergraduates in college. More women participated in the survey than men and the number of those who had received FEMA benefits after Katrina was about equal to those who had not.

A factor analysis was run to determine whether the ten survey items loaded onto two distinct factors, namely, rational choice and techniques of neutralization. There was no evidence of singularity or multicollinearity among the survey items, the Kaiser Meyer Olkin measure was .725 and Bartlett’s Test of Sphericity was highly significant ($p < .001$), all of which indicated

a factor analysis of the survey items would yield distinct and reliable factors. Table 2 reveals how the survey items loaded onto each factor.

All the survey items load onto the intended factors, with the exception of Item 2. Item 2 was intended to be a techniques of neutralization item, but it loaded onto the rational choice factor. Because the factor analysis indicated the item was poorly written, Item 2 was eliminated from further analysis.

With Item 2 eliminated, Cronbach’s Alpha test of reliability was used to examine the surveys of all participants and then for surveys disaggregated by reception of FEMA benefits after Katrina. The greater Cronbach’s Alpha is, the more reliable the survey is as a whole; alpha values greater than .700 are generally reliable. Table 3 contains the results of the analyses.

For all participants, Cronbach’s Alpha was higher for the rational choice items than the techniques of neutralization items. For those who received FEMA benefits, Cronbach’s Alpha was greater for rational choice items than for techniques of neutralization items, but did not meet the threshold of reliability in either case. For those who did not receive FEMA benefits, Cronbach’s Alpha was higher for the rational choice items than the techniques of neutralization items.

Table 1. Descriptive Statistics of FEMA Benefit Fraud Survey Participants (N=90)

Gender	Male: 35	Female: 55					
Age	18-19 Years: 12	20-21 Years: 34	22-25 Years: 17	26-30 Years: 10	31-40 Years: 10	41-50 Years: 2	51-60 Years: 5
Education Level	1 st Year College: 13	2 nd Year College: 13	3 rd Year College: 25	4 th Year College: 25	College Graduate: 8	Other: 6	
Received FEMA Benefits?	Yes: 42	No: 48					

Discussion and Conclusions

Rational choice items were more reliable than techniques of neutralization items. This was especially true in the case of all participants and for those who had not received FEMA benefits. That the measure of reliability for both types of items were closer in value for those who did receive FEMA benefits deserves comment. It is possible that some of those who received FEMA benefits did so fraudulently and neutralized after the fact when they were filling out the survey. While this is a possibility and this finding is deserving of more investigative attention, it hints at one of the weaknesses of techniques of neutralization theory—it remains unclear whether people employ these techniques before committing crime, afterwards, or both.

Generally, rational choice items were more reliable than techniques of neutralization items. One possible reason for this is that rational choice is a better explanatory theory for the crime of FEMA benefit fraud than techniques of neutralization. That there is an apparent good fit between rational choice and FEMA benefit fraud shores up this possibility. FEMA was giving money away after Hurricane Katrina and it required low levels of effort, skill and equipment to obtain it fraudulently. All one needed was a phone or a computer with an Internet connection and some patience. The benefits of filing a fraudulent claim for benefits—a minimum of \$2,000 in emergency assistance with an opportunity to obtain more money later just by virtue of being registered with FEMA—outweighed the cost of doing so, especially of getting caught because FEMA quickly developed a national reputation as a large, inefficient and disorganized bureaucracy in the wake of Hurricane Katrina.

One of the strengths rational choice has as an explanatory theory is that it contains prescriptions for reducing crime and probably the most relevant to reducing FEMA benefit fraud in the wake of Hurricane Katrina and in the wakes of future disasters is increasing the perceived risks of crime. When people feel as though the costs of

Table 2. Rotated component matrix from factor analysis of survey items

Survey Item	Factor 1	Factor 2
Item 6	.706	
Item 1	.704	
Item 8	.668	
Item 7	.651	
Item 2	.650	
Item 3	.631	
Item 5		.810
Item 4		.692
Item 10		.599
Item 9		.383

committing FEMA benefit fraud outweigh the benefits, they are less likely to engage in that crime. The penalties that the Hurricane Katrina Fraud Task Force (HKFTF) has put into place for those caught committing FEMA benefit and other types of fraud—usually five or more years in prison, a fine of \$250,000 or both per count—indicate that the Department of Justice has put that prescription into action. In addition, the Department of Homeland Security’s Office of Inspector General recommends that FEMA increase its capacity, both through improved employee training and an improved web site, to find fraudulent or potentially fraudulent registrations as they are made instead of months later (DHS OIG, 2006). These recommendations come in conjunction with a list of best preventive practices in a recent HKFTF progress report (USDOJ, 2006). The public has been enlisted in the fight against FEMA benefit fraud with public service announcements that air on television in the New Orleans area. The PSAs encourage viewers to report known or suspected fraudulent activity to any of the U.S. Attorneys in Louisiana or to the HKFTF hotline. More generally, FEMA has included information on how and to whom to report fraudulent damage claims right on the “Apply for Assistance” page on its website.

However, there are other possible explanations for these results. It could be that the rational choice items were better written and more closely reflected the tenets of the theory than the techniques of neutralization theories. Similarly, it could be that the theories, with their many tenets, were not fully represented in the survey. It is possible that participants recognized the theories represented on the questionnaire and provided responses that supported the rational choice items more than the techniques of neutralization items. Because this is intended to be a pilot study, these possible explanations will need to be addressed and eliminated in future investigations so as to strengthen conclusions.

Limitations and Directions for Future Study

One obvious limitation of this pilot study is the use of a relatively small convenience sample of students, most of whom probably did not commit FEMA or any other kind of benefit fraud in the wake of Hurricane Katrina. Administration of the survey to a wider group of individuals in the storm disaster area would yield more robust and generalizable results. An ideal use of this survey (or a counterpart better developed through future pilot studies) would be among those who were convicted of committing FEMA benefit fraud, possibly as part of their involvement with the criminal justice system. Such an administration could provide greater support for the explanatory power of rational choice or it could indicate that researchers would do well to

test other theories. Perhaps the general theory of crime (Gottfredson & Hirschi, 1990) or routine activity theory (Cohen & Felson, 1979), for example, better explains FEMA benefit fraud. As indicated above, another limitation of this study is that it is a pilot study. It was developed in 2006 and has thus far been administered to less than 100 people. Repeated administration of this survey to a wider variety of groups would reveal more about its reliability and eventually its validity. Finally, the survey only focuses on FEMA benefit fraud. Expanding the survey to include other types of post-storm fraud, such as that perpetrated against the Red Cross, where benefits were more difficult to obtain, or disaster unemployment, which was a local benefit only, would augment the above results or help determine a different course of investigation.

FEMA benefit fraud is a despicable crime because it makes those who have truly suffered and lost due to a natural disaster subject to unwarranted scrutiny, as well as to additional stress and hardship. I believe that post-disaster fraud and fraud prevention research can benefit from a more deliberate application of rational choice theory and am hopeful to see such an application in the future. Insight into this crime and strategies to stop it are just two more tools available to cope with the aftermath of a natural disaster and it is useful to supplement the arsenal as hurricanes and other natural disasters remain a constant concern.

Table 3. Reliability of FEMA benefit fraud survey

	Rational Choice Items (N=5)	Techniques of Neutralization Items (N=4)	All Items (N=9)
All Participants (N=90)	.721	.525	.618
Received FEMA Benefits (N=42)	.669	.624	.653
No FEMA Benefits (N=48)	.762	.346	.541

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Appendix A: Survey on FEMA Benefit Fraud

Thank you for agreeing to participate in this survey. The purpose of this survey is to gauge its validity as a tool to measure the explanatory power of possible theories of the crime of FEMA benefit fraud, defined as obtaining or trying to obtain monetary assistance from FEMA after Hurricane Katrina, despite having no entitlement to do so. This is a PRETEND EXERCISE; there is NO assumption that you committed FEMA benefit fraud. All information you provide will be kept confidential and you may stop taking the survey at any time.

Background information (4 items)

1. Gender (please circle) Male Female
2. Age _____
3. Highest level of education attained (please circle)
H.S. diploma/GED First year college Second year college Third year college
Fourth year college College graduate Other (please specify) _____
4. Monetary benefits from FEMA following Katrina? (please circle) Yes No

The following 10 statements are about FEMA benefit fraud. Circle the most accurate response, where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

1. Committing FEMA benefit fraud was easy.
1 2 3 4 5
2. Lots of people committed FEMA benefit fraud.
1 2 3 4 5
3. No skill was needed to commit FEMA benefit fraud.
1 2 3 4 5
4. FEMA benefit fraud was a victimless crime.
1 2 3 4 5
5. People committed FEMA benefit fraud because they needed the money.
1 2 3 4 5
6. FEMA was an easy target after Hurricane Katrina.
1 2 3 4 5
7. People who committed FEMA benefit fraud didn't think they would get caught.
1 2 3 4 5
8. People who committed FEMA benefit fraud expected to get money.
1 2 3 4 5
9. FEMA was incompetent and inept following Hurricane Katrina.
1 2 3 4 5
10. People who committed FEMA benefit fraud just got caught up in doing so with others.
1 2 3 4 5