

The 5 Most Common Kinds of Whistleblower Fraud

From the Front Lines of a National Whistleblower Law Firm

It's no secret that blowing the whistle is becoming an increasingly popular action taken by professionals to help stop fraud in fields from Wall Street investments to medical device manufacturing to school lunch programs. The numbers don't lie: whistleblowers are making themselves heard.

In this increasingly ripe climate of reporting fraud and whistleblowing, there are a few areas that stand out as the major hotbeds – breeding grounds for false claims against the government and other acts of corruption. Here are five stand-out fields where whistleblowers are making a difference and submitting claims in record numbers.

1. Health Care Fraud

One growing area of fraud that shouldn't come as a surprise is the realm of health care fraud. In recent years, this particular sector has grown tremendously in size, meaning the instances of fraud, kickbacks and other illegal schemes have grown as well. But this isn't a phenomenon that happened overnight.

Since the early 2000s, the government has had a keen eye on the health care industry as a Petri dish of sorts. A bipartisan coalition backed strengthening the False Claims Act in 2009, and the Obama administration pushed for more money and tougher fraud-fighting provisions in the 2010 health care law. In 2012, about 36 percent of the almost \$16 billion recovered by the Justice Department in health care whistleblower fraud cases came since 2009, records show, which reflects an increased focus on fighting fraud. Large health care fraud cases often involve pharmaceutical companies either falsely advertising a product or marketing it for a use that hasn't been approved by the FDA. These cases often catch the eye of the Department of Defense, as health care fraud can potentially put public health at risk.

Some forms of health care fraud are black and white. Medical providers and others in the industry make false statements to regulators about their compliance with various state laws and programs. Sometimes these embellishments are material to payment by a government health program, leading to False Claims Act violations.

Other forms of rising health care fraud include medical providers billing for services not rendered, or billing at higher levels. False claims schemes can also include medical providers billing for services that were performed that were not medically necessary for treatment.

Providers, including medical device makers and pharmaceutical companies will also take part in what's called off-label marketing, or promotion of a medical device or drug for uses not approved by the FDA. Kickbacks also constitute violations of the False Claims Act – when medical companies or others give financial compensation to those who use or promote their products, or send them patients.

2. Defense Contractor Fraud

One look at the list of top government contractors will give this sector's prominence away. The realm of defense and aerospace is huge, and with so much government funding going to outside contractors, whistleblower fraud and reporting is prevalent in defense contracting.

Lockheed Martin Corporation leads the list of top contractors to the U.S. federal government, with 21,026 actions performed and more than \$44 billion dollars obligated. Boeing is the next in line with 10,377 actions and more than \$21 billion dollars. The top five contractors by their percentage of dollars allotted includes Raytheon Company, General Dynamics Corporation and Northrop Grumman Corporation.

For reference, in Fiscal Year 2011, the top five departments by dollars obligated were the Department of Defense (\$373.6 billion), Department of Energy (\$25.1 billion), Health and Human Services (\$19.3 billion), Department of Veteran Affairs (\$17.4 billion) and NASA (\$15.4 billion).

With all of this funding, what does defense contractor fraud look like? Large scale aerospace and defense contracts can quickly amount to massive whistleblower defense fraud, which can include bid rigging, falsifying invoices or overcharging the government, failure to provide the best price to the government and violation of “TINA” requirements, and more.

Sometimes, defense contractors are guilty of using inferior or unsafe products in their government contracts, which can come in the form of manufacturing equipment and supplies. In other instances, contractors will shift costs for a more lucrative (and illegal) gain, away from a fixed-price model contract to cost-plus.

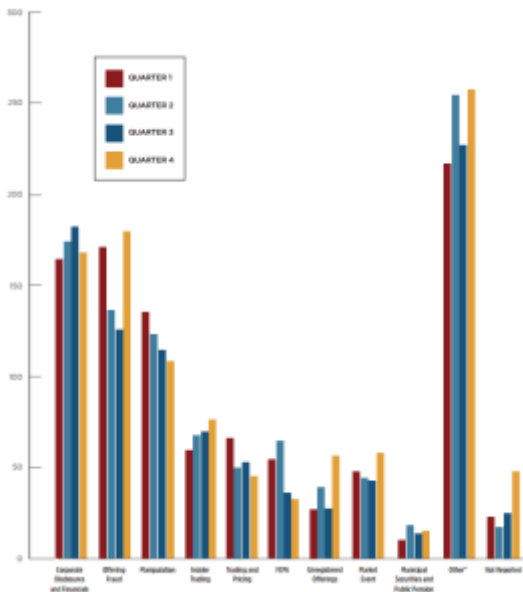
3. Tax/IRS Fraud

Tax fraud is a topic that tends to arise every political election cycle, and many balk at the squabbles for candidates to show their full tax payments and reports. While there may be ulterior motives when partisan politics comes into play, tax evasion is no joking matter. The tax gap is estimated to topple \$400 billion every year.

Tax fraud whistleblowers can help the government by reporting tax evasion for high-earning individuals or businesses that are intentionally defrauding the government by refusing to pay up.

In 2015, IRS – Criminal Investigations initiated 3,853 cases and recommended 3,289 cases for prosecution. Prosecutors indicted almost 3,208 of those individuals and convicted over 93 percent of the cases closed in early 2016.

In recent years, the number of claims received under the Tax Whistleblower Program has jumped, from **8,166** in 2011, **9,493** in 2012, **10,520** in 2013 to a whopping **14,365** in 2014.



4. Securities Fraud

Another high-profile area of whistleblower fraud is the realm of securities and investor fraud. According to the SEC’s Office of the Whistleblower annual report, the number of whistleblower award claims received by the office has continued to increase.

In Fiscal Year 2015, the SEC’s Office of the Whistleblower received more than 120 whistleblower award claims, representing a significant increase compared to prior

