

Wednesday, October 24, 2007

WHISTLEBLOWING

Stop fraud, save taxes, and get paid!

Author: \$500 from every taxpayer ripped off, rewards can reach millions

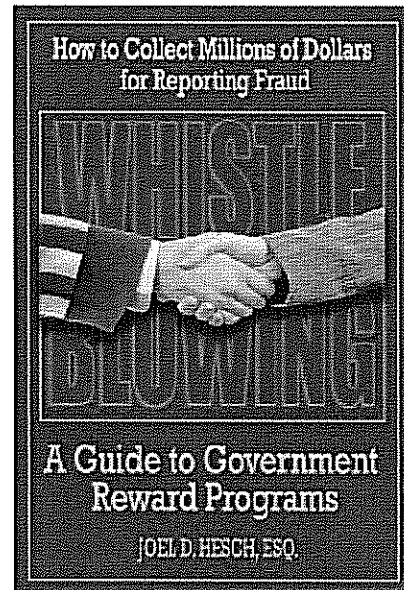
Posted: October 24, 2007

© 2007 WorldNetDaily.com

The first \$500 from every taxpayer in the United States is lost to fraud each year, and a lawyer has launched a new book and website encouraging citizens who have information about scams to report them.

By the way, notes lawyer Joel Hesch, you could collect millions – even hundreds of millions – in rewards.

With his new book, "Whistleblowing: A Guide to Government Reward Programs," Hesch is on a mission to save taxpayers some of the estimated \$150 billion lost to fake invoices, overbilling, misdirected funds and other illegal maneuvers.



Hesch, a new WorldNetDaily columnist, is an expert on the subject from his 15 years with the Department of Justice Fraud Section where he helped oversee the payout of about \$2 billion in rewards to whistleblowers. He told WND he wants to see the government money saved, and for those individuals who trigger cases to get their fair share of the government savings.

The largest reward he worked to pay out was to two individuals who revealed that a health care corporation had been keeping two sets of books, one with the actual expenses and invoices, and a second set assembled to substantiate its "billings" to the government.

The government ended up recovering about \$641 million that it otherwise would have lost; the reward for the two people was \$100 million, which of course they had to split.

Hesch reveals that one out of five whistleblowers actually receives a reward, and the average payout is \$1.75 million. One out of 25 whistleblowers gets a reward of \$1 million or more, he said.

"My real goal is to stamp out fraud," he told WND. But there's no reason those responsible for bringing scams to the attention of the government should not be paid the rewards that have been authorized, he explains.

He admits that to do that, the whistleblowers have to do some work, providing the information the government needs, following procedures and meeting the requirements of the government's whistleblower program.

"Congress realizes that there needs to be some action to be taken," he said. "The government can't catch this fraud on its own."

He said the magnitude of the annual loss is staggering: estimated at \$150 billion, or about 10 percent of all government spending.

Originated during the Civil War by President Abraham Lincoln because the military was being "cheated blindly" by suppliers, the program was updated about 20 years ago to provide additional freedom for whistleblowers, Hesch said.

He said the government already does audits.

"Here's the problem with audits. Auditors are not equipped to catch fraud. They catch balancing errors, but if someone has phony invoices, it escapes them."

He also said the number of audits is simply too low to have a significant impact, even if they would catch the various frauds.

But what's causing the fraud?

"It's kind of like a house at Halloween, when people put out a dish of candy and kids are only supposed to take one. Health care companies have been reaching in and pulling out whatever they want," he said.

But why the need for whistleblowers, and rewards for them? To pursue cases when sometimes the only evidence is information available only to insiders, and to make sure that the whistleblowers have an incentive to take action that, obviously, could result in the loss of their job.

Take, for example, the health care investigation. The \$100 million payment was to two individuals alone. But the government netted more than half a billion dollars that otherwise would have been lost.

The rewards range from 15 to 25 percent of what is recovered. In the one series of cases triggered by whistleblowers, a total of \$700 million was paid to those who provided the evidence about 16 pharmaceutical companies' actions.

But the government recovered \$3.9 billion in those cases.

Hesch's work is needed, he explains, because of the strict rules regarding reports of fraud. It's kind of like the Internal Revenue Service, which also recently started its own whistleblower rewards program, the rules have to be followed exactly.

What should be watched? Issues such as companies transferring huge amounts of revenue to offshore banks or accounts, which often is a sign of underlying violations, he said.

And just that gnawing feeling that something is wrong.

"When a whistleblower is asked to do something, there's that wrenching in their gut, that's exactly the type of person the Department of Justice wants to come forward," he said.

The Department of Justice has no threshold for reports of fraud, but experts in the area such as Hesch generally do. He said whistleblowers also can simply report a fraud, without the proper paperwork for the reward program, but they would then give up any claim to part of the recovery.

Hesch, now a law professor at Liberty University, doesn't recommend that.

"Why settle for little or nothing. It's just like following a recipe. My book as the recipe," he said.

Government branches to watch include not just Medicare but the military, the post office and corporate income tax. Royalty underpayments, research and educational grant fraud, customs violations and housing fraud payments also have been uncovered.

"The important thing to know is that you have to give the government concrete information. They don't want to guess. What they need is some specific information about the federal government paying more than it should pay for something," he told WND.

He also advised considering the risk, because rewards aren't paid in advance, and the threat to a worker's job may be real. "Even though the false claims statute prohibits retaliation, that doesn't mean it still won't happen," he told WND.

States also have a variety of reward programs for whistleblowers, and he said such cases included a large bank chain that recently kept – improperly – the proceeds from \$7 million in unclaimed municipal bonds.

Other frauds where whistleblowers were rewarded by states have included a company that cheated on its billings, by millions of dollars, on a Los Angeles Subway system project, another company that overcharged a state for installation of heating and cooling systems, and a hospital that falsely reported the amount of its charity work.

The book, Hesch said, leaves nothing out of the equation. It describes what to look for, how to document it, and how to report it within the channels that will result in a reward.

And the cases don't always have to be in the megamillions. While with the federal government, Hesch worked on a case where an oxygen supply company settled for \$526,000 for improperly performing tests to determine if elderly people needed to be on portable oxygen units.

Today, Hesch begins writing an exclusive weekly column to show WND readers how to root out fraud – for fun and profit. Read his first Wednesday offering, "Want affordable health care? Start here."

http://www.worldnetdaily.com/news/article.asp?ARTICLE_ID=58291
