

**Lindsey M. Williams**

**Director of Advocacy & Development**

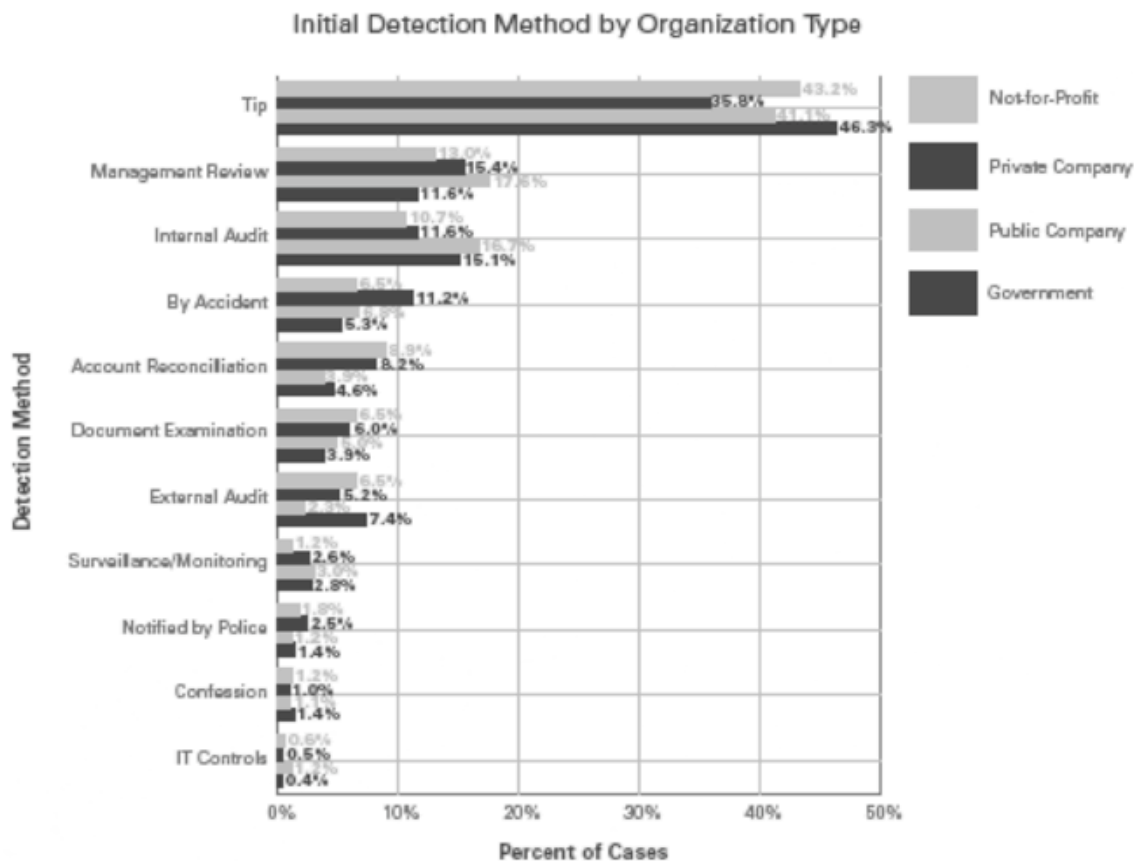
**Testimony Before the New York City Council,  
Committee on Governmental Operations**

**April 16, 2012**

**NWCC** | NATIONAL  
WHISTLEBLOWERS  
CENTER

[WWW.WHISTLEBLOWERS.ORG](http://WWW.WHISTLEBLOWERS.ORG)

# Whistleblowers #1 in Detection of Misconduct



Association of Certified Fraud Examiners (ACFE) 2010 Global Fraud Study

## Whistleblowers Need Protection

*“While tips have consistently been the most common way to detect fraud, the impact of tips is, if anything, understated by the fact that so many organizations fail to implement fraud reporting systems.”*

*ACFE 2010 Global Fraud*

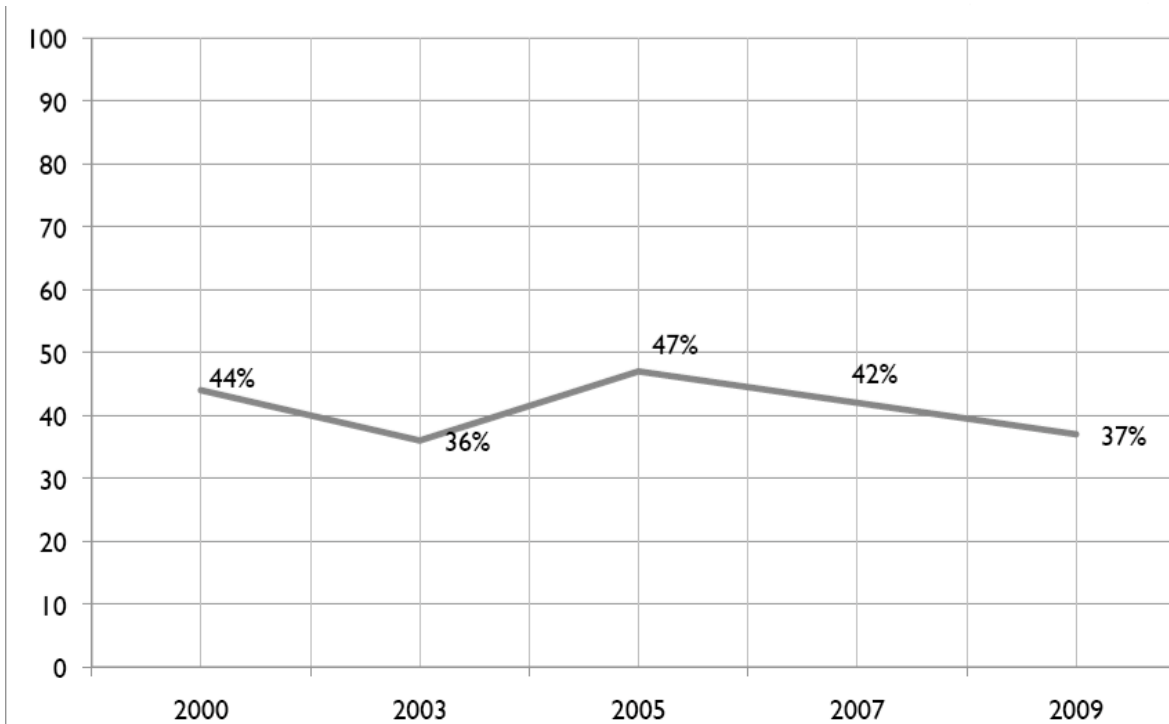
*Study*

## **Whistleblowers Need Protection**

**Most Employees Do Not  
Report Misconduct to  
the Appropriate  
Authorities**

# 40% Of Workers Do Not Report Misconduct To Anyone

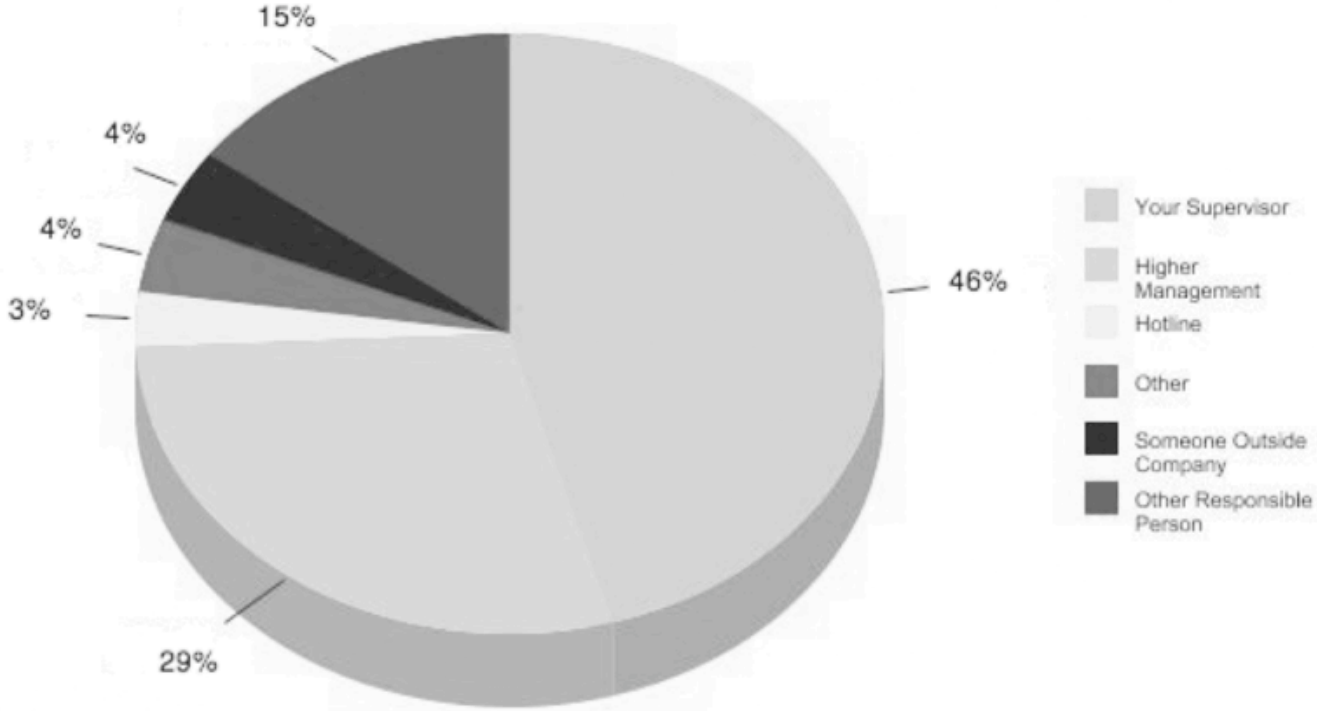
Percentage Who Failed to Report Misconduct to Any Person 2000-2009



Ethics Resource Center 2010 Whistleblowers Study

# Majority Of Workers Who Report Misconduct Never Inform The Government

2009 Employee Reporting Behavior



Ethics Resource Center 2010 Whistleblowers Study

# **Whistleblower Reward Programs**

## False Claims Act

*“I have based [the False Claims Act] on the old fashion idea of holding out on temptation and ‘setting a rogue to catch a rogue’, which is the safest and most expeditious way of bringing rogues to justice.”*

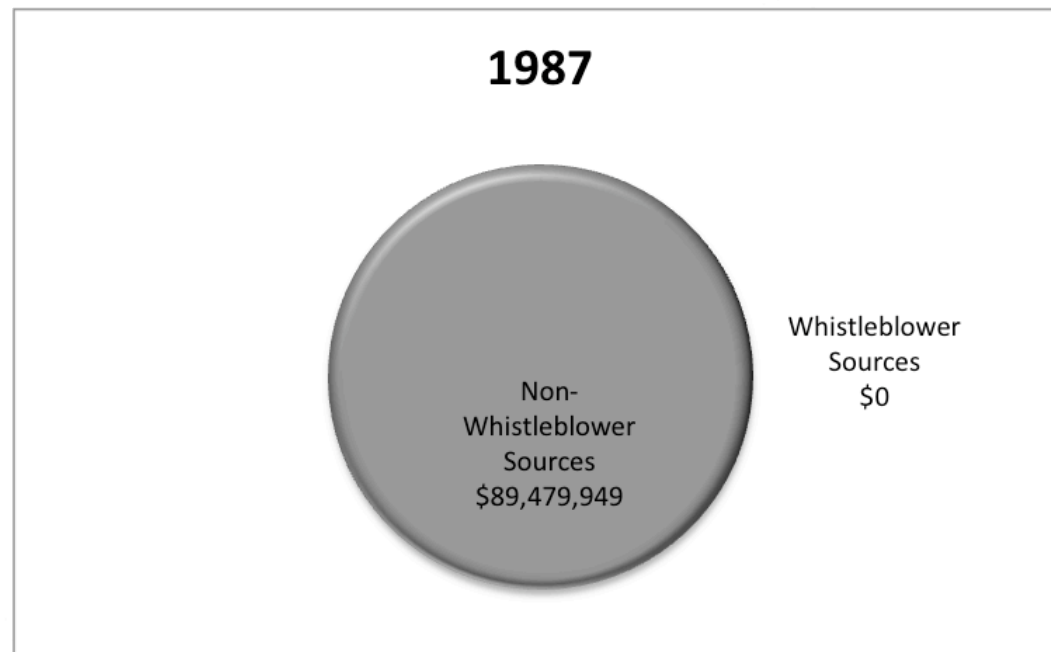
*Senator Howard,*

*Congressional Globe, March 1863*



# U.S. Civil Fraud

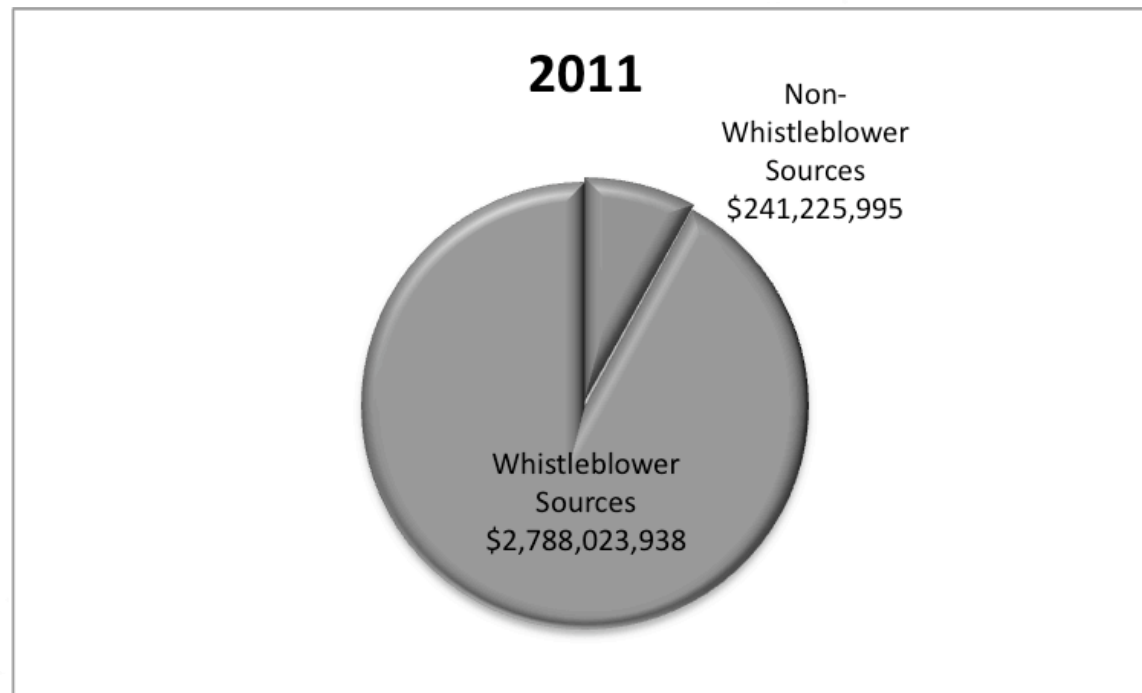
## Recoveries Before Rewards Law



Department of Justice (DOJ) Fraud Statistics

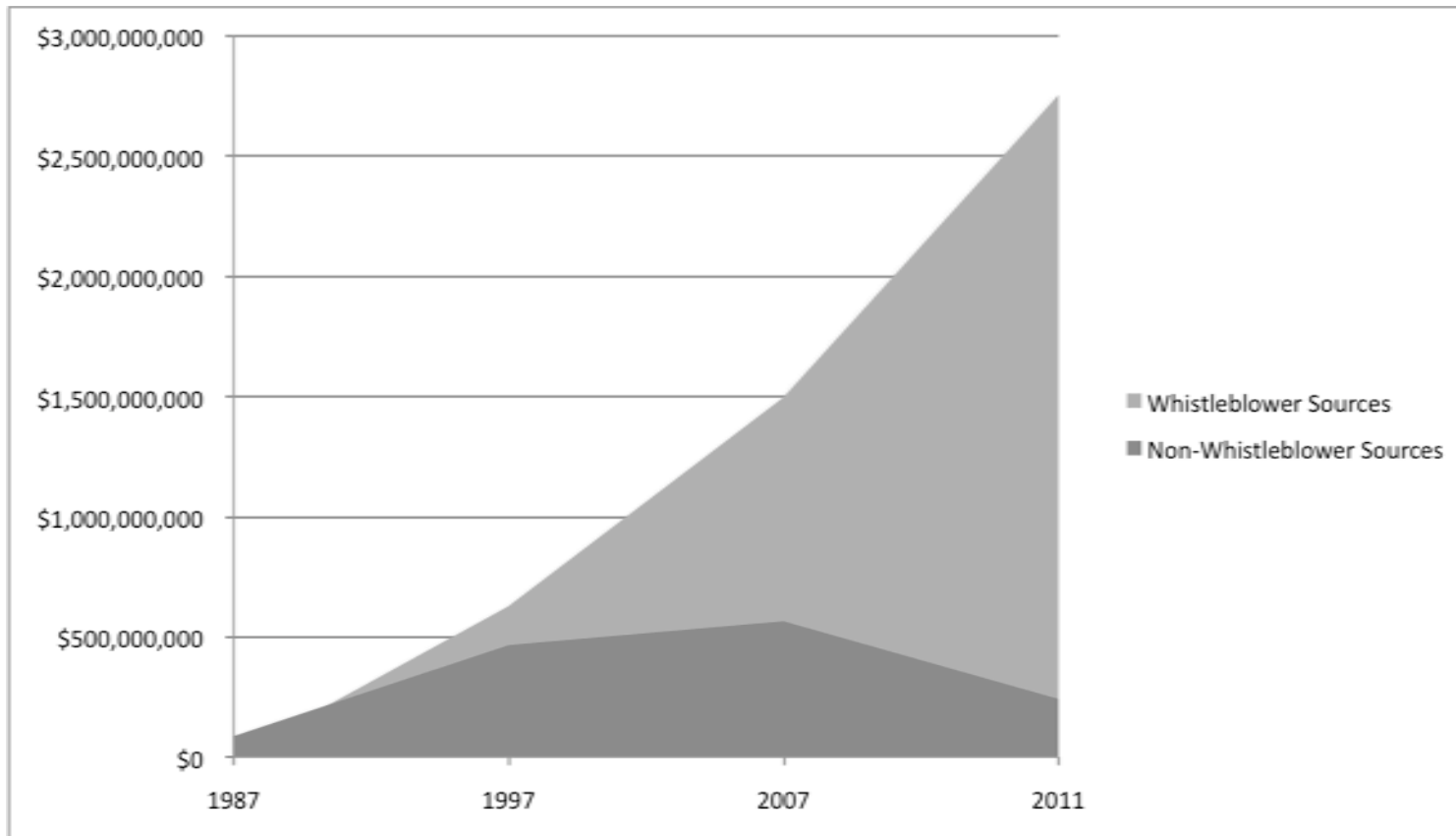
# U.S. Civil Fraud

Recoveries 24 Years After Rewards Law



DOJ 2011 Fraud Statistics

# FCA Recoveries Continue to Grow



DOJ 2011 Fraud Statistics

## Federal Civil Fraud Recovery

- **Alta Colleges - \$7 million** for misrepresenting college programs
- **AT&T - \$8.2 million** for overbilling schools under the E-Rate program
- **Canadian bullet-proof vest manufacturer - \$1 million** for sale for sale of defective bullet-proof vests
- **Computer Assets Inc. - \$35 million** for defrauding E-Rate program
- **NetApp - \$128 million** for contract fraud

# Federal Civil Fraud Recovery

- **Defense contractor Northrop Grumman - \$325 million** for sale of defective parts
- **Hurricane Katrina contractor - \$4 million** for failing to complete work
- **National home builder and mortgage lender - \$53 million** for fraudulent origination activities
- **TOTAL Whistleblower 2011 Recovery: \$3,029,249,933 billion**
- **TOTAL Whistleblower 1986-2011 Recovery: Over \$21 billion**

# State Civil Fraud Recovery

- **State Street Bank, Bank of New York Mellon - Expected Over \$1 billion** for Foreign Exchange frauds involving state pension funds (CA, VA, FL)
- **BankAmerica - \$187 million** for improperly retained unclaimed municipal bonds (CA)
- **Toshiba - \$30 million** for knowingly sold defective computers (CA)
- **Tutor-Saliba-Perini JV - \$31.9 million** for fraudulent billing during construction of Los Angeles subway system (CA)

## State Civil Fraud Recovery

- **Mandated Cost Systems Inc. - \$3.4 million** for submission of inflated and false bills (CA)
- **Driscoll Children's Hospital & Foundation - \$14.5 million** for filing false expense reports, reporting inflated charity work, and engaging in kickbacks (TX)
- **Strategic Resource Solutions - \$43.1 million** for fraud involving installation and monitoring of energy-efficient heating and cooling equipment in San Francisco schools (CA)

# Tax Whistleblower Qui Tam Laws

- **Internal Revenue Act of 2006 (Tax Whistleblowing)** - 10%-30% Reward for Whistleblowers who provide original information on tax frauds
- **Applies to International Banking** - US Tax Whistleblower Law can cover International Banks that violate U.S. Tax Laws (secret bank accounts)
- **UBS Bank Scandal** – One whistleblower's disclosure forced the Swiss bank UBS to pay \$780 million fine and release the names of thousands of U.S. taxpayers who held secret accounts in Switzerland to the American government (well over \$5 billion in individual collections)



# **Problems With The New York City False Claims Act**

- **The New York City False Claims Act (FCA) is not being used because it is not strong**
- **Fix the weaknesses in the law and make the New York City FCA a model for other states and cities**
- **Current proposed reforms important but more are needed**

# **New York City: A Model For Success**

**The NWC's expert legal staff can work with the City Council in developing language that will ensure the effectiveness of the New York City False Claims Act**

- **Better standing requirements**
- **Real *qui tam* procedures**
- **Include tax fraud**
- **Include provision to coordinate with federal investigations**
- **Stronger damage provisions**
- **Procedures to ensure that fraud cases are not dismissed on technicalities that permit guilty contractors to escape accountability**

# **New York City: A Model For Success**

**Benefits of Enhancing the New York City FCA in a manner consistent with the original 1863 “Lincoln Law”**

- **More fraud recoveries**
- **Stronger deterrent**
- **Encourage all *qui tam* whistleblowers to include the New York City Act in their complaints**

# NWC Online Resources

[www.whistleblowers.org](http://www.whistleblowers.org)



Tune in for interviews with leading whistleblower experts, firsthand accounts from major government and corporate whistleblowers, and more. Listen every Tuesday at 1:00 pm ET on [www.whistleblowersradio.org](http://www.whistleblowersradio.org).

Action Alert  
Network

Subscribe to the NWC's Action Alert Network to receive periodic updates on whistleblower issues at [www.whistleblowers.org/subscribe](http://www.whistleblowers.org/subscribe)

facebook

Like our Facebook page at <http://on.fb.me/StopFraud>



Follow us @StopFraud

WHISTLEBLOWERS  
PROTECTION BLOG  
Advocating Whistleblower Rights for over Twenty Years

Engage in discussions about whistleblower issues and get the latest news by subscribing to the Whistleblower Protection Blog's RSS feed at [www.whistleblowersblog.org](http://www.whistleblowersblog.org)

Google+

Join our circle on Google+ at [www.gplus.to/whistleblowers](http://www.gplus.to/whistleblowers)

# NWC Resources

## 21 Rules For Whistleblowers

### T H E Whistleblower's H A N D B O O K

**A Step-by-Step Guide to Doing  
What's Right and Protecting Yourself**



*“Whistleblowers should do two things: call us at 60 Minutes and read The Whistleblower’s Handbook. It’s 21 rules lay out the game plan for holding institutions accountable while protecting your job.”*

Michael Radutzky, Senior Producer  
**60 Minutes**

*“Don’t let your boss catch you reading it.”*  
**Wall Street Journal**

*“Whether you are a corporate crime defense counsel, a worker thinking on turning in your crooked boss, or a whistleblower’s lawyer – we recommend you pick up this book.”*

**Corporate Crime Reporter**

## List of Sources

- ACFE 2010 Global Fraud Study:  
<http://www.whistleblowers.org/storage/whistleblowers/documents/acfe2010report.pdf>
- ERC 2010 Study “Blowing the Whistle on Workplace Misconduct”:  
<http://www.whistleblowers.org/storage/whistleblowers/documents/DoddFrank/ercwhistleblowerwp.pdf>
- DOJ 2011 Fraud Statistics:  
<http://www.whistleblowers.org/storage/whistleblowers/documents/doj.2011.fraudstats.pdf>

# National Whistleblowers Center

*3238 P Street, N.W.  
Washington, D.C. 20007  
Phone (202) 342-1903  
Fax (202) 342-1904*

*Website: [www.whistleblowers.org](http://www.whistleblowers.org)*

*E-mail: [contact@whistleblowers.org](mailto:contact@whistleblowers.org)*