Part V. ADDITIONAL FEDERAL WHISTLEBLOWER PROGRAMS

The success of the False Claims Act since 1986, and various financial scandals such as the famous Bernie Madoff $20 billion Ponzi scheme, have resulted in the creation of parallel whistleblower protection and reward programs in three other Federal programs. However each of these programs, while perhaps laudable, has been structured in a very different manner than the False Claim Act. That is they have allowed for significant rewards to be paid out by the three Governmental departments but they have not provided for citizen initiated prosecutions of civil cases.

The Internal Revenue Service

In 2006 Congress, under the leadership of Senator Charles Grassley, the same Senator who had been instrumental in creating the amended False Claims Act mandated a reward program to ferret out large tax evasion schemes. See XII for information on the IRS statutory whistleblower program.

- The program does not allow the whistleblower to play any role other than reporting of the fraud or underpayment in taxes on a Form 211.
- It only applies to situations where there is $2 million per taxpayer in liability.
- The award percentage that could potentially be paid under the statutory scheme is from 15 to 30 percent.

Because there is no private right of action and because the IRS keeps taxpayers information confidential, this program up to this point in time has resulted in a limited number of rewards.

The Securities and Exchange Commission

A financial analyst, Harry Markopolos had brought the full detailed description of the Madoff Ponzi scheme in writing with data and convincing evidence to the SEC and it had been ignored by the SEC investigation unit. Mr. Markopolos eventually testified before Congress and assisted with the creation of the new statutory provisions. These provisions became part of the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) signed by President Obama in 2010.***** Please see XIII. SEC Statutory Whistleblower Program.

***** Dodd-Frank Wall Street Reform and Consumer Protection Act. Pub. L. no. 111-203, 124 Stat. 1376 (2010). Print.

The purpose of the SEC whistleblower program is to incentivize individuals with knowledge about securities fraud to report that information to the SEC. If the SEC investigates these claims and there has been a violation of the Federal Securities laws, then the person is entitled to an award based on the amount of money the SEC, or other regulator and law enforcement authorities, collect.

- This award system only applies to situations where the monetary sanctions are in excess of $1 million.
- The amount of the award that could potentially be paid is between 10 and 30 percent of the monetary sanctions collected.

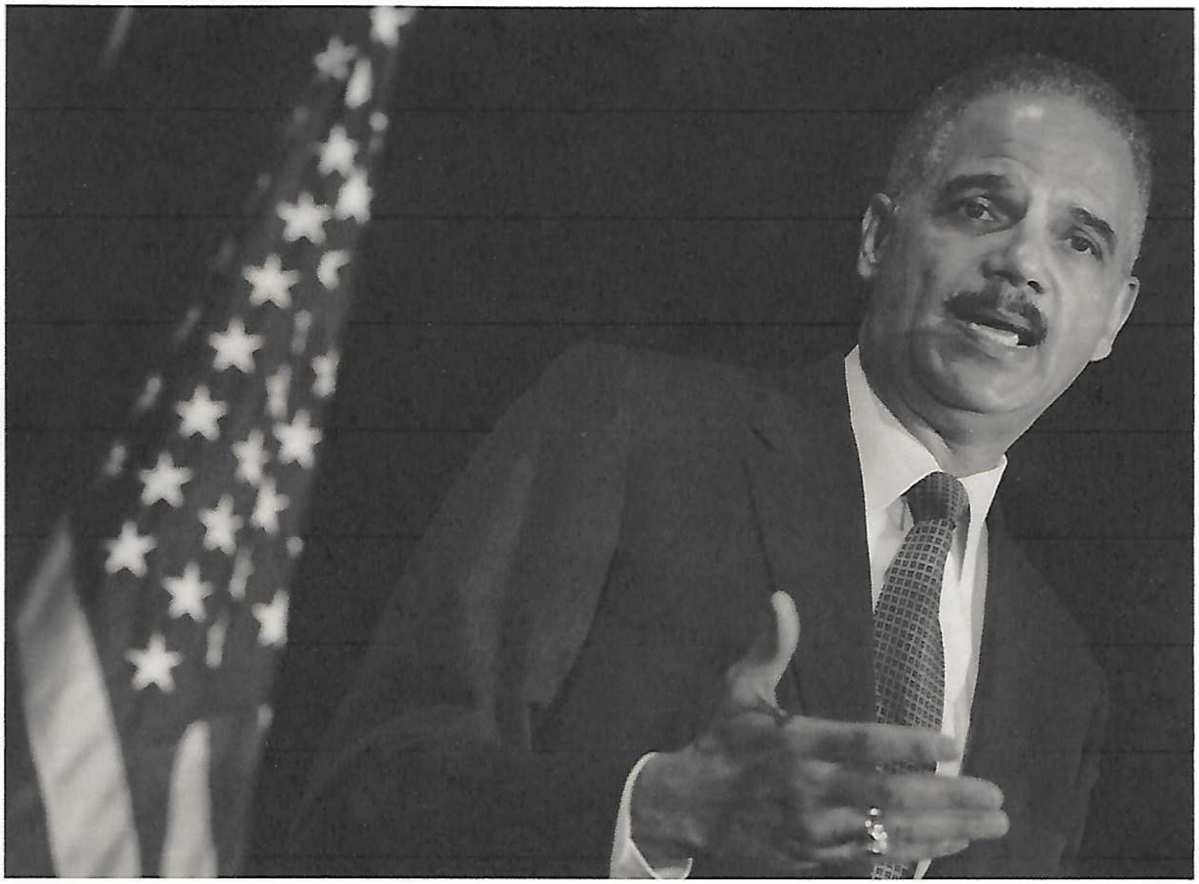
Again there is no private right of action under this scheme. However, because there is a great deal of interest in securities fraud and no veil of confidentiality, there have been a large number of notifications concerning possible market manipulation, corporate misrepresentations and offering frauds.

Commodity Futures Trading Commission

The Dodd-Frank Act also created an incentive system that parallels the SEC system for whistleblowers that provide original information about fraud and violations of law in the commodities trading markets. Appendix D.5 contains the statutory scheme.

- The award is available for monetary sanctions exceeding $1 million
- The amount of an award that could potentially be paid is between 10 and 30 percent of the monetary sanctions collected by the Commodity Futures Trading Commission or other related Authorities.

To date there has been little activity by the CFTC based on this program.



"In the last quarter century, the False Claims Act's success has been unparalleled with more than $30 billion dollars recovered since it was amended in 1986."

-Attorney General Eric Holder

"Justice Department Celebrates 25th Anniversary of False Claims Act Amendments of 1986." *Justice News.* Department of Justice, Office of Public Affairs. 31 Jan 2012. Web. 7 Oct 2013.