



The Honorable Kenneth M. Donohue



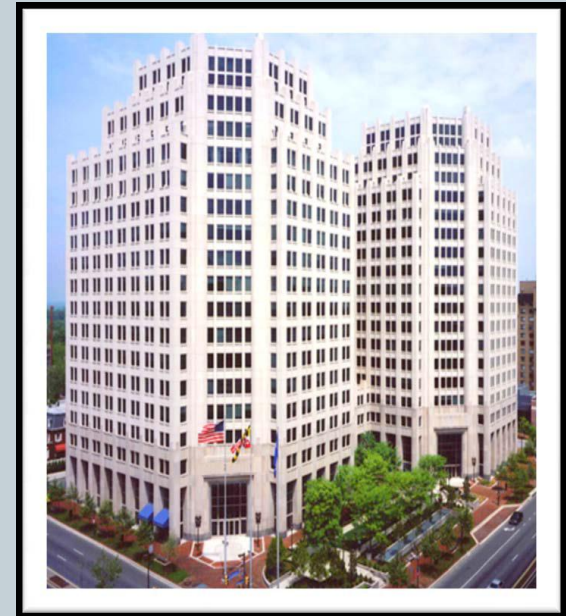
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Located just outside of Washington, DC, Reznick Group's Bethesda office serves as the firm's headquarters. It is home to Reznick Group's five national practice management departments, including Reznick Government, the Valuation and Transaction Advisory Group, four large audit teams and two large tax teams.





2011

- 50 million mortgages
- 3.4 million in foreclosure or in trouble- underwater

2007

- Over built 1.3 million – poor data
- Unemployment huge factor- 9%
- Last 30 years it has gone down- there are jobs, but people are not qualified
- After World War II salaries increased in tandem with GDP

Government Contracts: Compliance, Fraud and the False Claims Act



1990

- Came to RTC- collapse of S&L's bailout \$500 billion
- Sell the properties at a big loss- white collar criminals

1993

- Government required Fannie, Freddie, FHA financing to below the median income- 30% homeowners
- President Clinton and President Bush- went from 50% to 67% - False dreams- seller down payment assistance- Houston case- "charm school"

1998

- Median income of working age household- \$62,000

2001

- Began to borrow from our homes



2010

- Median income of working age household reduction to \$55,000

2002-2008

- We began living beyond our means = cause of the collapse
- The question I am asked: was it reckless private sector “Wall Street” and not Congress, or both administrations?
- Demonstrations in streets- who should the anger be directed at?

Government Contracts: Compliance, Fraud and the False Claims Act



2005

- FHA has to compete, 3% down payment

2007

- Commercial lenders had to compete with Fannie/Freddie, no documented loans, interest payment only
- 70% governed by Fannie/Freddie
- Homeownership is 69%
- Led to the biggest housing bubble
- 2/3rd of the economy- related to the housing market

2007/08

- Weak mortgage went into default- Fannie and Freddie insolvency

2009

- FHA insolvent- full faith and credit of the government

Operation Stolen Dreams

- Coordination of 1,500 arrests-federal

Today

- Market will improve
- No houses have been built-population has changed
- Older wants smaller or rental
- Younger population do want homes
- Unemployment picture improves
- Crimes will continue- think proactive



GLOBAL SERVICE/ INDUSTRY

The False Claims Act

Economic Crime Institute
November 3, 2011

AUDIT / TAX / ADVISORY / LINE OF BUSINESS

Fraud Enforcement and Recovery Act (FERA) of 2009

Increased Funding for False Claim Act Investigations

- \$330 million over 2 years to DOJ/FBI
- \$40 million over 2 years to SEC
- \$40 million over 2 years to Secret Service

**In total, \$470 million for increased investigations from
2009 - 2011**

Recent Changes Impacting Frauds Against the Government

● A Brief History of the False Claims Act:

- The False Claims Act dates back to the Civil War when, in 1863, President Abraham Lincoln and the Congress enacted this law to combat procurement fraud.
- Unscrupulous defense contractors were billing the Union Army for:
 - dead mules,
 - boots with soles that had been glued on, rather than stitched (and were coming apart in the rain and mud),
 - gunpowder that had been salted down with sawdust.

FERA enhancements to the False Claims Act

- FERA expanded liability to virtually every recipient of federal funding (contractors, sub-contractors, any recipient)
- FERA expanded the protection of whistle blowers (not just employees, but contractors, competitors, etc.)
- FERA allows whistle blowers access to information gained from government subpoenas
- FERA expands the statute of limitations for FCA actions, specifying that government complaints "relate back" to earlier whistleblower complaints.

Earlier FCA Provisions Still in Effect:

- Qui Tam Relators
- Treble Damages

What does it mean for YOUR company or agency?

Increased Funding for Law Enforcement

Increased External Enforcement Activity

Increased Protection for Whistle-blowers

Significant Compensation for Whistle-blowers

Increased Transparency on Government Spending

Increased Federal Improper Payments Requirements (IPERA)

Uncovering Fraud, Waste and Abuse via the above initiatives may:

Point to a lack of Fraud Risk Management in your company or agency.