

Rewarding Integrity, Recovering Funds

The federal government loses an estimated \$233 billion–\$521 billion annually to fraud.

States are the first line of defense against this grotesque waste. While it is important for states to create mechanisms that prevent fraudulent payments from happening in the first place, it is equally critical to incentivize the public to help find and recover unlawfully obtained dollars.

Many states reward people who provide information leading to the recovery of stolen government funds. However, many of these programs are inefficient and slow. Evidence grows stale, whistleblowers risk retaliation, and the stolen funds disappear. Other states have no such program.

THE SOLUTION

To track down wasted tax dollars, citizens should be rewarded for reporting criminal activity, through a process called *qui tam*.

The approach is simple:

If a person uncovers fraud as a whistleblower or investigator, they get to keep a percentage of funds recovered. The remaining funds are returned to the program they were stolen from or used to support future investigations.



Twenty-one states do not have a *qui tam* law. Others limit awards to specific government programs. To address fraud in all programs, including Medicare, childcare, and state contracting, the law must be all-encompassing and efficiently administered.

One important step is to ensure the state's attorney general (or other designated official) quickly reviews each case to determine whether the state will assist the investigation and court proceedings. If the state declines, private parties must be free to continue pursuing the case and receive a larger bounty if they win.

Either way, citizens must see their day in court as soon as possible.

This model functions through various mechanisms



Establish A Strong Foundation

Cover all state and local government programs, mandate triple the damages sustained by the government and offer reduced penalties for violators who voluntarily disclose fraud.



Whistleblower Bounties and Protection

If the government intervenes and wins or settles, the whistleblower receives **15-25 percent** of the recovery. If the government declines and the whistleblower litigates independently, they receive **25-30 percent**. Cash rewards are also available for tips leading to successful criminal or administrative actions. Whistleblowers must receive full protection against workplace and other forms of retaliation.



Attorney General "Shot Clock"

Require the state attorney general to decide whether to intervene in, decline, or dismiss a complaint within **60 days**, with only one 60-day extension permitted for good cause. If the attorney general fails to act within the deadline, the whistleblower may proceed under the higher bounty tier.

WHY IT MATTERS

- 1 Stolen taxpayer dollars will be **recovered faster**, **fraudulent payments will be stopped** before they are made, and **private parties will pursue enforcement mechanisms** that the state cannot manage on its own.

- 2 Recovered funds can be **returned to their originally intended programs** and support additional investigations. Additionally, a network of incentivized **watchdogs will deter bad actors** from committing fraud in the first place.

THE BOTTOM LINE:

Fraudsters count on slow investigations and overstretched state investigators. Every state program, from Medicaid to childcare to state contracts, would benefit from more visibility into how funds are spent, which in turn would help deter bad actors and ensure stolen dollars are recovered. The taxpayer bounty model creates a network of watchdogs, supported by advanced technological tools, to uncover fraud and protect taxpayer dollars.

SOURCES:

1. <https://www.gao.gov/blog/nine-ways-congress-can-combat-fraud-federal-government>
2. <https://www.gibsondunn.com/false-claims-act-2026-mid-year-update/>