

Remarks by H. Marshall Jarrett
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Good morning. It is my pleasure to be with you today. I always enjoy having the opportunity to meet with you and provide you some insight into the Department. I understand from Paul Fishman that he covered a number of topics. Today, I will stay away from those and spend time discussing our white collar priorities and initiatives and some emerging law enforcement problems.

Working in the Department is very rewarding; however it is also an extremely challenging endeavor when resources are reduced. In the last two years, the Department and the U.S. Attorneys' offices have become adept at operating with fewer resources.

In this challenging fiscal environment, the dedication of the U.S. Attorneys' community has remained strong and their successes are as impressive. Let me take a few minutes now to share some of them with you.

Statistical Snapshot

In Fiscal Year 2012, which ended just a few weeks ago, the United States Attorneys' offices filed just over 63,000 felony criminal cases against almost 86,000 defendants.

Approximately 6,000 of these cases and almost 9,000 of these defendants involved white collar crime, which is one of the core priorities of this Department. In addition, the United States Attorneys' offices filed or defended over 93,000 civil cases, which is more than a 10 percent increase over FY 2011. Of this number, 2,232 were affirmative civil enforcement cases and 646 of these cases were filed by a whistleblower under the qui tam provisions of the False Claims Act. This represents a 48% increase in qui tam filings since 2009. While the qui tams allege fraud in many government programs, health care fraud is alleged in the majority of these cases.

This year the number of criminal cases has decreased about 8.4% from an all-time high of 68,926 in FY 2011, this decrease is understandable, especially when considering the fact that nearly every office is working at lower staff levels. Currently, our staff levels are down 850 employees from our high at the end of FY 2010, and we have returned to the same staffing levels we had in 2008.

This smaller workforce is the result of a reduced budget and the Department's hiring freeze.

There are other pressures on our workers as well:

1. Federal pay has been frozen for two years,
2. Performance awards have been reduced,
3. Non-essential travel and other expenditures have been eliminated, and

4. The newly passed Stock Act imposes additional responsibilities on AUSA supervisors to report details about personal financial information. Supervisors are concerned that public filing of detailed financial information could compromise their safety and the safety of their families.

Managing USAO's in this environment raises unique challenges and requires active innovative hands-on management by USAs. Active management is necessary to ensure that limited resources are deployed most efficiently and effectively. Some of innovations we have used are:

1. Detailing attorneys from the litigating divisions to USAOs,
2. Adding attorneys to offices through the creation of an Unpaid Special Assistant United States Attorney program, and
3. Use of paid contractors to argument support staff.

Investment Fraud

History has shown that when the economy takes a significant down turn, financial fraud schemes increase significantly.

Since 2011, estimates suggest that American citizens have lost more than \$20 billion to fraud schemes.

From 2008 to 2011, the FBI saw an overall increase of 136 percent in investment fraud crimes alone. Currently, investment fraud offenses represent 60 percent of all corporate and securities fraud investigations conducted by the FBI. The vast majority of victims of these types of crimes are not billionaires; instead they are hard-working, middle-class Americans who are being preyed upon by criminals who take their retirement accounts and life savings. There was one case in Arkansas where a woman who had just lost her husband in Iraq was swindled out of all of her military survivor's benefits. These crimes are real and so too is the punishment being dealt out to the perpetrators of them.

Since early 2011, roughly 800 defendants have been charged, tried, pled guilty, or sentenced in for investor fraud, and Judges imposed prison sentences in 97 percent of the defendants. In an effort to educate the public about this type of fraud the Department has hosted investor fraud summits around the country. Just this week, the Department held the last of six investor fraud summits. In addition to the Department, representatives from other federal law enforcement agencies, (the FBI, Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), the Department of Treasury's Financial Crimes Enforcement Network (FinCEN), the Commodity Futures Trading Commission, the Bankruptcy Trustees, the Financial Industry Regulatory Authority (FINRA), AARP and the Better Business Bureau) came together at these summits to help educate consumers on how to protect their money from fraud.

With our federal partners, we've moved to stem the recent, rise in investment fraud schemes from Ponzi schemes, to what are known as "affinity fraud," "phantom debt," and "strike it rich" scams – that frequently target elderly people.

Mortgage Fraud

Another popular target for fraud is the real estate market. Just last week, the Department announced the successful efforts of the Distressed Homeowner Initiative. This initiative, spearheaded by the FBI, was launched to help streamline and advance investigations and prosecutions against individuals who preyed upon, folks struggling to keep their homes. Over the past 12 months, it has enabled the Department to charge hundreds of defendants for victimizing tens of thousands of homeowners.

In February of this year, in cooperation with the Department of Housing and Urban Development, 49 state attorneys general, and other partners, we reached the largest residential fair lending settlement ever obtained – totaling \$25 billion – with five of America's top mortgage servicers. The settlement addresses past mortgage loan servicing and foreclosure abuses and fraud, provides substantial financial relief to borrowers harmed by bank fraud, and establishes significant new homeowner protections for the future.

In addition, earlier in the year the Attorney General formed a special unit of federal prosecutors and state attorneys general to investigate fraud in the originating and packaging of risky mortgages that contributed to the financial crisis. It is called the Residential Mortgage-Backed Securities (RMBS) Working Group.

On October 2nd the working group announced the filing of a complaint against JP Morgan Chase by the NY Attorney General, alleging losses due to fraud in the neighborhood of \$22 billion. In this particular case, Fannie Mae and Freddie Mac purchased residential mortgage-backed securities from the defendants and were allegedly misled about the quality of the loans supporting those securities. This first filing by the working group, although filed by the NYAG, was a true joint effort.

And just last week, the U.S. Attorney's Office for the Southern District of New York announced the filing of a complaint, brought under the False Claims Act and FIRREA, against Wells Fargo Bank, seeking hundreds of millions of damages and penalties for insurance claims paid by HUD for mortgages wrongfully certified by Wells Fargo. The complaint alleges that Wells Fargo engaged in a regular practice of reckless origination and underwriting of its retail FHA loans, certifying that thousands of loans were eligible for insurance -- even though the bank knew that its underwriters had not performed basic due diligence, and that a substantial portion of the loans contained unacceptable risks. This marks the sixth civil fraud lawsuit brought by SDNY's Civil Frauds Unit against a major lender over the last two years.

Health Care Fraud

Another priority area is health care fraud. Medicare Fraud Strike Forces are now operating in 9 cities – [in Miami, Los Angeles, Detroit, Houston, Brooklyn, Baton Rouge, Tampa, Chicago, and Dallas]. Since the first Strike Force was launched in 2007, these teams have charged nearly 1,500 defendants for falsely billing the Medicare program more than \$4.8 billion.

In addition to the work of the 9 strike forces, many USAO's are vigorously pursuing health care fraud cases.

In FY 2012, more defendants were found guilty of health care fraud than in any previous years. In fact, as compared to 743 in FY 2011, 726 in FY 2010, 610 in FY 2009 and 628 in FY 2008, 826 defendants were found guilty in FY 2102.

The initiative continues. Less than two weeks ago, Medicare Fraud Strike Force operations in seven different cities conducted one of the largest health care fraud takedowns on record. Through a series of coordinated, nationwide law enforcement actions, charges were brought against 91 individuals – including doctors, nurses, and other licensed medical professionals – for their alleged participation in fraud schemes involving nearly \$430 million in false billings. That total includes over \$230 million in home health care fraud, more than \$100 million in mental health care fraud, and approximately \$49 million in ambulance transportation fraud.

In addition, the Department continues to address pharmaceutical and medical device fraud. Pharmaceutical fraud presently accounts for the largest False Claims Act recoveries by the United States. Landmark global settlements with pharmaceutical companies including, GlaxoSmithKline and Abbott Laboratories, have recovered more than \$4.6 billion in FY 2012 alone. This marks three years in a row that more than \$2 billion has been recovered in health care fraud matters.

Areas of increased Criminal Activity - Stolen Identity Tax Refund Fraud

The prosecution of identity theft has become one of the Department's priorities. Over the past year, tax refund fraud involving stolen identities has risen at an alarming rate throughout the country, most prominently in Florida. The scheme is simple – steal social security numbers, file tax returns showing a false refund claim, and then have the refunds loaded to a prepaid card or sent to an address where the wrongdoer then can get access to the refunds. These schemes are usually implemented in early January, so that the thieves can file before the proper taxpayer is expected to file, with the goal of taking advantage of the IRS's efforts to pay out refunds quickly. The United States Attorneys' offices, in coordination with the Tax Division, are stepping up their enforcement efforts to stem this tide. Just last week, the United States Attorney's Office for the Southern District of Florida filed federal charges against 40 defendants in 20 separate cases, dealing with thousands of stolen identities and millions of dollars of fraudulent identity theft tax filings. I also note that conviction rate for all white collar crimes was 90 percent this past fiscal year.

Collections

On top of all of this, we're also working to return precious funds to the public coffers. As you'll recall, the U.S. Attorneys' offices, along with the department's litigating divisions, are responsible for collecting civil and criminal debts owed to the U.S. and in the form of fines, restitution, special assessments, civil recoveries, and civil penalties. Through our collections, we bring in several times more money than we receive in appropriations. For the past several years, our appropriated budget has been just under \$2 billion. Yet we have recovered \$6 billion in combined collections for each of the past two fiscal years. While we haven't finished the final tally for FY 2012, we anticipate that it will be another banner year with anticipated collections surpassing \$13 billion.

Closing

In closing, I want to thank you for the invitation to speak today. I hope you are able to use this conference as a forum for sharing information and ideas and to stay connected to the Department and the United States Attorneys' community.

I am happy to take any questions you may have.