

Steps To Consider As DOJ Launches Fraud Division

By **Agustin Orozco, Alexander Kramer and Andrea Surratt** (April 24, 2026, 6:37 PM EDT)

On April 7, Acting Attorney General Todd Blanche issued a memorandum establishing the National Fraud Enforcement Division within the U.S. Department of Justice.[1] This new division will be dedicated to the centralized, coordinated investigation and prosecution of fraud against taxpayer dollars and taxpayer-funded programs.

Blanche acknowledged that, while the DOJ has a "storied history of combatting fraud," the DOJ has "never adopted a comprehensive and coordinated approach to investigating and prosecuting fraud against taxpayer dollars and taxpayer-funded programs." The NFED was created to close that gap with its core mission to "zealously investigate and prosecute those who steal or fraudulently misuse taxpayer dollars."

The NFED is designed to support last month's Executive Order No. 14395, which detailed a whole-of-government initiative to eliminate fraud, waste, and abuse in federal benefit programs.[2]

Just days after the White House issued the order, the U.S. Senate approved Colin McDonald's nomination for assistant attorney general for fraud enforcement. McDonald will lead the NFED.

Structure, Implementation and Enforcement Actions

Blanche's memorandum required the NFED to immediately assume operational control of three existing Criminal Division components: (1) the Tax Section, (2) the Health Care Fraud Unit, and (3) the Market, Government and Consumer Fraud Unit. During a transitional period, existing supervisory chains will remain in place while the NFED sets enforcement priorities.

The April 7 memorandum also establishes an implementation timeline that will bring about further changes to the DOJ and NFED:

- Within 21 days, each U.S. attorney's office must designate an experienced prosecutor to serve as a dedicated NFED representative in that district.



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- Within 30 days, DOJ leadership will determine which additional criminal units and sections will be absorbed into the NFED, with a stated presumption that units with overlapping missions will be consolidated.
- Within 45 days, the DOJ must review the Justice Manual, and relevant department guidance, regulations and memoranda, to determine whether updates or edits are required.
- Within 90 days, the DOJ must complete a review of existing fraud-related laws, regulations and guidelines, and recommend measures to strengthen enforcement authority and penalties.
- Within 120 days, the DOJ will decide whether to bring civil enforcement functions — potentially including the Civil Division's False Claims Act enforcement — within the NFED's mandate. That outcome could have significant implications for companies involved in qui tam litigation or subject to civil investigative demands.

Along with shifting resources to the NFED, the memorandum also tasks the NFED with establishing a National Fraud Detection Center dedicated to identifying fraud across taxpayer-funded programs and generating leads for investigators and prosecutors.

The DOJ has already issued examples of the types of cases it intends to bring under the NFED, announcing three separate enforcement actions involving schemes that sought to fraudulently bill taxpayer-funded programs over \$500 million.[3]

The first example involved parallel criminal and civil enforcement actions against two entities in the U.S. District Court for the Southern District of Florida. In the criminal case, *United States v. AP of South Florida LLC*, an insurance brokerage company, APSF, agreed to plead guilty to one count of major fraud against the United States for its role in an Affordable Care Act enrollment fraud scheme that resulted in approximately \$141.5 million in unwarranted federal subsidies. In a parallel civil settlement — which originated from a whistleblower lawsuit filed under the qui tam provisions of the FCA — AssuredPartners Inc., APSF's then-parent company, agreed to pay \$107 million to resolve FCA allegations arising from the same conduct.

The other two examples were criminal cases against individuals. In *United States v. Randall*, the defendant pleaded guilty in the U.S. District Court for the Central District of California to one count of wire fraud for orchestrating a scheme that resulted in the submission of nearly \$270 million in fraudulent claims to California's Medicaid program for expensive prescription drugs that were medically unnecessary and, in some cases, never provided to the patient. As part of the agreement, the defendant also agreed to forfeit bank account balances exceeding \$17 million, three vehicles, seven real properties, and sports memorabilia, all of which were obtained by way of the fraud scheme.

In the last case, *United States v. Goode-McCoy*, a criminal case in the U.S. District Court for the District of Nevada, the defendant was sentenced to 54 months in prison for conspiring to defraud the United States by filing more than 1,200 tax returns fraudulently claiming nearly \$100 million in COVID-19-related employment tax credits, of which the IRS paid out approximately \$33 million before the scheme was detected.

Blanche framed these three actions as a signal of the administration's enforcement posture, highlighting that "the Department prosecuted the theft of a half-billion in taxpayer dollars" and adding that "[a]ll those ripping off the American people are on notice."

What This Means

The consolidation of dedicated prosecutorial units, the embedding of fraud prosecutors across all federal districts, and the planned National Fraud Detection Center suggest an increase in enforcement activity involving federally funded programs. Companies that participate in or receive funds from taxpayer-funded programs should consider the following steps in response.

- Review existing compliance programs: Such a review should ensure the program addresses the NFED's core enforcement priorities — fraudulent billing, false claims, improper use of tax credits, and misrepresentation in connection with government benefit programs.
- Reassess internal reporting and disclosure practices: The NFED's cross-agency coordination mandate and planned National Fraud Detection Center are aimed at increasing the likelihood that irregularities will be identified externally before they surface internally. Proactive identification, remediation and potential self-disclosure of issues will be critical to mitigating enforcement risk.
- Monitor the forthcoming policy reviews closely: The review of existing fraud-related law and guidance to strengthen authority and penalties, and whether civil enforcement functions will be brought within NFED's mandate, could yield expanded enforcement authority and new compliance obligations, including an increased likelihood of parallel criminal and civil enforcement actions under the FCA.
- Ensure leadership is prepared to respond: Boards, senior leadership and compliance functions should be aligned on the elevated enforcement environment and positioned to respond promptly to subpoenas, civil investigative demands or other government inquiries.

Key Open Questions

While the memorandum signals a clear and significant reorganization of the DOJ's approach to fraud enforcement, it leaves a number of important questions unanswered.

- Interim governance: The memorandum creates a dual-reporting structure in which existing supervisors retain day-to-day personnel authority while the NFED sets enforcement priorities. It does not specify when this arrangement will end or how conflicts between the two chains of command will be resolved, leaving uncertainty about which office is driving enforcement decisions in the near term.
- Scope of consolidation: The memorandum applies a "reasonable presumption" that units with a similar mission will be absorbed into the NFED but does not define the criteria for that determination. Nor does it explain what will happen to fraud-related units that are not absorbed into the NFED, such as the Fraud Section's Foreign Corrupt Practices Act and Health and Safety Units.
- Oversight of existing matters: The memorandum does not address whether the NFED will exercise approval authority over charging decisions, plea agreements or settlements in cases already underway in individual U.S. attorney's offices — a question of immediate concern for companies currently engaged with federal prosecutors.

- Civil enforcement authority: The 120-day review could bring civil enforcement functions, including FCA authority, into the NFED. If it does, companies should expect tighter coordination between civil and criminal enforcement units, with potential implications for existing FCA investigations.

Conclusion

Companies that contract with the government, participate in government programs or receive federal funds should take note of these developments. Robust compliance programs, well-documented internal controls and proactive monitoring of fraud risk are more important than ever as the DOJ centralizes and expands its fraud enforcement infrastructure.

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[1] Office of the Attorney General, Memorandum for the Department of Justice, Creation of the National Fraud Enforcement Division (April 7, 2026), <https://www.justice.gov/ag/media/1435311/dl?inline>.

[2] Executive Order 14395, Establishing the Task Force to Eliminate Fraud (March 16, 2026), <https://www.federalregister.gov/documents/2026/03/19/2026-05497/establishing-the-task-force-to-eliminate-fraud>.

[3] DOJ Press Release, Justice Department Prosecutes a Half-Billion Dollars in Healthcare and COVID Fraud Schemes Exploiting Taxpayer Funded Programs (April 7, 2026), https://www.justice.gov/opa/pr/justice-department-prosecutes-half-billion-dollars-healthcare-and-covid-fraud-schemes?utm_medium=email&utm_source=govdelivery.