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On the Lookout for Stimulus Fraud

By [MICHAEL COOPER](#)

It would not ordinarily go down in the annals of crime. But when Robert Fitzsimmons was arrested this summer and accused of cashing a check made out to his long-dead father at a Pay-O-Matic check cashing store in Manhattan, he became one of the first people in the country accused of stealing some of the \$787 billion in federal stimulus money.

And officials fear there could be many more to come.

At issue was one of the millions of \$250 [stimulus checks](#) that were sent to all [Social Security](#) recipients in May; Mr. Fitzsimmons was accused of cashing one that was made out to his late father, according to a complaint filed in Federal District Court in Manhattan, which goes on to accuse him of stealing Social Security money for at least four years. His lawyer, Julia Gatto, said he intended to plead not guilty.

Compared with the immense size of the stimulus program, the actual number of arrests so far has been microscopic. [Earl E. Devaney](#), the chairman of the Recovery Accountability and Transparency Board, the watchdog for stimulus money, said recently that federal prosecutors were looking at only nine stimulus-related cases, including accusations of Social Security fraud and of businesses improperly claiming to be owned by women and members of minorities.

“Quite frankly, I’m a little surprised it’s that small,” Mr. Devaney testified recently before the Senate, explaining that his office passes along questionable expenses to the various federal inspector general offices following the money, as well as to the Department of Justice. “I know, from talking to them, they’re very interested in sending some very loud signals early, as often as they can, with this money.”

The small number of cases is partly a function of how much stimulus money has been spent so far, and how it

has been spent. While more than \$150 billion of it has been pumped into the economy, according to [a recent report by the White House](#), some \$62.6 billion of that was in the form of tax cuts. Of the rest, \$38.4 billion was sent to states for fiscal relief; \$30.6 billion was spent to help those affected by the [recession](#) by expanding unemployment benefits and other safety-net programs, and \$16.5 billion was spent in areas like infrastructure, technology and research.

The biggest accusations of stimulus-related fraud so far have not involved the theft of public money at all. Rather, they have involved con artists fleecing gullible people and businesses hoping to profit from the stimulus.

Some cases involve fraudulent get-rich-quick schemes sold to dupes hoping to win slices of the stimulus money. The [Federal Trade Commission](#) has been working with several states to try to shut down an operation that used a telephone recording that said, “If you’re one of the lucky few who knows how to find and apply for these grants, you will receive a check for \$25,000 or more, and we guarantee it.” The recording was actually pitching a \$59 book on grant writing and hundreds of dollars worth of other grant-writing services.

The commission has also taken aim at fraudulent Web sites, recorded phone calls advertising “free grant money,” and schemes intended to make unauthorized charges to people’s financial accounts.

Other schemes are aimed at contractors and other legitimate recipients of stimulus money. The [Department of Transportation has warned](#) contractors not to respond to official-looking requests for confidential financial information without checking with its procurement office to see that the queries are legitimate, and said that it had referred bogus queries to law-enforcement officials.

But investigators are bracing for more serious efforts on the public money. The conventional estimate is that 7 percent of government spending is lost to waste, fraud or abuse. Some government officials are warning that using that percentage, \$55 billion worth of the \$787 billion stimulus package would be lost. To try to prevent that, the various federal inspector general offices, state comptrollers and auditors, and federal and local prosecutors have trained their sights on the stimulus money.

To oversee its stimulus spending, California named an inspector general, who has met with federal, state and

local investigators and held fraud-awareness training programs for recipients of the money. In New York, a bridge-painting contract was blocked after the state comptroller, [Thomas P. DiNapoli](#), raised questions about the proposed contractor's connections to a company barred from getting state work.

Keeping track of all the money is a challenge as it makes its way from the federal government to states and then to contractors, municipalities or community groups. Mr. Devaney, at the recovery act board, is preparing to start a Web site this fall that tracks the stimulus money in great detail.

In a recent interview at his office near the White House, Mr. Devaney said that the board used analysts to look for connections between contractors and companies suspected of fraud in the past, and that they would make referrals to various inspector general offices for inquiries or audits, or to the Justice Department.

"That will be a fast track to prosecution if somebody were to be stupid enough to steal this money," he said.

Once the Web site goes live, Mr. Devaney said, he expects to get tips from the public.

"Then I've got my millions of citizen I.G.'s that I'm unleashing, who are going to presumably see stuff that we in Washington, inside the Beltway, would never see," he said. "Stuff like, you know, 'That's the mayor's brother-in-law!' We're not going to know that, because it's a different name. But the people out there are going to know."

Some prosecutors are still looking at fraud related to the last economic stimulus, the \$300 to \$1,200 tax rebate checks sent out near the end of the Bush administration. In one case, Cynthia Annette Elliott, a tax preparer from Georgia, was accused in Federal District Court in Atlanta of depositing stolen stimulus checks into a bank account she controls. A lawyer for Ms. Elliott did not respond to two requests seeking comment.

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