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Are financial whistleblowers worth it? Study says yes – to the tune of \$21.27bn

A new study finds that programs and monetary rewards designed to encourage whistleblowers can be a windfall for the government

[SEC to award \\$30m to whistleblower who aided fraud case](#)

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Former Enron vice-president Sherron Watkins, left, leaves court with her attorney Philip Hilder after testifying in the fraud and conspiracy trial of her former Enron bosses, chairman Kenneth Lay and CEO Jeff Skilling. Photograph: Dave Einsel/Getty Images

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A new study tracking the economic effects of whistleblowers has found that people who come forward to report wrongdoing helped the US government secure \$21.27bn more in fines over 35 years.

[The study](#), conducted by researchers from Arizona State University, American University, Texas A&M University and University of Iowa, set out to discover if the costs of promoting and maintaining programs set up for financial whistleblowers were worth it. It found that in cases where whistleblowers were involved:

Firm penalties were \$90.16m to \$90.88m greater.

Penalties imposed on executives and employees averaged \$50.22m to \$56.50m more than if no whistleblower was involved.

The prison sentences for those involved were on average 21.86 to 27 months longer.

The \$21.27bn collected thanks to involvement of whistleblowers accounts for 30% of the \$70.13bn collected from 1978 to 2012.

Starting in 2011, thanks to the Dodd-Frank reform bill, the Securities and Exchange Commission (SEC) began rewarding corporate whistleblowers with up to 30% of any settlement it recovered. The largest award yet was issued earlier this year and [amounted to \\$30m](#).

The financial rewards encourage people who have more evidence of wrongdoing to come forward, said [Jordan A Thomas](#), partner at Labaton Sucharow, while [speaking at Baruch College](#) as part of the [American Whistleblower Tour](#) in October.

Previously, Thomas worked on development of the SEC whistleblower program. The monetary awards issued under the program can alleviate some of the risks of becoming a whistleblower - like losing a job and being without an income.

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“Prior to the SEC whistleblower program, getting a tip was not something you looked forward to,” he said. With the program in place, the tips are more substantial. “We are starting cases knowing where the problem is, the people who are involved, and sometimes we have them on tape. It’s a very different world. It’s exciting when you are at the SEC and you are receiving these cases.”

For most whistleblowers, money is not the driving factor, said Louis Clark, president of the Government Accountability Project. Whistleblowers are usually hardworking people with high standards who believe in the institution they work for.

“Cynical people tend not to whistleblow,” he said.

Money can, however, make things easier.

Sherron Watkins was vice-president of corporate development at [Enron](#) in 2001 when she uncovered accounting irregularities in the company. At first, she attempted to report the problems internally. When that didn’t work, she turned to the authorities.

Now, 13 years later, she still cannot get a job in corporate America.

“I have this label ‘whistleblower’ which is synonymous with troublemaker,” she said at the Baruch College event. “That’s sort of the story of even the most well-known whistleblowers. ... You are out of your industry. That’s why I welcome this program, because you have to reinvent yourself and it’s not always easy. Rarely do people have the notoriety that I have, where I am on the lecture circuit. It’s a problem.”

National security whistleblowers, too, end up locked out of their industry. They

are, however, not eligible for any monetary awards and often end up [struggling to make ends meet](#).

Whistleblowing is much harder than just finding a problem, quitting one's job and going to the press or the authorities, says Watkins.

“When I speak to college students I try to remove the naivete. First, when you find a problem in your job, you are not going to quit,” she says. “You are going to have a car, you are going to have a mortgage, you are not just going to walk out the door. Secondly, you can't just call the New York Times and have them listen to you.”

Yet under the new program, blowing the whistle could end up being worth quite a penny – for both the whistleblower *and* the authorities.

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