

DOJ Establishes the National Fraud Enforcement Division

Client Alerts

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I. Overview

The Department of Justice (DOJ) recently announced a major change in its approach to investigating and prosecuting white-collar crime involving taxpayer dollars and taxpayer-funded programs.

On April 7, 2026, Acting Attorney General Todd Blanche issued a Memorandum formally establishing the National Fraud Enforcement Division (NFED). The NFED seeks to provide “a comprehensive and coordinated approach to investigating and prosecuting fraud against taxpayer dollars and taxpayer-funded programs” with the “core mission” of “zealously investigat[ing] and prosecut[ing] those who steal or fraudulently misuse taxpayer dollars.” The creation of the new NFED along with last month’s Executive Order 14395, “Establishing the Task Force To Eliminate Fraud,” reflects a new, whole-of-government, well-resourced initiative established to combat fraud schemes involving the loss of taxpayer dollars.

The NFED will be led by Assistant Attorney General (AAG) Colin McDonald, who was confirmed by the Senate on March 24, 2026. McDonald spent over a decade as an Assistant United States Attorney (AUSA) in the Southern District of California before moving to Washington, DC last year to serve in the Office of the Deputy Attorney General. According to Acting Attorney General Todd Blanche, NFED will report to the Deputy Attorney General (DAG), but will take referrals from multiple sources, including the White House.

While additional details of this initiative will unfold in the coming weeks and months, this is a significant development in federal white-collar enforcement and relevant to any organization or individual doing business in areas receiving taxpayer funds. Organizations including government contractors, recipients of federal funds, and companies engaged in importing and exporting goods, should prepare for increased scrutiny from federal enforcement authorities.

II. The April 7 Memorandum

The Memorandum provides a roadmap regarding how the NFED will be staffed, resourced, and supported. The Memorandum includes an aggressive timeline, reflecting that this initiative is a

priority for the Department. Highlights include:

- ***Immediate Infusion of Experienced Prosecutors and Support Staff.*** Effective immediately, the NFED assumed operational control of three existing Criminal Division components: (1) the Tax Section, (2) the Health Care Fraud (HCF) Unit, and (3) the Market, Government, and Consumer Fraud (MGC) Unit. This reflects a direct and considerable infusion of experienced federal prosecutors and support staff. The HCF Unit has over 75 experienced white-collar prosecutors operating across the United States who investigate and prosecute Medicare and Medicaid fraud schemes. The MGC Unit has 55 prosecutors who investigate and prosecute complex national and international financial fraud schemes involving market manipulation, fraud to government benefit programs, tariff evasion, government procurement fraud, and consumer and investment fraud schemes. And the Tax Section has approximately 100 personnel (including both prosecutors and support staff). All told, this means that the NFED received over 150 federal prosecutors along with considerable additional support staff on day one.
- ***Additional Prosecutors within 21 Days.*** Each of the 93 US Attorney's Offices (USAOs) are required to designate an experienced prosecutor to be detailed-in-place to the NFED within 21 days. These detailees will be responsible for administering the NFED's mission in their respective districts, and each US Attorney must ensure that fraud investigations and prosecutions are "adequately staffed and diligently pursued" beyond the work of the detailee.
- ***Expanded Hiring.*** The Justice Management Division (JMD) is directed to "implement a hiring plan that enables the Department to rapidly and substantially increase prosecutorial resources across the country to combat fraud against taxpayer-funded programs." The JMD is also instructed to identify ways to source the NFED with grant money and Honors Program attorneys.
- ***Support from the FBI.*** The Federal Bureau of Investigation (FBI) is directed to coordinate with the NFED and relevant agencies to ensure sufficient investigative resources are dedicated to taxpayer-funded program fraud, and to increase the number of agents, analysts, and forensic accountants available for these investigations.
- ***Intra-Department Coordination.*** Various components within the Department are instructed to work closely to support the NFED. In particular:
 - Within 14 days, the Criminal Division and the Executive Office for United States Attorneys must report to the NFED all ongoing investigations, referrals, and significant upcoming events such as indictments, pleas, trials, or sentencings involving fraud perpetrated against taxpayer-funded programs.
 - "Until further notice" the Criminal Division's Appellate Section, Money Laundering, Narcotics and Forfeiture Section, and filter teams are also directed to support, advise, and litigate on behalf of the NFED.

- The Civil Division is instructed to designate a formal NFED liaison “to ensure that the Department leverages the full range of enforcement tools—civil and criminal—to combat fraud against taxpayer dollars.”
- **National Fraud Detection Center.** The NFED is also directed to establish a National Fraud Detection Center in coordination with the JMD, relevant law enforcement agencies, agency inspectors general, and the task force created by Executive Order 14395 (“Establishing the Task Force To Eliminate Fraud”). During an April 7 press conference, Blanche described the Center as a multi-agency, data-driven operation that will combine analytics and investigative resources across the federal government to “track down even the most sophisticated fraudsters and hold them accountable.” The emphasis on data-driven detection has been a recent area of focus for DOJ and signals that fraud investigations may be initiated on data analysis alone, rather than from a formal complaint or allegation.
- **Timeline for Additional Potential Realignment.** The Memorandum provides an extended timeline to hash out several additional workstreams and opportunities for further alignment:
 - *Within 30 days*, DOJ leadership shall recommend to the DAG which criminal prosecutorial resources should be realigned into the NFED. In conducting this analysis, there will be “a reasonable presumption” that any component “with a mission similar to that of the [NFED]” will be absorbed by the new division. This includes all attorneys, analysts, and associated support and administrative staff.
 - *Within 45 days*, DOJ must review the Justice Manual, relevant Department guidance, regulations, and memoranda to determine whether updates or edits are required.
 - *Within 90 days*, 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*, DOJ will decide “whether non-criminal elements of the Department should be brought within the [NFED].” This leaves open the possibility that the Civil Division’s False Claims Act (FCA) enforcement—among other workstreams—could be subsumed as part of the NFED.

III. Open Questions

While the NFED has a broad mandate, the April 7 Memorandum leaves open the possibility that the NFED’s size and remit may grow further. The Memorandum states that a central goal in establishing the NFED is to “consolidate[e] and realign[] relevant resources . . . to avoid duplication, draw clear lines of effort between divisions, minimize layers of bureaucracy, [and] centralize relevant expertise[.]” The Memorandum also puts down several markers suggesting that further expansion of its influence may soon follow. The Memorandum is also silent regarding certain areas of criminal

white-collar enforcement that have traditionally been handled by other DOJ components. Questions remain. Many will likely be addressed in the coming weeks and months.

How Will the Role of the Fraud Section Change?

With the stroke of a pen, the Memorandum immediately transferred over 130 experienced career prosecutors (the entire HCF Unit and MGC Unit) from the Criminal Fraud Section (Fraud Section) to the NFED. This constitutes more than half of the Fraud Section's prosecutors. Historically, the Fraud Section has been recognized as the largest, and most influential group of federal career white-collar prosecutors in the country, responsible for investigating and prosecuting many of DOJ's most complex white-collar and corporate criminal cases. In addition to its litigating units, the Fraud Section has also been responsible for developing many of the policies relating to corporate enforcement and compliance such as the Corporate Enforcement Policy and the Evaluation of Corporate Compliance Programs. The Fraud Section's Corporate Enforcement and Compliance Unit is largely credited with driving the appreciable improvement in corporate compliance programs during the past several years. The creation of the NFED appears to signal a shift in the center of gravity of white-collar enforcement for DOJ. This prompts the question as to what the Fraud Section's role and influence will ultimately be moving forward.

Will False Claims Act Civil Enforcement Ultimately Fold into This New Division?

The Memorandum expressly instructs that a recommendation be made to the DAG within 120 days regarding "whether non-criminal elements of the Department should be brought within the [NFED]." This seems to be a reference to, at least, the Fraud Section of the Civil Division, which is responsible for, among other things, handling DOJ's FCA cases. Expanding the NFED's mandate to include FCA cases would be consistent with initial statements made by the White House in January, which described the NFED as enforcing "Federal criminal and civil laws against fraud targeting Federal government programs." That said, in his press conference last week announcing the NFED, Blanche's focus was on criminal, not civil, enforcement efforts. Where FCA enforcement ultimately lands within DOJ is currently uncertain.

What About Fraud That Does Not Involve Taxpayer Funds?

The NFED also does not address other white-collar fraud workstreams that are generally unrelated to the misuse of taxpayer funds. Notably, according to DOJ's Justice Manual, the Foreign Corrupt Practices Act (FCPA) must be prosecuted by the Criminal Division. Similarly, a host of other fraud schemes such as securities/commodities fraud, confidence schemes, investor fraud, and money laundering are all investigated and prosecuted by the Criminal Division as well as local USAOs. The Memorandum expressly singled out the Criminal Division's Appellate Section, Money Laundering, Narcotics and Forfeiture Section, and filter teams, stating that "[u]ntil further notice" they shall be responsible for supporting, advising, and litigating on behalf of the NFED. This qualifying language appears to be an acknowledgement that each of these components conducts work that, at times, bumps up against the stated mission of the NFED. The NFED's mandate to "consolidat[e] and realign[] relevant resources," "avoid duplication," and consolidate components that have overlapping missions brings into question where lines will ultimately be drawn.

What Will the NFED's Priorities Be?

Notwithstanding the broad scope and mandate of the NFED, the new Division will have to apply discretion regarding the matters it elects to investigate and ultimately prosecute. As the Memorandum acknowledges, “over a trillion dollars” of taxpayer funds are “at stake each year.” Even with its broad remit and influx of resources, the NFED cannot investigate every allegation of taxpayer fraud. Prosecutorial discretion will need to be applied.

The NFED’s political origins have raised some concern that enforcement efforts may be politically motivated. In its initial January 8, 2026 announcement introducing the NFED, the White House issued a fact sheet highlighting Minnesota-specific prosecutions and noting that the Department of Health and Human Services “cut off an additional \$10 billion [of social services] in five Democrat-run states, including Minnesota.” That same day, Vice President Vance stated that the NFED would be “run out of the White House”—although that assertion has since been walked back. In his recent press conference, Blanche confirmed that Colin McDonald would report to the DAG. But he also stated that the NFED would take referrals for potential fraud cases from multiple sources, including the White House.

There are reasons, however, to believe that the NFED will not be subject to political influence. As noted above, Colin McDonald spent the bulk of his time in DOJ as a career federal prosecutor in San Diego. The attorneys who were transferred to the NFED are experienced career prosecutors from the Criminal Division and USAO community. Moreover, recent criminal cases involving taxpayer funds brought by DOJ do not appear to have political overtones. On April 7, for example, DOJ announced three separate civil and criminal enforcement actions involving health care fraud schemes in Florida, California, and Nevada that allegedly sought to fraudulently bill Medicare and Medicaid over \$500 million. On April 6, DOJ secured a five-year sentence against a Florida-based fuel executive for defrauding the US Navy in a military contract bid scam. And on April 2, DOJ successfully prosecuted a former member of the Air Force who pled guilty to a multi-year bid-rigging scheme. The nature and types of cases the NFED decides to bring going forward will ultimately demonstrate where its priorities lie.

IV. What This Means for Clients

As a result of this development, companies or other entities who participate in or receive funds from taxpayer-funded programs face increased risk of being investigated by DOJ. This may include:

- Defense and government contractors
- Hospital systems, medical care organizations, home health agencies, clinical laboratories and diagnostic companies, and health networks accepting Medicare and Medicaid
- Pharmaceutical manufacturers and medical device companies

- Universities, medical schools, research institutions, academic centers, and university-affiliated research centers that receive federal funding, and federally funded research and development centers
- Banks and financial institutions participating in Small Business Administration guarantee programs, including the Paycheck Protection Program

Companies implicated by this development should consider taking proactive steps to mitigate against this increased risk:

- Conduct a Review of Existing Compliance Programs. All companies should review existing compliance programs, improve and reassess internal controls, reassess internal reporting and disclosure practices, with a focus on fraudulent billing, false claims, improper use of tax credits, tariff/customs records, and misrepresentation in connection with government benefit programs.
- Engage Senior Management. Assure that Board and senior leadership are aware of this development and its implications for heightened scrutiny. Senior management should align with legal and compliance functions and assure that it can act promptly to any government inquiries, subpoenas, civil investigative demands, and the like.
- Monitor Developments. As indicated above, additional information regarding the NFED will unfold in the coming weeks and months. Whether civil FCA enforcement functions will be brought within the NFED's mandate could have significant implications and raise new compliance obligations. In addition, the types of cases the NFED elects to bring during these first few months will provide a strong indication of what its priorities are.

V. Conclusion

The NFED's establishment represents a significant reorganization of DOJ's approach to fraud enforcement. While the full contours of the NFED will take shape over the coming months, the Memorandum's direction is clear: DOJ intends to centralize, expand, and intensify its approach to fraud against taxpayer-funded programs.

We will continue to monitor developments in this space and provide updates as additional details develop. Clients with questions should not hesitate to reach out to any member of our Investigations, Compliance, and Defense and Government Contractor Litigation and Compliance practices.

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