

Retention Bonus Fraud

Written by Nick Sanders
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This is a new one for us.

We [told our readers](#) about the scheme to unjustly obtain recruitment referral bonuses from the U.S. Army. Subsequently, we posted [an update](#) in which it was reported that 10 persons had been charged with criminal conduct related to their (alleged) scheme to obtain payments for referring recruits, when in fact those recruits had never been referred by anybody; they had just wandered into the recruiting location of their own volition. The individuals allegedly claimed to be eligible for the referral payments when in fact they were not. Some of those individuals received prison terms as part of their plea deals.

Apparently certain government agencies not only offer incentive payments for referrals, they also offer incentive payments to stay on the job. Yes! This is true! We have learned that some civil service positions involve such highly in-demand skills that the Federal government must pay employees to stay on the job!

One employee found a way to turn this phenomenon to his advantage, as [this DOJ press release](#) informed us. We not only learned about the retention bonuses paid to key employees with critical skills, we also learned that Michael Balady (a former employee of the Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response (HHS-ASPR)), had figured out a way to profit from his situation. Mr. Balady pleaded guilty to one count of wire fraud (the same crime as the Army referral bonus fraudsters), for successfully receiving nearly \$100,000 in retention bonuses over the period 2009 – 2012.

According to the DOJ press release—

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... Balady admitted that he conspired with an employee of a communications firm based in Alexandria, Va., to fabricate employment offers for a position with that firm in order to justify retention bonuses paid to him by HHS. Retention bonuses are monetary incentives paid by HHS to employees deemed essential to its mission who would be likely to leave in the absence of such a bonus.

Thus, while most of the other Executive Branch civilian employees suffered pay freezes and work furloughs, Balady figured out how to augment his salary. He got fake employment offers from a buddy at an outside firm, and used those offers to show his management how “in demand” he was in the private sector. They caved and offered him money to stay and keep working for the Department of Health and Human Services.

You might be wondering what “mission essential” skills the fraudster possessed. The press release didn’t say, but it did list his job titles. It reported—

... Balady worked in the HHS-ASPR first as the director of acquisition management systems in ASPR’s Biological Advanced Research and Development Authority and later as the acting director of ASPR’s Office of Acquisitions, Management, Contracts and Grants.

So Balady understood the acquisition systems of HHS. That was his “mission essential” knowledge that allowed him to profit while other civilian employees around him struggled.

He faces up to 20 years in prison for his crime.