

## Extinguishing the Collective Dumpster Fire

### *Addressing Fraud for Socio-Economic and Political Stability in 2026*

#### OVERVIEW

In 2025, news and media coverage of government-related fraud hit all time highs. This was seen at every level of government as well: national, state, and local media - both mainstream and independent - covered more incidences and allegations of fraud than at any point in modern American history. While some of the fraud reported through the course of the year turned out to be unfounded rumor, much was in fact evidenced, and/or continues to be unanswered for today.

Some pundits argue that the increase in fraud reporting is tantamount to partisan witch-hunts, on both sides, as well as an increased awareness of already-existing levels of fraud due to the availability of and access to social media. ***Though the reason for more reporting or awareness is entirely irrelevant to the subject of fraud in government, overall.*** Fraud - in its various forms - is a crime and should not be minimized or normalized for political reasons. It is a tangible deterrence to the good governance that defines public service, and long term socio-economic and political stability Americans desire.

But what is fraud? How is it playing out in real life examples? What are the consequences of not addressing it? And what can be done about it? This policy brief will answer these questions, and more, in the interest of establishing anti-fraud protocols for the restoration of good governance and public trust. Due to the vast consequences of ongoing fraud and corruption, this restoration is essential to socio-economic and political stability at every level and branch of government.



# FRAUD VS. CORRUPTION

## FRAUD

Fraud involves intentional deception for personal gain. It involves direct loss to at least one other person, and focuses on intent to deceive for the purposes of gaining something, often monetary or power-related. An example of fraud in government is someone claiming they have a qualification for a position (e.g. education, experience, or place of residence required for the job) when they in fact know they do not meet that qualification.

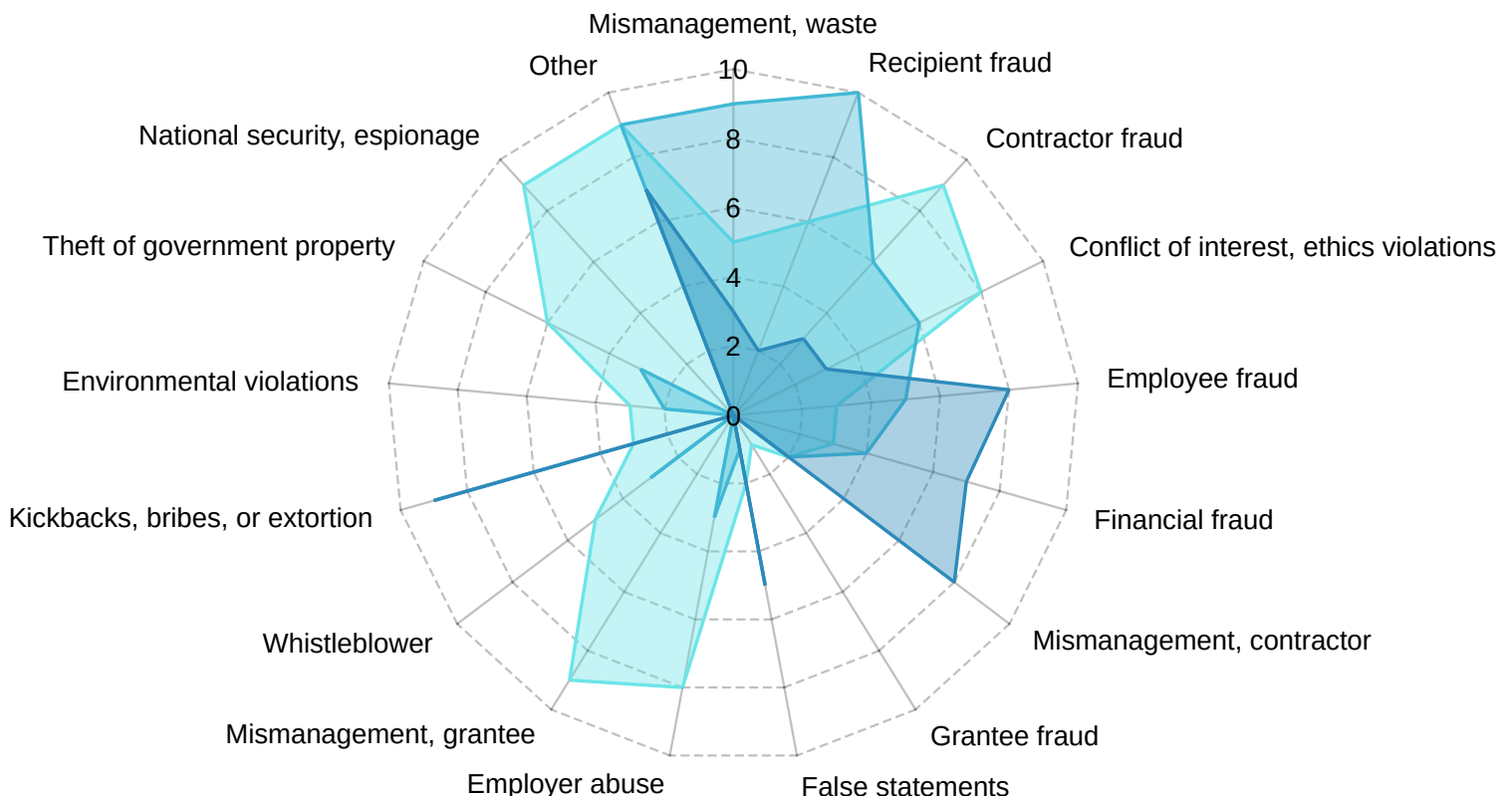


**CORRUPTION IS A BROAD CONCEPT, WHILE FRAUD TYPICALLY INVOLVES A SPECIFIC ACT. FRAUD IS OFTEN IMPLEMENTED AS A PART OF CORRUPTION. THOUGH, THE TWO ARE NOT MUTUALLY EXCLUSIVE.**

## CORRUPTION

Corruption flows from those in the power to abuse it. It involves people within government that have access and power engaging in activities for private benefit. Some examples include taking bribes (including legal ones, such as lobby activities), embezzlement, and more. People that commit fraud do not always inevitably lead to corruption, though the two typically go hand-in-hand.

**EVERY YEAR, THE GAO (GOVERNMENT ACCOUNTABILITY OFFICE) RECEIVES THOUSANDS OF REFERRALS RELATIVE TO OR INVOLVING SOME FORM OF GOVERNMENT-RELATED FRAUD**



# RECENT INCIDENCES OF PROVEN OR SUSPECTED FRAUD ACROSS THE UNITED STATES

## **CALIFORNIA LOSES \$1.1B IN EDD FRAUD DURING PANDEMIC; LA COUNTY EMPLOYEES CHARGED FOR \$430K OF IT**

California's EDD department, which handles the distribution of unemployment funds, continues to face ongoing investigations and apprehension of nearly \$1.1B in fraudulently obtained funds from the earliest days of the COVID 19 pandemic. Most recently, LA County employees were charged for obtaining \$430K in fraudulently obtained unemployment during COVID. Previous to this, fraudulently obtained checks were captured from convenience station clerks, inmates in numerous California prisons, and people that did not even reside within the confines of the state. Hundreds of millions of dollars remain un-apprehended.

## **OAKLAND, CA MAYOR AND PARTNER CHARGED WITH BRIBERY, BUSINESS PARTNERS ENGAGED IN FRAUD**

Oakland, California mayor Sheng Thao and long time partner were charged in 2025 for bribery, which would typically fall under the category of corruption. However, her business partner Andy Duong engaged in fraudulent activities, including falsifying documents and making fake statements to authorities, that allowed the corruption to occur. Additional offenses included allegations of kickbacks, cronyism, and multiple counts of mail fraud.

## **FAILED AUDITS AT FEDERAL, STATE, AND LOCAL LEVELS LEAD TO INCREASES IN PUBLIC TAX AVOIDANCE**

In recent years, the Pentagon has failed eight, straight audits, states such as California have failed audits over homelessness and high speed rail programs, and local spending has gone unchecked in many regions around the country. This has led to recent movements such as the public tax avoidance movement, where US citizens state they will not pay taxes until the corruption and fraud potentially involved in the failed audits is addressed.

## **MINNESOTAN YOUTUBER UNCOVERS COMPLEX FRAUD SCHEME IN MINNESOTA**

YouTuber Nick Shirley recently uncovered fraud involving numerous organizations across the state of Minnesota receiving federal funds, including a complex ring of child care centers involved in a money laundering scheme. Federal prosecutors believe the financial toll tops \$9B in fraud involving taxpayer dollars. The State of Minnesota states it has been investigating this on an ongoing basis since 2019, though also that recent investigations proved to assess normal operations.

## **OXNARD, CA MAYOR FRAUDULENTLY CLAIMED FALSE RESIDENCE, DECLARED MISSTATEMENTS UNDER PENALTY OF PERJURY**

Oxnard, California mayor Luis Mc Arthur claimed in 2024 to live in housing traditionally reserved for low income residents while holding a non-qualifying salary as a police commander with additional investment holdings. This would allow him to run for office in the mayoral jurisdiction, while actually residing in a multimillion dollar home placed in a blind trust in a neighboring town. Since his election, Mc Arthur has engaged in other types of corruption, including conflict of interest and ethics violations relative to his business position at a regional soccer association. Local authorities have continuously declined to pursue action against him for unclear reasons, and colleagues within and involving the organization remain complicit.

These are just some of many examples of proven or suspected fraud in recent years. While fraud and corruption has occurred within governmental organizations - likely - forever, the access of the general public to knowledge of and details surrounding the fraudulent activities has heightened the stakes. Confounding the problem is in cases where fraud becomes difficult to prove, where bystanders (e.g. colleagues) become complicit, and where local prosecutors choose to not press charges. **This leads to loss of good governance, and subsequent loss of public trust, voter apathy, and only leaves the door open for more fraud and corruption to occur.**

## ***Policy Considerations***

The response to fraud and corruption has become highly politicized in recent years, with loss of public trust only worsening the problem. The polarization of media and the voter base has subsequently made the politically active public reticent of anti-fraud actions, and has led to minimization of fraud claims when political parties are involved. However, numerous polls of the general voting population have consistently indicated Americans want elimination of the problem that is fraud and corruption.

It is therefore incumbent upon policymakers to enact formal policies, as well as to develop social norms, to mitigate fraud and its subsequent impacts. Regional and municipal governments, which are most often non-partisan in name/nature, are an ideal location to do this.

1

**Fraud prevention in regional government is often boiled down to increased trainings, and good faith. Strengthening record keeping and background checks, and expanding trainings to include individuals even before they run for office, has been shown to reduce fraud by deterring fraudulent activity out the gates. Studies show fraud is less likely when those interested in committing it perceive a strong anti-fraud and anti-corruption environment within the organization.**

2

**Converting certain positions from elected to appointed/hired has been shown to be a significant deterrent to fraud. Positions ideal for this type of conversion in the interest of preventing fraud and corruption are typically highly technical positions that require specific expertise, such as city or county clerks, district attorneys, or other law enforcement or anti-fraud/corruption types of positions tasked with preventing and apprehending fraud. Rotating “ceremonial” mayors among district councilmembers, rather than electing an at large mayor, has also been shown to reduce incidences of fraud.**

3

**Development of oversight committees to act as a check/balance to activities within a local public organization is tied to fraud prevention because they establish independent oversight and restore public trust. Regional and municipal governments should also consider the establishment of independent poll monitor trainings, strengthened whistleblower policies and protections, and the implementation of AI to extensively review background checks and documents for potential errors and inconsistencies.**



## DISCLOSURES

HEATHER CHRISTENA SCHMIDT CONSULTATIONS, and no individuals within it, were paid by any individuals or organizations in the creation of this Policy Brief.

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