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Department of Justice

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Justice Department Takes Action Against COVID-19 Fraud

Historic level of enforcement action during national health emergency continues

The Department of Justice announced an update today on criminal and civil enforcement efforts to combat COVID-19 related fraud, including schemes targeting the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) program and Unemployment Insurance (UI) programs.

As of today, the Department of Justice has publicly charged 474 defendants with criminal offenses based on fraud schemes connected to the COVID-19 pandemic. These cases involve attempts to obtain over \$569 million from the U.S. government and unsuspecting individuals through fraud and have been brought in 56 federal districts around the country. These cases reflect a degree of reach, coordination, and expertise that is critical for enforcement efforts against COVID-19 related fraud to have a meaningful impact and is also emblematic of the Justice Department's response to criminal wrongdoing.

"The Department of Justice has led an historic enforcement initiative to detect and disrupt COVID-19 related fraud schemes," said Attorney General Merrick B. Garland. "The impact of the department's work to date sends a clear and unmistakable message to those who would exploit a national emergency to steal taxpayer-funded resources from vulnerable individuals and small businesses. We are committed to protecting the American people and the integrity of the critical lifelines provided for them by Congress, and we will continue to respond to this challenge."

"To anyone thinking of using the global pandemic as an opportunity to scam and steal from hardworking Americans, my advice is simple – don't," said Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division. "No matter where you are or who you are, we will find you and prosecute you to the fullest extent of the law."

"We will not allow American citizens or the critical benefits programs that have been created to assist them to be preyed upon by those seeking to take advantage of this national emergency," said Acting Assistant Attorney General Brian M. Boynton of the Justice Department's Civil Division. "We are proud to work with our law enforcement partners to hold wrongdoers accountable and to safeguard taxpayer funds."

In March 2020, Congress passed a \$2.2 trillion economic relief bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. Anticipating the need to protect the integrity of these taxpayer funds and to otherwise protect Americans from fraud related to the COVID-19 pandemic, the Department of Justice immediately stood up multiple efforts dedicated to identifying, investigating, and prosecuting such fraud. Leveraging data analysis capabilities and partnerships developed through its vast experience combatting economic crime and fraud on government programs, the Justice Department's response to COVID-19 related fraud serves as a model for proactive, high-impact white-collar enforcement, and demonstrates our agility in responding to new and emerging threats. This rapid and nationwide response enabled the Justice Department to quickly ensure accountability

for wrongdoing amid a national crisis and sent a forceful message of deterrence during an ongoing crisis. The multifaceted and multi-district approach to enforcement during this national health emergency continues and is expected to yield numerous additional criminal and civil enforcement actions in the coming months.

On criminal matters, the Justice Department's efforts to combat COVID-19 related fraud schemes have proceeded on numerous fronts, including:

- **Paycheck Protection Program (PPP) fraud:** Prominent among the department's efforts have been cases brought by the Criminal Division's Fraud Section involving at least 120 defendants charged with PPP fraud. The cases involve a range of conduct, from individual business owners who have inflated their payroll expenses to obtain larger loans than they otherwise would have qualified for, to serial fraudsters who revived dormant corporations and purchased shell companies with no actual operations to apply for multiple loans falsely stating they had significant payroll, to organized criminal networks submitting identical loan applications and supporting documents under the names of different companies. Most charged defendants have misappropriated loan proceeds for prohibited purposes, such as the purchase of houses, cars, jewelry, and other luxury items. In one case, U.S. v. Dinesh Sah, in the Northern District of Texas, the defendant applied for 15 different PPP loans to eight different lenders, using 11 different companies, seeking a total of \$24.8 million. The defendant obtained approximately \$17.3 million and used the proceeds to purchase multiple homes, jewelry, and luxury vehicles. In another case, U.S. v. Richard Ayvazyan, et al., in the Central District of California, eight defendants applied for 142 PPP and EIDL loans seeking over \$21 million using stolen and fictitious identities and sham companies, and laundered the proceeds through a web of bank accounts to purchase real estate, securities, and jewelry.
- **Economic Injury Disaster Loans (EIDL) fraud:** The department has also focused on fraud against the EIDL program, which was designed to provide loans to small businesses, agricultural and non-profit entities. Fraudsters have targeted the program by applying for EIDL advances and loans on behalf of ineligible newly-created, shell, or non-existent businesses, and diverting the funds for illegal purposes. The department has responded, primarily through the efforts of the U.S. Attorney's Office for the District of Colorado and their partners at the U.S. Secret Service, acting swiftly to seize loan proceeds from fraudulent applications, with \$580 million seized to date and seizures ongoing. The EIDL Fraud Task Force in Colorado, comprised of personnel from five federal law enforcement agencies and federal prosecutors, is investigating a broad swath of allegedly fraudulently loans and their applicants. It is working to identify individual wrongdoers and networks of fraudsters appropriate for prosecution.
- **Unemployment Insurance (UI) fraud:** Due to the COVID-19 pandemic, more than \$860 billion in federal funds has been appropriated for UI benefits through September 2021. Early investigation and analysis indicate that international organized criminal groups have targeted these funds by using stolen identities to file for UI benefits. Domestic fraudsters, ranging from identity thieves to prison inmates, have also committed UI fraud. In response, the department established the National Unemployment Insurance Fraud Task Force, a prosecutor-led multi-agency task force with representatives from more than eight different federal law enforcement agencies. Additionally, the department is hiring Assistant U.S. Attorneys in multiple U.S. Attorney's Offices whose focus will be UI fraud prosecutions. Since the start of the pandemic, over 140 defendants have been charged and arrested for federal offenses related to UI fraud. In one case, U.S. v. Leelynn Danielle Chytka, in the Western District of Virginia, a defendant recently pleaded guilty for her role in a scheme that successfully stole more than \$499,000 in UI benefits using the identities of individuals ineligible for UI, including a number of prisoners.

Through the department's International Computer Hacking and Intellectual Property (ICHIP) program, ICHIP advisors have provided assistance and case-based mentoring to foreign counterparts around the globe to help detect, investigate and prosecute fraud related to the pandemic. The ICHIPs have helped counterparts combat cyber-enabled crime (e.g., online fraud) and intellectual property crime, including fraudulent and mislabeled COVID-19 treatments and sales of counterfeit pharmaceuticals. ICHIPs conducted webinars for foreign prosecutors and law enforcement in Asia, Africa, Europe, and South America on how to take down fraudulent COVID-19 websites. These webinars addressed methods for finding the registrar for a particular domain and requesting a voluntary takedown as well as the U.S. legal processes necessary for obtaining a court order that would bind a U.S. registrar. This has resulted in the take down of multiple online COVID-19 scams and significant seizures of counterfeit medicines and medical supplies such as masks, gloves, hand sanitizers and other illicit goods.

The department has also brought actions to combat coronavirus-related fraud schemes targeting American consumers. With scammers around the world attempting to sell fake and unlawful cures, treatments, and personal protective equipment, the department has brought dozens of civil and criminal enforcement actions to safeguard Americans' health and economic security. The department has prosecuted or secured civil injunctions against dozens of defendants who sold products — including industrial bleach, ozone gas, vitamin supplements, and colloidal silver ointments — using false or unapproved claims about the products' abilities to prevent or treat COVID-19 infections. The department has also worked to shutter hundreds of fraudulent websites that were facilitating consumer scams, and it has taken scores of actions to disrupt financial networks supporting such scams. The department is also coordinating with numerous agency partners to prevent and deter vaccine-related fraud.

The department is also using numerous civil tools to address fraud in connection with CARES Act programs. For example, in the Eastern District of California, the department obtained the first civil settlement for fraud involving the Paycheck Protection Program, resolving civil claims under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) and the False Claims Act (FCA) against an internet retail company and its president and chief executive officer arising from false statements to federally insured banks to influence those banks to approve, and the SBA to guarantee, a PPP loan. FIRREA allows the government to impose civil penalties for violations of enumerated federal criminal statutes, including those that affect federally-insured financial institutions. The FCA is the government's primary civil tool to redress false claims for federal funds and property involving a multitude of government operations and functions. The FCA permits private citizens with knowledge of fraud against the government to bring a lawsuit on behalf of the United States and to share in any recovery. Such whistleblower complaints have been on the rise as unscrupulous actors take advantage of vulnerabilities created by the COVID-19 pandemic and the new government programs disbursing federal relief, and whistleblower cases will continue to be an essential source of new leads to help root out the misuse and abuse of taxpayer funds.

Indictments and other criminal charges referenced above are merely allegations, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

The unprecedented pace and tempo of these efforts is made possible only through the diligent work of a wide range of Justice Department partners, including the Criminal Division's Fraud Section and Money Laundering and Asset Recovery Section, the Civil Division's Commercial Litigation Branch (Fraud Section) and Consumer Protection Branch, U.S. Attorneys' Offices throughout the country, and law enforcement partners from the FBI, Department of Labor Office of Inspector General, U.S. Secret Service, IRS-Criminal Investigation, Defense Criminal Investigative Service, Homeland Security Investigations, U.S. Postal Inspection Service, the Offices of Inspectors General from the Small Business Administration, Department of Homeland Security, Social Security Administration, Federal Deposit Insurance Corporation, Department of Health and Human Services, Department of Veterans Affairs, Federal Housing Finance Agency and Federal Reserve Board, Food and Drug Administration's Office of Criminal Investigations, Treasury Inspector General for Tax Administration, Financial Crimes Enforcement Network, Special Inspector General for Pandemic Relief, Pandemic Response Accountability Committee, OCDETF Fusion Center and OCDETF's International Organized Crime Intelligence and Operations Center.

To learn more about the department's COVID response, visit: <https://www.justice.gov/coronavirus>. For further information on the Criminal Division's enforcement efforts on PPP fraud, including court documents from significant cases, visit the following website: <https://www.justice.gov/criminal-fraud/ppp-fraud>. For further information on the Civil Division's enforcement efforts, visit the following website: <https://www.justice.gov/civil>.

To report a COVID-19-related fraud scheme or suspicious activity, contact the National Center for Disaster Fraud (NCDF) by calling the NCDF Hotline at 1-866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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