COVID-19 Pandemic Fraud Enforcement Efforts Overview

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This article provides an overview of COVID-19 pandemic fraud enforcement efforts. The COVID-19 public health emergency that descended upon the nation in 2020 caused unprecedented changes in how we lived, how we worked, how healthcare was delivered to people, and how the federal government marshaled resources to respond to what, to date, has been the deadliest public health crisis in modern American history, claiming the lives of more than a million individuals in the United States alone. As businesses began to shut down and people shuttered in place, the Congress began appropriating extraordinary sums of money to keep the American economy afloat.

Congress passed the following six pieces of legislation totaling more than five trillion dollars to meet the economic challenges confronting the country:

1. *The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (Total $7.8B)

2. *The Families First Coronavirus Response Act* (Total $15.4B)

3. *The Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) (Total $2.1T)

4. *Paycheck Protection Program and Health Care Enhancement Act* (Total $483B)

5. *The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 Consolidated Appropriations Act, 2021* (Total $900B)

6. *The American Rescue Plan of 2021* (Total $1.9T)

Given the immense scale of financial support provided by the federal government through these relief programs, however effective they were in preventing economic collapse, it is perhaps unsurprising that some of that funding was targeted by fraud.

The U.S. Department of Justice (DOJ) responded to that reality by creating the COVID-19 Fraud Enforcement Task Force (CFETF), appointing a Director of COVID-19 Fraud Enforcement and launching COVID-19 Fraud Enforcement Strike Forces. It has also worked closely with other law enforcement partners, including multiple Offices of Inspector General and local law enforcement authorities. Within DOJ, in addition to the Director of COVID-19 Fraud Enforcement, there are two Deputy Directors of COVID-19 Fraud Enforcement, a lead prosecutor for the National Unemployment Insurance Task Force, a National COVID-19 Fraud Forfeiture Coordinator, a National COVID-19 Fraud Coordinator, and COVID-19 Fraud Coordinators in each U.S. Attorney's Office.

To date, the government's enforcement efforts have resulted in criminal charges against more than 3,500 defendants as well as civil enforcement actions that have resulted in more than 400 settlements and more than $1.4 billion in seizures and forfeitures. See the *COVID-19 Fraud Enforcement Task Force 2024 Report* (April 2024). More than 2,000 defendants who were charged with pandemic-related fraud have pleaded guilty or were convicted at trial, resolutions that are associated with more than $1.2 billion in losses. Id.

Many, though not all, of these cases involved unemployment insurance benefits fraud (UI), Paycheck Protection Program fraud (PPP), and Economic Injury Disaster Loan fraud (EIDL), which were loans made by the Small Business Administration to eligible small businesses experiencing substantial financial interruptions due to the COVID-19 pandemic. The COVID-19 Fraud Enforcement Strike Forces generally are tasked by the government with pursuing what it regards as the most impactful criminal COVID-19 fraud cases (i.e., those involving large amounts of loss, overseas actors, violent criminals, and individuals who have defrauded multiple pandemic-era aid programs). Id.

Criminal Prosecutions

A number of criminal prosecutions have been brought against individuals who filed fraudulent applications for pandemic relief of varying kinds. These applications were frequently supported by fabricated documentation.

For example, in one case from the Western District of Washington, a defendant was sentenced to 5 years imprisonment for submitting, with the assistance of more than 50 confederates, over 125 fraudulent applications for pandemic relief funds under the Treasury Department's Emergency Rental Assistance Program, the PPP, the EIDL, and the CARES Act. See the *Press Release*. False documentation supporting the applications included falsified bank statements, tenant ledgers, and landlord attestations. The defendant spent the stolen money on luxury cars, lavish trips, cosmetic surgery, jewelry, and designer goods.

In another case prosecuted in the Eastern District of Virginia, a defendant was sentenced to 18 years imprisonment for leading a conspiracy to defraud at least five states of more than $3.5 million in pandemic-related unemployment insurance (UI) benefits. The defendant supported more than 220 applications, which were submitted in the names of more than 120 individuals (including conspirators, identify theft victims, and prison inmates) with falsified wage and employment histories and false contact information, such as physical and mailing addresses, email addresses, and phone numbers that did not belong to the purported applicants. See the *Press Release*.

In another scheme involving UI fraud, a Georgia woman, who previously pleaded guilty to conspiracy to commit mail fraud and aggravated identity theft was sentenced to 12 years imprisonment for conspiring with others to submit more than 5000 fraudulent UI claims to the Georgia Department of Labor (GDOL), resulting in at least $30 million in stolen UI benefits. The scheme was conducted during the height of the pandemic, from March 2020 through November 2022, and exploited a program that was designed to alleviate economic hardship during that time. The defendant and others created fictitious employers and employee lists using personal identifying information (PII) from thousands of identity theft victims to file the claims. The PII had been misappropriated from hospital databases and purchased over the internet. The stolen proceeds were disbursed to the conspirators through prepaid debit cards sent through the mail. See the *Press Release*.

In an especially audacious scheme, prosecuted in the District of Minnesota, involved the theft of $250 million in funds during the pandemic that had been appropriated for the Federal Child Nutrition Program, which in Minnesota is administered by the Minnesota Department of Education (MDE). Forty-seven defendants were charged in a scheme that exploited the loosening of program rules during the pandemic designed to ensure wider access to those in need of the program's benefits. The lead defendant, who headed a nonprofit program sponsor called "Feeding Our Future," recruited individuals and entities to open more than 250 fraudulent program sites throughout Minnesota that falsely claimed to be feeding thousands of children a day. Dozens of shell companies were created to enroll in the program and launder the fraudulent proceeds of the scheme. False documentation was created to support the scheme, including fraudulent meal count sheets, false invoices, and fake attendance rosters purporting to list the names and ages of the children receiving meals at the sites each day. The rosters used fake names, some of which came from a website called "www.listofrandomnames.com." The program sponsor, "Feeding Our Future," submitted the fraudulent claims to MDE and then disbursed the ill-gotten gains to the various co-conspirators. See the *Press Release*.

These are but a few examples of criminal prosecutions initiated against individuals perpetrating what might be described as pandemic relief application fraud. Additional examples exist in the Southern District of Georgia *(Press Release*), Eastern District of Washington (*Press Release*), Middle District of Florida (*Press Release*), and Eastern District of Michigan (*Press Release*).

COVID-19 testing fraud is another area of criminal enforcement. As an example, in the Southern District of Florida, three laboratory owners were indicted for a $36 million fraud involving the submission of claims for medically unnecessary and nonreimbursable COVID-19 testing to healthcare benefit programs, including Medicare and the Health Resources and Services Administration (HRSA) COVID-19 Uninsured Program. The defendants were also accused of paying illegal kickbacks and bribes to patient recruiters who arranged for healthcare providers to refer the tests to their lab and for billing tests that were not FDA-approved. See the *Press Release*.

COVID-19 Fraud Enforcement Strike Forces

As noted, the COVID-19 Fraud Enforcement Strike Forces are designed to develop the most impactful pandemic fraud cases. This frequently means cases that involve more than one pandemic relief program, foreign actors, violent actors, and/or large loss amounts. See the *COVID-19 Fraud Enforcement Task Force 2024 Report* (April 2024). Currently, the Strike Forces are based in the U.S. Attorney's Offices in the District of Maryland, Southern District of Florida, Eastern and Central Districts of California, District of New Jersey, and the District of Colorado. Id. The Strike Forces are comprised of cross-agency groups of prosecutors and agents, drawing from the Department of Labor Office of Inspector General, Small Business Administration Office of Inspector General, Department of Homeland Security Office of Inspector General, FBI, U.S. Secret Service, Homeland Security Investigations, Internal Revenue Service Criminal Investigations, and U.S. Postal Inspection Service, with assistance from the PRAC and the Special Inspector General for Pandemic Recovery. The OCDETF Fusion Center and OCDETF's International Organized Crime Intelligence and Operations Center, the Financial Crimes Enforcement Network, and the National Unemployment Insurance Fraud Task Force. Id.

Below is a chart summarizing the enforcement activities of the Strike Forces in these different jurisdictions from their inception through the end of 2023:

District	Activity	Fraud Types
E.D. Calif.	17 cases brought Associated with over $20 million in losses	UI, EIDL
C.D. Calif.	37 cases brought Associated with about $126 million in losses	UI, PPP, EID, ERC
D. Colo.	20 defendants charged Over $1 billion in fraudulent EIDL assets seized	UI, PPP, Tax Stimulus
S.D. Fla.	50 defendants charged Associated with over $76 million in losses	UI, EIDL, PPP
D. Md.	30 defendants charged Associated with over $55 million in losses	UI, EIDL, PPP
D. N.J.	18 defendants charged since the start of the Strike Force 104 defendants charged since the start of the pandemic	UI, Loan, Tax Stimulus

Civil and Criminal Forfeitures

Civil and criminal forfeitures (more than $1 billion as of the end of 2023) as well as restitution orders (more than $882 million as of the end of 2023) also have frequently accompanied the criminal prosecution of pandemic fraud. Id.

Recent COVID-19 Fraud Prosecutions

Below are some additional recent examples of COVID-19 Fraud Prosecutions:

December 2024

In the Eastern District of Washington, a defendant was sentenced to more than 16 years imprisonment for involvement in a scheme to obtain millions of dollars in relief funds by directing, assisting, facilitating, and submitting fraudulent PPP and EIDL loan applications on behalf of others. The defendant charged his co-conspirators a fee, usually 10% of the loan amount, to be paid after receipt of the funding. A total of at least $13,449,179 in EIDL funding was obtained. The defendant also submitted fraudulent PPP and EIDL applications on behalf of his own businesses, obtaining at least $3,253,541 in funding by misrepresenting various facts such as active status, payroll, number of employees, and revenue. See the *Press Release*.

In the Western District of Missouri, a defendant business owner was sentenced to two years imprisonment for participating in a $14 million wire fraud conspiracy that used his businesses and fake businesses to obtain fraudulent loans under the CARES Act. He was also ordered to pay more than $8 million in restitution and to forfeit property purchased with the proceeds of the fraud, including four parcels of real estate, six vehicles, a yacht, two Rolex watches, five pieces of jewelry, and valuable sports memorabilia in the form of collectible baseball and basketball cards of famous sports figures. See the *Press Release*.

In the District of Massachusetts, two corrections officers were arrested on charges of wire fraud and false statements for submitting fraudulent loan applications through the PPP and Pandemic Unemployment Assistance (PUA) program. The charged conduct, which mostly occurred prior to their employment as corrections officers when they were working for either security, delivery, trucking, or workforce services companies, involved fraudulent representations about employment status and income. In their PPP applications, they made false statements to SBA-approved lenders about income and/or payroll of alleged small businesses to obtain loans and made false representations in support of requests for loan forgiveness. See the *Press Release*.

In the District of Maryland, a defendant pleaded guilty to wire fraud and tax fraud charges in connection with fraudulent EIDL and PPP loan applications. As part of the scheme, the defendant filed false corporate tax returns with the IRS on behalf of four businesses, reporting false or fictitious revenue and expense amounts. The defendant used the loan proceeds to engage in high-frequency trading of securities totaling more than $12 million. As a result, he lost almost all the approximately $790,000 in fraudulent loan proceeds he gained through the scheme, with the exception of money he used to purchase a 2020 Lincoln Navigator. See the *Press Release*.

In the Eastern District of Missouri, a defendant was charged with submitting fraudulent applications to the Missouri Housing Development Commission, which administered and distributed federal Emergency Rental Assistance, obtaining $284,000 that was supposed to provide rental assistance to families affected by the pandemic. The defendant was accused of submitting applications that falsely listed the defendant as a landlord and included fictitious lease agreements and financial statements, and inflated rent amounts. The defendant is alleged to have used much of the proceeds for personal expenses, including purchasing a 2020 GMC Yukon. See the *Press Release*.

November 2024

In the Eastern District of North Carolina, a man who owned basketball scouting and life coach businesses pleaded guilty to wire and bank fraud charges and faces up to 30 years imprisonment for obtaining almost $300,000 in fraudulent PPP loans for the two businesses. The scouting business, Get Me Recruited LLC, did not have regularly salaried employees, and the defendant inflated their income on the loan application; the life coach business, Game Life Coach, did not conduct meaningful business or have working employees, and the company's bank account was only open to receive the loan proceeds. The scheme was part of a larger nationwide scheme involving more than 30 defendants. See the *Press Release*.

In the District of New Jersey, a tax preparer was charged in a 16-count indictment for using false information to increase client tax refunds and fraudulently obtaining money from EIDL. The defendant created fraudulent tax returns for multiple clients by falsifying expenses in support of excessive tax credits and refunds. The defendant prepared at least 46 fraudulent tax returns, resulting in about $340,000 in unwarranted tax refunds. See the *Press Release*.

In the Northern District of Texas, two principals of a lender service provider called Blueacorn were charged with conspiracy and wire fraud in connection with a fraud scheme to obtain pandemic relief funds through the PPP. The defendants fabricated documents in support of loan applications to receive funds to which they were not entitled. The principals also were charged with conspiring with others to fabricate documents, including payroll records, tax documentation, and bank statements, to inflate loan amounts and then solicited kickbacks from the borrowers based on a percentage of the funds received. See the *Press Release*.

Civil Enforcement Actions

DOJ also has utilized civil enforcement authorities to respond to pandemic fraud schemes, especially the False Claims Act (FCA). It has employed database tools to detect and investigate such fraud, including the analysis of more than 225 million claims paid by HRSA's COVID-19 Uninsured Program and about 15 million PPP and EIDL loans. See the *COVID-19 Fraud Enforcement Task Force 2024 Report* (April 2024).

As of April 1, 2024, the DOJ opened more than 1,200 civil fraud matters, including more than 600 cases brought under the qui tam provisions of the FCA. Id. These enforcement actions resulted in over 400 judgments or settlements totaling more than $100 million. Id. These cases included PPP, EIDL, healthcare fraud, agricultural program fraud, and fraud on other pandemic-relief programs. Id. Reported cases included a $9 million FCA settlement by a Texas-based commercial roofing contractor and affiliates that were accused of falsely certifying their eligibility to receive PPP loans (see the *Press Release*) and a $1.6 million FCA settlement by a Georgia urgent care chain that was accused of improperly upcoding Evaluation and Management service claims to Medicare for COVID-19-related testing and treatment (see the *Press Release*). See the *Press Release*. Another FCA settlement announced in January of this year involved a chain of skilled nursing facilities which paid $18 million to resolve allegations that they concealed their common ownership and falsely certified as a small business with fewer than 500 employees in support of PPP loan and loan forgiveness applications submitted in 2020. See the *Press Release*.

Since cases brought under the qui tam provisions of the FCA are filed under seal and frequently take years to investigate and develop, it can be expected that in the coming months and years, we will learn of many other FCA cases based on pandemic-era fraud. Descriptions of three published FCA decisions involving pandemic-era fraud follow.

District of Rhode Island

In *United States ex rel. Berkley v. Ocean State, LLC, 2023 U.S. Dist. LEXIS 76578 (D. R.I. May 2, 2023)*, the relator alleged that the defendants defrauded the PPP program by falsifying loan certifications to misrepresent that the defendants satisfied the affiliation and necessity requirements of the CARES Act when, in fact, they did not meet the size requirement and had access to ample amounts of capital due to their affiliation with private equity firms holding a controlling equity interest in them. The court ruled that the relator adequately pleaded FCA violations and denied the defendants' motion to dismiss.

Northern District of Illinois

In *United States ex rel. Montenegro v. Roseland Community Hospital Assn., 2023 U.S. Dist. LEXIS 210214 (N.D. Ill. Nov. 27, 2023)*, the relator alleged that the defendants submitted false claims in connection with COVID-19 testing. Specifically, the relator alleged that a community hospital catering to underserved communities and a testing laboratory exploited patient confusion surrounding COVID-19 testing to order medically unnecessary tests and submit false claims for reimbursement. The relator alleged that the hospital essentially tricked patients into providing blood samples for less effective serology testing in addition to standard PCR testing. The samples were then used to run a full panel of tests for conditions unrelated to COVID-19 which generated thousands of dollars in additional reimbursement for each patient and a total estimated loss to insurers of about $3.6 million. The court concluded that the relator plausibility pleaded FCA violations and denied the motions to dismiss.

Southern District of California

In *United States ex rel. Craig v. Hawthorne Machinery Co., 2024 U.S. Dist. LEXIS 173872 (C.D. Calif. Sept. 25, 2024)*, the relator alleged that the defendants had fraudulently obtained a PPP loan of more than $8 million by withholding information about the company's true number of employees and corporate affiliations rendering it ineligible for the loan, which was only available to small business concerns or entities that had averaged 500 or fewer employees over the prior year. The court ruled that the relator adequately pleaded FCA violations and denied the defendants' motion to dismiss.

What to Expect Moving Forward

Given the magnitude of pandemic relief funding that flowed into the economy, it should be anticipated that the kinds of cases described above, both civil and criminal, will continue for years to come. DOJ has prioritized the investigation and prosecution of these cases, not just because they implicate so much government funding, but also because they involve the cynical exploitation of taxpayer-funded relief programs designed to assist people and businesses in crisis during one of the most serious public health emergencies in the nation's history.

Related Content

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- *Healthcare Fraud and Abuse Compliance Resource Kit*
- *Healthcare Fundamentals Resource Kit*
- *Coronavirus (COVID-19) Resource Kit*

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- *U.S. Department of Justice Healthcare Fraud and Abuse Settlement Tracker*
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Practice Notes

- *False Claims Act*
- *False Claims Act and Qui Tam Litigation*
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