Pandemic Response
Accountability Committee

# SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM PHASE III FRAUD CONTROLS

January 21, 2022

# Introduction

The Pandemic Response Accountability Committee (PRAC) is responsible for conducting oversight of pandemic-related funds and preventing and detecting fraud. We conducted this project — in coordination with the Small Business Administration (SBA) Office of Inspector General (OIG) and the Office of Management and Budget (OMB) — to examine antifraud controls used by the SBA in its Restaurant Revitalization Fund (RRF) to prevent the types of fraud that the SBA experienced with the Paycheck Protection Program (PPP).

The American Rescue Plan Act of 2021 established the RRF to provide $28.6 billion in funding to help restaurants and other eligible businesses keep their doors open. This program provided restaurants with funding equal to their pandemic-related revenue loss up to $10 million per business and no more than $5 million per physical location. Recipients are not required to repay the funding so long as funds are used for eligible uses no later than March 11, 2023.

The SBA implemented controls to the PPP in three phases. Phase I and II controls were applied to loans processed in 2020. Phase III controls were applied to loans processed after January 11, 2021. Phase III controls were designed to address significant fraud identified in the earlier phases of the program and some were later used by the SBA in the RRF program.

To gain insight into the effectiveness of these controls, we initiated a limited scope evaluation on April 29, 2021, to examine whether Phase III PPP controls would have likely detected the fraud identified in PPP criminal cases.[1] This report includes a discussion of the SBA's PPP controls and an evaluation of whether any fraud risks remain that would require additional controls to prevent or detect the earlier fraud found in PPP criminal cases. See Appendix A for details on the scope and methodology. The PRAC conducted this evaluation in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

1 Due to the limited scope evaluation, the PRAC did not review the RRF controls or assess their effectiveness. A document provided by the SBA on the RRF controls shows some overlap with some of the PPP Phase III controls, but they were not completely similar. For example, the SBA verified tax return data for RRF applicants. According to the SBA, it expanded the Phase III antifraud controls for the RRF to address control weaknesses in the first phase of PPP and leveraged other technology systems and platforms.

# Background

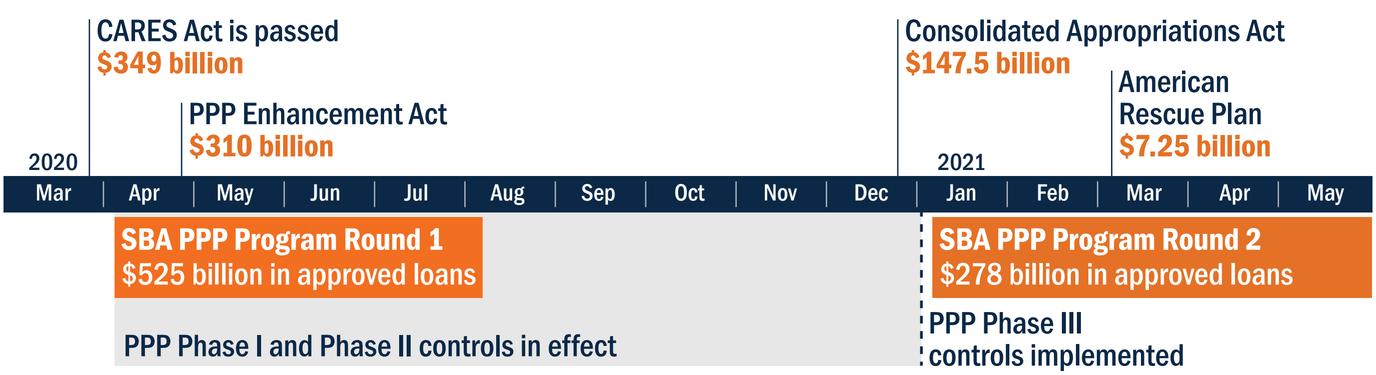
On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act to provide immediate economic and health care assistance to individuals, families, and businesses affected by the coronavirus (COVID-19) pandemic. Among other relief measures, the CARES Act created the PPP to support small businesses. Amid the urgency to help adversely affected small businesses, the SBA launched the program a week later with limited safeguards.

PPP loans, which were made by private lenders but fully guaranteed by the SBA, paid up to eight weeks of payroll costs, including benefits and other operating expenses to certain eligible businesses, individuals, and non-profit organizations. PPP loans are fully forgivable (they do not have to be repaid) if certain conditions are met.[2]

Among other things, eligible small businesses had to be in operation on February 15, 2020, attest to the accuracy of their self-reported business information (such as their number of employees and payroll costs) and certify that they comply with a range of program terms (e.g., they had no disqualifying criminal histories, they would use funds only for eligible business-related expenses, and they were not debarred from working with the federal government).

Demand for PPP loans led to the program being reauthorized several times after its initial launch in April 2020. As shown in Figure 1, the $800 billion PPP ran intermittently in two rounds from April 2020 to May 2021.

**Figure 1. Timeline of Key PPP Origination and Extension Events**




*Source: PRAC's analysis of COVID-19 legislation and SBA documents related to PPP*

The PPP loan program is similar to the SBA's Express Loan Program and Preferred Lender Program where underwriting is performed by the SBA's delegated lenders. Provisions of the CARES Act and the SBA's program rules also waived or streamlined many of the traditional requirements that lenders use to vet borrowers. The CARES Act, for example, waived requirements for lenders to conduct credit checks on applicants and did not hold lenders responsible for approving borrowers who did not comply with program criteria if lenders

2 For example, at least 60 percent of the loan amount must be for payroll expenses and the remaining balance on mortgage interest, rent, utilities, and other eligible expenses.

performed a "good-faith" review of borrowers' eligible loan amount and need for the loan. The SBA also allowed lenders to rely on borrowers' self-certifications to assess their PPP eligibility, while requiring only a limited review of borrowers' underlying documentation.

The SBA, in conjunction with the U.S. Department of the Treasury, approved a nationwide network of more than 5,000 lenders, **including about 800 new lenders**, to review PPP applications, assess borrowers' eligibility, and decide on the suitability of making a loan under delegated authority. PPP lenders reviewed loans quickly, **disbursing more than 1.7 million loans totaling nearly $343.3 billion in just 14 days** after the SBA launched the program. According to the SBA, it "...processed 14 years' worth of loans in the first 14 days of the PPP program and reached the smallest businesses with an average loan of $101,000."

The result of limited initial safeguards and the rapid review of loan applications led to a rash of improper payments and indications of widespread fraud. The SBA effectively adopted a "pay and chase" approach, using fraud detection only after funds had been disbursed. The SBA later added additional safeguards, including proactive measures to identify fraud before lenders approved a loan.

To put the alleged fraud in perspective, from May 2020 to March 2021, the Government Accountability Office (GAO) reported that the Department of Justice (DOJ) publicly announced charges, including bank fraud, wire fraud, money laundering, or identity theft charges, in 134 fraud-related cases associated with PPP loans. In January 2021, the SBA OIG reported that **nearly 55,000 PPP loans worth $7 billion went to potentially ineligible businesses or fraudulent recipients**.

The PRAC analyzed 66 PPP fraud-related criminal cases identified from public DOJ media releases and obtained documentation from the SBA and the Treasury relevant to SBA's antifraud controls and processes. See Appendix C for details on the 66 PPP fraud cases, and related information. The PRAC also analyzed fraud risks identified by the SBA and its oversight entities and fraud reports made to the federal investigative community.[3]

The PPP fraud-related cases frequently involved multiple fraud types used within a broader scheme. Common fraud found in the schemes included:

**Misrepresenting Self-Certified Borrower Information** –100% of the cases the PRAC reviewed included one or more false statements on PPP loan applications that would have made the applicant ineligible. Examples of false statements included:

- misrepresenting the entity type (e.g. sole proprietor, independent contractor)
- business address
- percentage ownership of business
- average monthly payroll and number of employees
- number of employees
- whether the business was in operation on February 15, 2020
- the use of funds

**Submitting fake documents** – 91% of the cases included creating, forging, or altering documents such as tax forms, payroll information, and bank statements to support PPP loan applications.

**Submitting multiple fraudulent applications to same or multiple lenders** – 86% of the cases included applicants who applied for multiple

3 See Appendix C for more information on the PPP criminal cases that PRAC analyzed.

PPP loans using different business names or other false information to one or more lenders. This also included applicants who circumvented PPP program or cross-program eligibility requirements (e.g., using a PPP and Economic Injury Disaster Loan (EIDL) to get loans from multiple SBA programs for the same purpose).

**Creating fictious business and/or operating history** – 53% of the cases included applicants who fabricated one or more businesses to make it look like they were a legitimate business and had been operating before February 15, 2020.

**Stealing the identity of someone else (living or deceased) and/or creating synthetic identities** –21% of the cases included applicants who stole personal information of individuals known or unknown to them without the identified victim being aware. This also includes applicants who combined fabricated credentials, e.g., social security numbers (SSNs) with accompanying false Personally Identifiable Information (PII), where the implied identity is not associated with a real person.

The fraud found in the 66 PPP criminal cases involved traditional banks, non-banks and/or non-insured lenders, including Microfund loan companies[4] and FinTechs.[5] The top lenders in the reviewed cases were: Celtic Bank Corporation (24%), Cross River Bank (21%), Bank of America (20%), Customers Bank (15%), Kabbage (15%), WebBank (8%), and Harvest Small Business (8%).

4 Microfund loan companies offer fast cash (under $50,000) to small businesses simple and quick within a quick turnaround (e.g., 24 hours) using automated platforms. For example, WebBank funds through PayPal.

5 FinTechs, brought on as a new type of SBA lender for PPP only, opened the door for many borrowers who did not want to apply for a PPP loan through traditional banks and focused on digital lending through automated online platforms to process loans quickly. FinTechs have fewer regulations than federal lenders such as banks that are more regulated.

# The SBA's Phase III Controls Still Allow Some of the Same PPP Fraud Schemes to Go Undetected

The effectiveness of the design and implementation of fraud controls in any program is dependent on the control environment in which they will operate. For example, the fraud controls for EIDL (a direct lending program) will not be the same for PPP (a third-party lending program). The key in designing and implementing controls is managing and mitigating fraud risks. SBA Inspector General Hannibal "Mike" Ware testified on January 12, 2022, that he "believe(s) that SBA's programs have more integrity in them than they did at the onset...[however], fraudsters are going to do what fraudsters do, so there will be a risk of fraud to any program. [The OIG's] role is to make sure that the risk of fraud is mitigated to the lowest level possible." When asked about fraud controls, Inspector General Ware testified, "I've advocated from the very beginning that certain controls need to be in place before any program is started. I said that before PPP was rolled out, before COVID EIDL was rolled out."

In 2020, the PPP and EIDL programs were designed to expeditiously distribute funds, and most of the fraud and eligibility controls in PPP were not designed to occur at loan initiation but at loan forgiveness.

The SBA added additional upfront controls to screen all 2021 PPP loans in advance of a lender's loan origination and the SBA's issuance of a loan number. However, as Inspector General Ware testified on January 12, 2022, "I still think we're going to see where the rubber meets the road on a lot of these that don't come back for loan forgiveness, because the numbers are large."

Despite the SBA adding up-front antifraud controls in 2021, which were designed to mitigate some of the earlier fraud, the controls would not have likely detected some of the PPP fraud found in 2020 criminal cases. Residual fraud risks remain, allowing some of the same fraud schemes to go undetected today.[6] For example, in August 2021 the DOJ announced a fraud scheme where a District of Columbia resident allegedly filed at least 13 fraudulent PPP loan applications and one EIDL application from July 2020 to July 2021 in the name of his company using doctored tax returns. The criminal complaint alleges the individual fraudulently obtained more than $2.3 million PPP and EIDL funds and, before being caught by law enforcement, had attempted to steal more than $17 million in PPP and EIDL funds.

In another case, in December 2021 the DOJ announced a fraud scheme where two individuals from New York tried to fraudulently obtain approximately $7.5 million in PPP and EIDL funds. From August 2020 through October 2021, these individuals applied for numerous PPP and EIDL loans, and falsely represented that they operated several companies, used stolen identities of third parties, and submitted fake tax documents. The individuals successfully obtained more than $1 million as result of the scheme.

Additionally, although the SBA indicated it had designed the RRF program to address PPP control weaknesses identified in 2020, fraud-related cases are beginning to surface in the RRF program. For example, on December 15, 2021, the DOJ announced a fraud scheme where an individual after being rejected

6 Due to the investigation process, there is a lag before criminal cases can be publicized.

by SBA for several fraudulent EIDL loan applications, submitted three RRF applications in May 2021 for restaurants allegedly located Sarasota, Miami, and Daytona Beach, Florida. Like the fraudulent EIDL applications, the RRF applications contained false business information and use of personal residence as the business mailing address on all of three applications. The RRF applications generated $8M in payouts.

A key underlying factor contributing to the control gaps in the SBA's antifraud controls is the lack of a formal fraud risk assessment during the design and implementation of the Phase III controls. A fraud risk assessment helps agencies combat fraud in a strategic, risk-based way and provides a foundation or framework for designing and implementing controls to prevent, detect, and respond to fraud. Having a sound foundation in place can help agencies respond to and prepare for known and emerging risks, such as a pandemic or other emergency crisis.

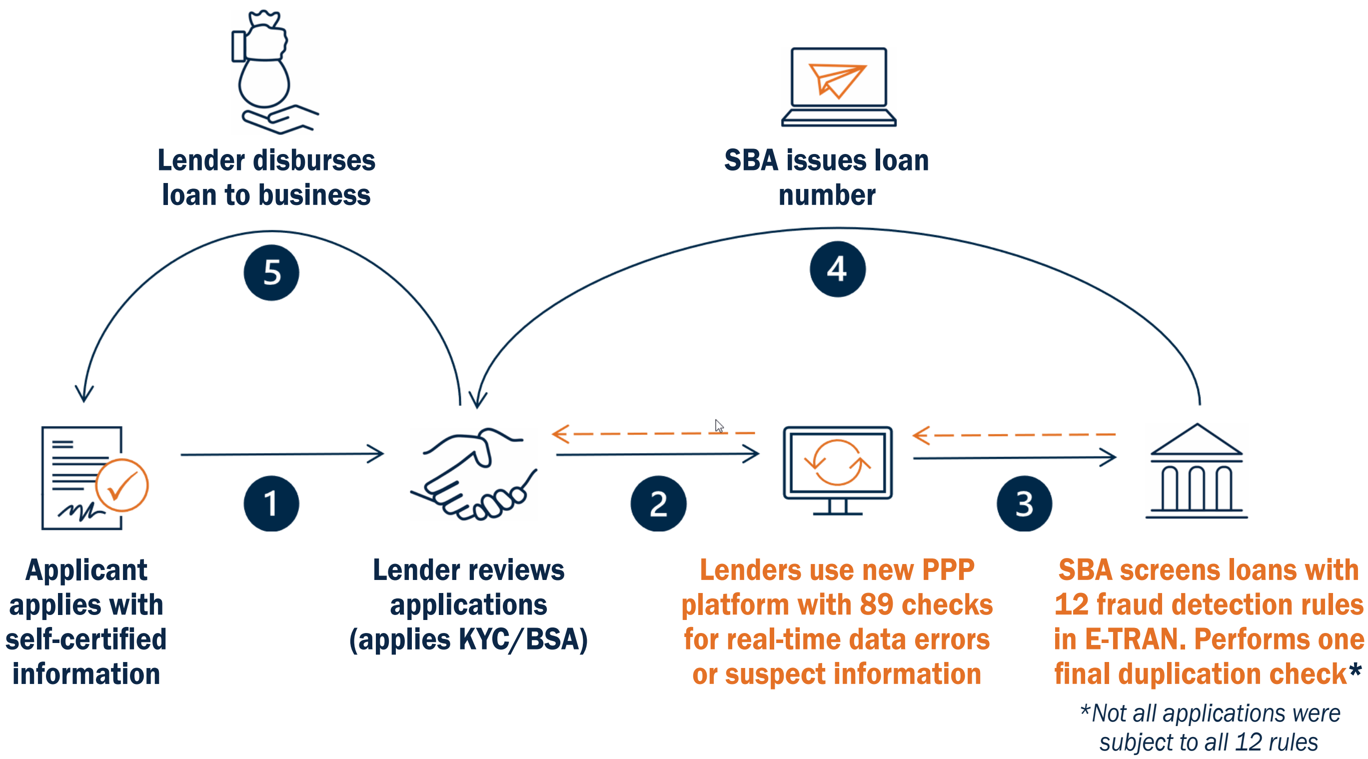
Although the PPP ended on May 31, 2021, existing borrowers may apply for loan forgiveness. Consideration of the control gaps discussed below may help mitigate fraud and improper payments during the loan forgiveness process, and in other SBA existing loan programs (e.g., EIDL), as well as future programs.[7]

7 A borrower can apply for PPP forgiveness once all loan proceeds for which the borrower is requesting forgiveness have been used. Borrowers can apply for forgiveness any time up to the maturity date of the loan. If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred, and borrowers will begin making loan payments to their PPP lender.

## SBA's 2021 PPP Safeguards

As mentioned earlier, the SBA launched the PPP with limited safeguards (see Appendix B for a complete list of SBA's Phases I and II controls and loan review process). The SBA added additional upfront controls to screen all 2021 PPP loans in advance of a lender's loan origination and the SBA's issuance of a loan number.

**Figure 2: SBA Processing of PPP Loans with 2021 Phase III Controls**




*Source: PRAC analysis of SBA documentation of 2021 Phase III controls and review process.*

Below is a complete list of the SBA's 2021 PPP antifraud controls used in Phase III, beginning in January 2021:

**Approved PPP Lender List** – The SBA had the ability to block lenders it deemed as posing a heightened risk from approving PPP loans. Under the CARES Act, the SBA automatically approved lenders to make PPP loans if they were already approved for the 7(a) loan program. The CARES Act also permitted the SBA and the Treasury to approve the use of additional qualified lenders to process, close, disburse, and service PPP loans. The screening process, among other conditions, entailed verifying lenders' attestation that they would apply Bank Secrecy Act (BSA) requirements in making PPP loans.[8] Additionally, the SBA required that entities not presently subject to the requirements of the BSA, prior to engaging in PPP lending activities, including making loans to either new or existing customers

8 The BSA is primarily concerned with preventing money laundering, although it has been amended over the years by legislation such as the Patriot Act, which expanded its scope to include terrorist financing activities.

who are eligible under PPP, establish an Anti-Money Laundering (AML) compliance program equivalent to that of a comparable federally regulated institution.[9]

In early 2021, reforms were made to the PPP to ensure small businesses and non-profits in underserved communities could access loans. This included expanding PPP lending at Community Development Financial Institutions (CDFIs), credit unions, Farm Credit System institutions, and other depository or non-depository lenders that met the same criteria such as Microfund loan companies and FinTechs.[10]

**Know Your Customer (KYC) Rules** – Among other rules, the BSA requires federally regulated lenders to deliver on two KYC requirements: a Customer Identification Program (CIP) and Customer Due Diligence (CDD). For example, the SBA required PPP lenders to verify the identity of the borrower and the business by confirming the taxpayer identification number (TIN), legal name of the business, and the business address.

The SBA told us the more rigorously that PPP lenders applied KYC requirements, the more likely that individual loan fraud issues, like identity theft, would be identified.

**Review of Loans Equal to or Over $2 Million** – The SBA used a Loan Necessity Questionnaire to review all loans of $2 million or more to assess the borrower's good-faith certification that the current economic condition made their loan request necessary.

**Portal Controls** – The SBA rolled out a new PPP loan origination platform in 2021, embedding 89 digital application checks via an Application Programming Interface (API)[11] to notify lenders in real-time through a common data interface of data errors or suspect information (via compliance error messages or hold codes) as they entered borrowers' certifications and details from the SBA borrower application form into the new loan submission platform.

Lenders also could submit loans to the SBA for processing through a User Interface (UI). According to the SBA, the API and UI used the exact same logic, controls, and enforcement methods regarding how error messages or other methods operate. The SBA also permitted lenders to use their own on-line systems and an electronic form they created to collect the same information and certification as in the SBA borrower application. In these cases, the SBA told the PRAC that lenders would need to send the loan application through the UI.

**E-TRAN (SBA's loan system of record)/12 Front-End Compliance Checks** – Beginning in 2021, the SBA conducted one last fraud check to identify any duplicate and/or potential suspicious loans prior to disbursement and issuance of a loan number in its

9 At a minimum, an AML compliance program must be in writing and must include appropriate risk-based procedures for conducting customer due diligence including, but not limited to, developing a customer risk profile; and conducting ongoing monitoring to detect and report suspicious transactions and on a risk basis to maintain and update customer information including identifying and verifying beneficial owners.

10 According to a December 2021 fraud risk assessment conducted by the SBA's contractor, Kabbage—a Fintech business lender—processed more fraudulent loans and was second only after Bank of America in approving loans. Mostly, these loans went to fake farms listed under people whose identities had been stolen.

11 An API enables companies to open-up their applications' data and functionality to external third-party developers, business partners, and internal departments within their companies. This allows services and products to communicate with each other and leverage each other's data and functionality through a documented interface. The PRAC did not review or assess third-party systems or datasets that PPP lenders used to verify borrower loan information.

E-TRAN system.[12] The agency ran all PPP loan applications through E-TRAN for loan decisioning, but not all loans were subject to the full set of 12 front-end checks.[13] For example, individuals who applied under certain business entity types were not screened against four rules: “Inactive Business,” “Mismatch of TIN,” Mismatch of Entity Name,” and “Entity in Operation after February 15, 2020.” As a compensating control, the agency also received alerts from the SBA OIG regarding certain borrowers under investigation, which would then stop the application from being processed.

In November 2021, the SBA independent auditor reported material weaknesses in internal controls over the approval of 2021 PPP loans. For example, as of September 30, 2021, the auditor reported that over 27,000 PPP loans by third-party lenders worth $488 million were flagged by management because they did not conform with the CARES Act and related legislation. Additionally, the report stated that the SBA did not ensure the 2021 loan applications met select program eligibility criteria. The SBA did not verify all validation checks available from its automated screening process and did not perform a sufficient review of loan applications it flagged to ensure that lenders followed established procedures.

12 SBA told the PRAC that its E-TRAN system included alerts and suspicious EINs from investigative cases on SBA’s EIDL loans. Such information could be used to cross-check PPP loan applicant data.

13 All 2021 loans were checked against 9 rules: “Criminal Record,” “Bankruptcy,” “OFAC,” “Potential Decedent Application,” “Mismatch of Entity,” “Large number of Employees at Residential Business Address,” and three datasets from Treasury’s DNP lists.

## PPP Fraud and Control Gaps

Although the SBA added additional controls in 2021, the following section shows how these controls would not have prevented the most common fraud schemes that were found in the 66 PPP criminal cases (in which all loans were issued in 2020).

### 1. Falsifying Documents and/or Misrepresenting Borrower Self-Certifications

These two fraud types were the most prevalent in the criminal cases. As previously mentioned, in 91% of the reviewed cases applicants created, forged, or altered supporting documentation (e.g., IRS forms, payroll information, and bank statements). In 100% of cases, applicants misrepresented self-certifications on their PPP application.

The loan origination process was heavily reliant on lenders to verify the authenticity and accuracy of borrower information and as discussed earlier, required only a limited review of underlying documentation. We found that several of the earlier PPP fraud would likely only be caught by this control. In cases where lenders failed to apply proper customer due diligence, even with the SBA's additional program safeguards in place, fraudulent applications including fake documents and borrower misrepresentations could be approved.

*In a case from the Northern District of Texas, an individual submitted 15 fraudulent PPP applications to eight different lenders in his name and others over the course of four months in 2020. The fraudulent applications included 11 businesses, five of which were created after February 15, 2020—an ineligibility for the PPP. The individual had previously been charged with two felonies, both of which were pending—another PPP ineligibility. In the fraudulent PPP applications, the individual submitted false tax documents and bank statements claiming the businesses had numerous employees and hundreds of thousands in payroll expenses. In actuality, the businesses did not have any employees or pay any wages. Additionally, the individual listed other people as the entities' authorized representatives without the knowledge of such individuals. The individual received more than $17 million in PPP loans.*

*Would SBA's Phase III Controls Have Likely Detected this Fraud?*

Apart from relying on PPP lenders to conduct due diligence to collect sufficient borrower information and verify self-certifications, the SBA did not have a specific control to detect fake documents. The agency was largely dependent on the borrower's application having a different anomaly, which could then trigger a hold code or compliance error, which could then result in a manual review by the SBA or the lender to resolve where such fake documents may be uncovered. To detect borrower misrepresentations, the SBA's controls included

E-TRAN system checks, such as the Treasury Do Not Pay system[14] and LexisNexis (a service that enables review of legal documents).

*Control gaps:*

Finding instances of fake documents and/or borrower misrepresentations in the PPP application process relies on incorporating technology systems and due diligence in the loan origination process. For example, automating a control in the PPP Platform to independently verify borrower tax information may have addressed some of the fraud and related schemes. To do this, the SBA needed access to IRS tax information to verify payroll expenses, entity type, payroll calculations, eligible loan value amount, business operating date, and corporate and/or affiliation structures.

Although the IRS is prohibited by law from sharing this information, the SBA can obtain such data through a borrower consent form (Form 4506-T). In fact, in April 2021, the SBA began collecting tax return transcripts to improve eligibility determinations in its EIDL program. The SBA incorporated up-front controls and validation flags in the application intake tier of its EIDL platform. This now allows SBA to confirm when the business went into operation, entity type, eligible loan value amount, and revenue/cost of goods sold.[15] Although the PPP loan application period ended, the SBA could still request this information as borrowers apply for PPP loan forgiveness.

Additionally, finding instances of applicants misusing or diverting loan proceeds for ineligible expenses requires due diligence at the front-end to avoid a costly and inefficient "pay and chase" pattern. In 80% of the 66 fraud-related cases reviewed, applicants misused or laundered the funds for ineligible expenses.[16]

Based on our review of the criminal cases, we identified several instances where lenders detected or froze the funds before disbursement.[17] Apart from relying on lenders to conduct due diligence at loan origination and/or receiving a referral from the SBA OIG or other alerts, the SBA did not have a specific antifraud control to detect misuse of funds and to help identify potentially suspicious transactions prior to disbursing loan proceeds.[18]

Below are examples of mitigating controls to address the vulnerability of PPP payment integrity issues relevant to misuse and diversion of funds.

The SBA had the ability to review loan history or previous flags to deter and detect fraud through public screening tools (e.g. the DNP system and LexisNexis) to validate business data prior to approving the loan. However, absent the collection of IRS tax data, conducting real-time sampling of loan applications to detect

14 The Department of the Treasury's Do Not Pay (DNP) Business Center enables federal agencies to check multiple data sources to verify a recipient's eligibility to receive federal payments. The SBA OIG used the DNP service and found that 57,473 PPP loans worth $3.6 billion were issued to potentially ineligible recipients.

15 The PRAC did not verify or assess the design or implementation of the up-front controls.

16 The fraud cases reviewed involved borrowers who laundered or transferred PPP loan proceeds between various bank accounts at different financial institutions, including accounts in Pakistan, and used the funds for personal gain such as luxury purchases (e.g., Lamborghini, gambling excursions) or investments (e.g., stock, cryptocurrency account).

17 In 2021, lenders made the decision to leave certain loans as "Active Undisbursed" to prevent an applicant from being able to apply at another lender. If the lender cancelled a loan that they determined to be fraudulent, the applicant would have been able to apply at another lender. "Active Undisbursed" is the status initially assigned to the loan guaranty at approval time. The guaranty is approved but the lender has not reported that the loan has been disbursed. Lenders do not receive their processing fees until they report the loan has been fully disbursed.

18 According to the Interim Final Rule (IFR), "The lender must make a one-time, full disbursement of the PPP loan within ten calendar days of loan approval; for the purposes of this rule, a loan is considered approved when the loan is assigned a loan number by SBA."

and deter improper payments prior to the disbursement of funds could have served as an effective control to hold lenders accountable to complying with the SBA's loan servicing requirements.

The SBA also did not implement antifraud controls in the PPP loan origination process to lock bank account changes after lender verification and track and share potentially fraudulent applicants in real-time across lenders as an early warning system of possible sources or patterns of larger fraud schemes. Also, the SBA did not run a credit check on applicants before disbursing the funds. Although the CARES Act waived this requirement, the SBA may have been able to get an exception to this for new lenders or high-risk lenders.

**2. Submitting Multiple Fraudulent Applications to the Same or Multiple Lenders**

In 86% of the criminal cases, applicants submitted multiple applications to the same or multiple lenders. In some instances, applications contained the same borrower information in multiple applications; and other applications used different business names, phone numbers, addresses, or other information.

Applicants engaged in submitting multiple fraudulent applications were also generally involved in large, complex organized fraud schemes, often in combination with other individuals, and sometimes involved circumventing affiliation rules. For example, applicants could submit their parent company information to one or more lenders and their subsidiary company information to one or more lenders to appear as independent entities, although they are not. This was done in order to obtain multiple loans despite the overlap between them.

*An owner of a Florida talent management company and eight individuals co-conspired and recruited others through a network of business contacts to file fraudulent PPP applications (at least 90 in total) through multiple lenders to receive kickbacks. Six were charged in this scheme by the Northern District of Ohio and three others by the Southern District of Florida. The scheme began with one individual successfully obtaining a fraudulent PPP loan. Following this success, individuals began obtaining additional and larger PPP loans through recruits using fake payroll numbers, falsified IRS documents, edited versions of bank statements and counterfeit checks. In one application, one of the individuals obtained a loan for his company through a bank in New Jersey, facilitated by a financial services company in the same state. The application directed the loan proceeds to be remitted/wired to the applicants' bank in Ohio, but this bank account was not stated in the application. Collectively these eight individuals obtained at least $17.4 million.*

*Would SBA's Phase III Controls Have Likely Detected this Fraud?*

The SBA had implemented several data matching features into its upfront controls to identify duplicate applications—an SBA OIG recommendation. For example, a front-end system error on the PPP submission platform warns lenders that prospective applicants already match the names and tax identifiers of previously approved applicants.

The SBA also added a hold code "Potential affiliation issue" that, if flagged, required the SBA to resolve. Additionally, the SBA does one last check in E-TRAN prior to issuing a loan number to ensure no duplicates among its searches.

*Control Gaps:*

Due to the complexity of the schemes associated with multiple fraudulent applications, limited lender review requirements, and the lenders' ability to resolve hold codes without the SBA review, additional up-front controls would have helped further mitigate the risk of this type of fraud going undetected. As an example, under the lender certification process, lenders had the ability to resolve hold codes and compliance check error messages for two primary API triggers:

- "Applicant Tax ID Discrepancy/Mismatch of TIN (EIN/SSN)"
- "Applicant Name Discrepancy/Mismatch of Entity Name (Individual or Company)"

Below are some examples of control gaps related to this fraud type. The SBA did not:

- Require lenders to enter the applicants' affiliates, as applicable, in the SBA PPP Platform so that the API could have then cross-checked the affiliates with other downstream screening systems prior to disbursement.[19]
- Track loans that PPP lenders denied and the reasons for denials, such as denied for "EIN not eligible" and embed an alert system into the PPP platform to notify lenders that another lender determined the borrower as ineligible or suspected fraud.
- Collect information on the loans which lenders have internally flagged as ineligible or fraudulent, and incorporate hold codes to allow other lenders to review these flagged applications more carefully, could reduce instances of applicants' "shopping" for weaker internal controls among lenders. This approach may have allowed lenders with less sophisticated fraud detection controls to leverage the more effective controls of other SBA lenders.
- Obtain Internet weblogs to track the Internet Protocol (IP)[20] or internet address of where borrowers submit applications. For example, in one PPP criminal case, four individuals conspired to submit 16 fraudulent PPP applications, totaling $3.1M, by providing false employee and wage information, false EINs to make it appear the business was formed prior to February 15, 2020, and fake bank statements. Some of the applications came from the same IP address for different businesses. The criminals used the proceeds to purchase luxury items.

### 3. Creating Fictious Business / Operating History

The PRAC's review of PPP criminal cases identified that in 53% of the criminal cases, applicants created fraudulent applications by fabricating fictious businesses and/or shell companies, claiming to have employees and an operating history when in fact no business or employees exist. For example, in some cases applicants applied for an EIN in the name of a fictious and/or shell company and/or a non-existent company after February 15, 2020, and then falsely represented a business and altered documentation to reflect the EIN as obtained prior to the operating eligibility date. To carry out this scheme, some applicants forged documents, used stolen identities or

19 If the applicant checked the affiliation box "No" on the PPP application, there was no further review.

20 The set of rules governing the format of data sent via the internet or local network. An IP address is a unique address that identifies a device on the internet or a local network.

created synthetic identities[21], and co-conspired with family or business associates or recruited third parties to apply for PPP loans to receive kickbacks or a share of the proceeds.

*In a case in the Eastern District of Texas, an individual filed two fraudulent PPP applications to two different lenders for the same business. The company while incorporated in November 2011 had forfeited its existence in 2018 due to a failure to file a state franchise tax return and/or pay state franchise taxes. However, the individual submitted documentation to make it appear that the business had been in operation after the forfeiture. Ultimately, one of the two applications was approved, and the individual received over $1.5 million in fraudulent PPP loans.*

*Would SBA's Phase III Controls Have Likely Detected this Fraud?*

SBA had implemented several hold codes and up-front compliance checks that could flag loans that appeared to be circumventing eligibility requirements and/or had attributes related to this fraud risk area. Lenders could resolve the following hold codes under the lender certification process without the SBA's review:

- Discrepancy/Mismatch of TIN (EIN/SSN)[22]
- Dormant Business Identified/Inactive Business
- Applicant Name Discrepancy/Mismatch of Entity Name (Individual or Company)
- Business In Operation after February 15, 2020
- Large Number of Employees at Residential Location/Large Number of Employees at Residential Business Address
- DNP Lists

The following hold codes required the SBA's review:

- Business address is currently vacant
- Business debarred, defaulted loan in last 7 years

Resolving hold codes and compliance checks, however, were highly dependent on secondary reviews by lenders and/or the SBA to verify borrower self-certifications. On February 10, 2021, the SBA issued initial guidance to lenders on documentation requirements. In response to questions raised by lenders, the SBA issued revised guidance on March 29, 2021.

The following section highlights examples of the guidance the SBA gave to lenders through Frequently Asked Questions (FAQs) and procedural notices with respect to borrower self-certifications. [23]

**Payroll cost calculations:**

*"Providing an accurate calculation of payroll costs is the responsibility of the borrower on the Borrower Application Form….Lenders are expected to perform a good faith review, in a reasonable time, of the borrower's calculations and supporting documents concerning average*

21 A *synthetic identity* is a combination of fabricated credentials where the implied identity is not associated with a real person. Fraudsters may create synthetic identities using potentially valid SSNs with accompanying false PII.

22 SBA officials told the PRAC that SBA had been working through a data exchange MOU with the IRS since last year to gain access to such data. According to an SBA official, SBA may have also requested EIN registration data for its RRF program.

23 The SBA, in consultation with the Treasury, issued guidance in 2020 and 2021 in the form of 26 Frequently Asked Questions (FAQs) to borrowers and lenders to address questions concerning the PPP, as of June 1, 2021. According to the FAQs, borrowers and lenders may rely on the guidance as the SBA's interpretation of the CARES Act and the PPP Interim Final Rules. SBA also issued 30 IFRs and several procedural notices to lenders, as of June 1, 2021. These documents served as guidance to lenders and notices of program eligibility changes.

*monthly payroll costs. For example, minimal review of calculations based on a payroll report by a recognized third-party payroll processor would be reasonable. In addition…lenders may rely on borrower representations, including with respect to amounts required to be excluded form payroll costs."*

**Affiliation Rules**: The SBA does not require lenders to make an independent determination regarding applicability of affiliation rules. According to the SBA:

*"It is the responsibility of the borrower to determine which entities (if any) are its affiliates and determine the employee headcount of the borrower and its affiliates. Lenders are permitted to rely on borrowers' certifications."*

E-TRAN may have also detected an anomaly or suspicious EIN with its third-party data provider, LexisNexis or in other datasets.

*Control Gaps:*

In addition to implementing an automated control to independently verify borrower tax information, as discussed above, the SBA may have benefitted from live sampling of higher risk lenders, particularly those new to SBA lending.

The SBA's access to EIN registration data is limited.[24] The SBA told the PRAC that as part of its final fraud-dispositioning in its EIDL program, all applications are run against a master list of EINs from hotline complaints and investigations in E-TRAN that have been flagged as barred or suspicious. The SBA should continue to work with the IRS to access EIN registration data.

### 4. Fraud: Identity Theft/Synthetic Identities

Of the 66 fraud cases reviewed, 21% involved applicants who used the personal or business information of persons known or unknown to them, and/or alive or deceased to obtain one or more PPP loans.[25] This could include an applicant falsely claiming ownership of an existing business or stealing another's identity and registering a legal business in addition to other criminal activities involving identity deception. Creating synthetic identities includes applicants who combined real and fake personal information where the implied identity is not associated with a real person.

*In a case from the District of Rhode Island, two individuals devised a scheme to create fraudulent PPP loan applications and supporting documentation for four different restaurants, one of which was not open prior to February 15, 2020, or anytime thereafter. One of the individuals did not own or have any role in the second restaurant and misrepresented his brother as having business ownership—a repeat offense from an unrelated fraud scheme. This individual submitted his brother's social security number on behalf of two of the restaurants without his consent.*

*Would SBA's Phase III Controls Have Likely Detected this Fraud?*

The SBA's access to DNP datasets (e.g., death sources) helped mitigate this fraud risk.[26] However, the controls were less likely to catch

24 SBA officials told the PRAC they had been working through a data exchange MOU with the IRS since last year to gain access to such data. According to an SBA official, the agency may have also requested EIN registration data for its RRF program.

25 The percentage of cases involving identity theft may potentially increase in 2021 given the expansion of new lenders brought on who had no prior business with SBA programs or customers.

26 According to SBA officials, SBA engaged with Treasury around the September/October 2020 timeframe to gain direct access to data sources on the DNP list but were unable to do so until March 2021 when Treasury issued its revised Computer Matching Agreement (CMA). From January to March 2021, SBA provided loans daily to Treasury to verify borrowers on DNP lists.

other cases of identity theft and synthetic identity theft involving different fraud elements.

*Control Gaps:*

Below are some examples of control gaps related to stealing identities and creating synthetic identities. As discussed earlier, SBA did not:

- Issue credit report statements to borrowers
- Obtain Internet weblogs to track IP and email addresses
- Track denied PPP loans and the reasons for denials

Additionally, although 7(a) lenders were required to report suspicious activity to the SBA OIG under the existing terms of the 7(a) program, it was not until July 2021 that the SBA asked all participating PPP lenders to report suspected application fraud to the SBA OIG and to its Office of Credit Risk Management. Having this information sooner may have allowed the SBA to modify thresholds in their up-front loan submission process. If not already being done, the SBA should use the information for the PPP loan forgiveness process.

Identity theft is a high priority for the PRAC across all COVID-19 pandemic programs.

Numerous reports and media releases by civil society and other non-governmental and independent watchdog organizations have also issued reports studies involving PPP identity theft. For example, in 2020, the Federal Bureau of Investigation's Internet Crime Complaint Center reported receiving thousands of complaints regarding emerging financial crime revolving around CARES Act stimulus funds, including PPP.

Providing a way for victims of identity theft to easily report misconduct, via an online customer service process, is an important tool in the detection system.

## Importance of a Fraud Risk Assessment in Designing and Implementing Controls

The SBA has made considerable progress in adding the up-front antifraud controls for the 2021 PPP loans. However, the SBA's reticence to conduct a formal fraud risk assessment for PPP calls into question the SBA's continual commitment to an antifraud tone and a stop to the "pay and chase" model found in the 2020 PPP criminal cases. The SBA's design and implementation of its Phase III controls would have significantly benefitted from a formal fraud risk assessment prior to the re-launch of PPP in January 2021. The PRAC found that a key underlying factor contributing to the control gaps in SBA's PPP Phase III antifraud controls was the lack of a formal fraud risk assessment.

A fraud risk assessment helps agencies combat fraud in a strategic, risk-based way with:

- a continual commitment to creating a culture to fraud risk management,
- ongoing assessment and monitoring of fraud risks to determine a fraud risk profile,
- designing and implementing a strategy with specific control activities to mitigate assessed fraud, and
- evaluating and adapting fraud risk activities as changes to the program may evolve.

*Commitment to Creating a Culture of Fraud Risk Management*

Best practices call for sound fraud risk management practices and due diligence in fraud prevention, detection, and response to mitigate the risk of fraud, waste, and abuse. On December 9, 2021, the SBA approved a Fraud Risk Assessment Summary Report and assessment workbook that its contractor had developed, dated October 29, 2021, for its PPP and EIDL programs—an open GAO recommendation. Among other things, the fraud risk assessment identified high, medium, and low fraud risks within the PPP and EIDL programs, including some risks that are the result of technology gaps, internal control weaknesses, and/or lack of compliance with requirements. The SBA's contractor made recommendations, several of which reinforce the GAO's prior recommendation related to documenting an antifraud strategy for the PPP which would outline a strategic approach to managing fraud risks.[27]

Additionally, on November 15, 2021, the SBA's independent auditor reported that SBA did not adequately document the internal control system and processes related to the implementation of new programs, including RRF, and did not implement an effective risk assessment process for PPP loan guarantees. For example, the 2021 PPP loan guarantees were subject to a limited set of validation checks as compared to the 2020 PPP loan guarantees without a documented risk assessment determining the rationale for why a lower response was necessary.

*Ongoing Assessment and Monitoring*

With respect to ongoing assessment and monitoring, the SBA told the PRAC that it did not monitor PPP lenders on the approved lender list during loan origination. In July 2021, the agency was in the process of developing aspects of its lender oversight plans but provided the PRAC an overview document which appeared to

27 In March 2021, GAO reported that SBA did not conduct a comprehensive fraud risk assessment for its COVID-19 pandemic programs, including PPP, and did not document its antifraud strategy for PPP which would outline a strategic approach to managing fraud risks. On December 10, 2021, the SBA provided the PRAC a Fraud Risk Assessment Summary report and assessment details that one of its contractors issued to the SBA.

focus largely on the aggregate risk of the PPP portfolio at loan forgiveness. The SBA began an aggregate review process to identify trends within and across lenders in March 2021.

The PRAC believes on-site lender and servicer reviews should not wait until after the loan is approved and disbursed. Also, criminals who received loan proceeds and have not been caught may never apply for forgiveness. Without monitoring lenders, there is no assurance lenders conducted adequate customer due diligence. The SBA would need to conduct an extensive post-audit on at least the high-risk lenders to assess whether the lender conducted a "good faith" review of the applicant and was eligible to receive the processing fee. If not, the SBA should recoup the fees.

*Designing and Implementing a Strategy with Specific Control Activities to Mitigate Fraud*

According to the SBA, during the retrospective review of the 2020 loans, its contractor had identified some fraud risks and challenges, and corresponding mitigation strategies/residual risks. While not a formal fraud risk assessment, taking a step further to map the fraud risks to specific control activities (i.e., to the Phase III controls) may have helped mitigate the assessed fraud and inform rule development. For example, according to the SBA, it did not adapt the results of manual reviews over time to edit rules or tune thresholds partly due to concerns related to statutory timeframes for forgiveness. Instead, SBA tailored the manual review process to mitigate the risks of any loans reviewed that triggered an alert or flag.[28]

*Evaluating and Adapting Fraud Risk Activities as Changes to the Program Evolve*

Lastly, given the evolving set of PPP program changes, using analysis of identified fraud and fraud trends, conducting continuous monitoring, and communicating results across lenders could have served as an early warning system to help modify existing fraud controls and thresholds and respond quickly to emerging risks, thus minimizing the impact of fraud. Without a rigorous fraud risk framework already in place, keeping pace with the evolving program changes would have been challenging for SBA to adapt and respond to new and emerging risks and assess whether they necessitate additional controls.

28 In July 2021, the PRAC requested the SBA provide documentation detailing its manual review process. As of December 10, 2021, the manual review process is still undergoing review and has not yet been released to the PRAC.

# Appendix A: Scope and Methodology

The objective of this limited scope evaluation was to examine whether the SBA's Phase III PPP controls, those in place for the 2021 loans (and purportedly being applied in SBA's Restaurant Revitalization Fund (RRF) program), would have likely detected the fraud that has been identified in PPP criminal cases.

The scope of our review of PPP fraud included a review of 66 publicly released DOJ) PPP cases from May 2020 to December 2020 and associated court documents to identify the fraud schemes that resulted in criminal charges, then an assessment of the Phase III controls that the SBA put into place in 2021 to determine whether they would have likely detected the fraud that occurred and not allowed the loan to be processed. Additionally, we reviewed the SBA's 2020 Phases I and II controls to identify what changed and the deficiencies the SBA addressed when it re-launched the PPP in January 2021.

To assess whether the Phase III controls would have likely detected the fraud that occurred, we identified the top fraud schemes/fraud types from the 66 cases and retrospectively mapped the controls to the specific fraud to identify any gaps in controls or residual fraud risks. This assessment entailed conducting multiple interviews with SBA officials, including obtaining a limited walkthrough of the 2021 loan origination process, and obtaining several documents and other information in response to inquiries. We also conducted an interview with Treasury officials as it relates to the SBA's access and use of the Do Not Pay system and the approval of nonbank/non-federally regulated lenders new to PPP.

Throughout the evaluation, we monitored 2021 PPP and RRF criminal cases to identify any potential instances of alleged fraud continuing to occur after the SBA implemented its 2021 safeguards.

### Limitations

We obtained documentation from the SBA on the controls they purportedly implemented or planned to implement in the RRF, but due to the limited scope evaluation, we did not conduct a detailed review or assess their effectiveness. Also given the limited scope, we did not assess the integrity, accuracy, and/or availability of SBA's loan origination PPP platform or the systems or databases that PPP lenders used to verify borrowers' self-reported loan information. We did, however, obtain a subset of hold codes from the loans associated with the 66 cases to obtain a general understanding of the treatment of hold codes relevant to PPP loans in 2021.

Any gaps in controls identified through the limited testing, would only represent examples of control weaknesses, and should not be construed as pervasive or systemic weaknesses.

Additionally, there were limitations in the completeness and availability of data on lenders associated with the 66 cases. Lender information for many of the loans was not always complete and/or available in the public and non-public PPP data sources.

### Coordination

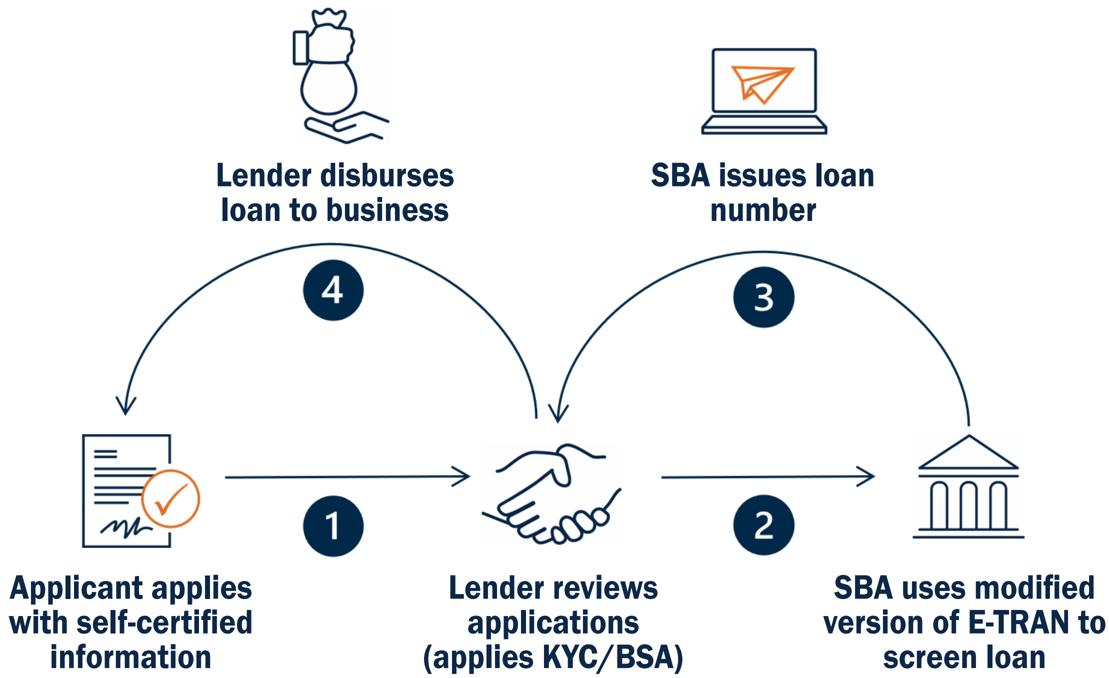
We coordinated with the SBA OIG prior to announcing the evaluation to ensure their ongoing work is safeguarded and deconflicted from the PRAC reporting. We also coordinated with the SBA OIG and the SBA on the status of prior recommendations and findings and with the GAO on prior related work and recommendations.

The PRAC conducted this evaluation from April 29, 2021, to December 31, 2021, in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

# Appendix B: SBA's 2020 Loan Origination Process and PPP Safeguards

The SBA leveraged the controls from its 7(a) program to help design the controls for the PPP. In the 7(a) program, the SBA relies on the lender to know their customer and has an underwriting role. Because the SBA had no underwriting role in PPP, it structured the PPP loan origination process most similarly to its SBA Express loan program and Preferred Lender Program, where underwriting is performed by the SBA's delegated lenders.[29] According to the SBA, it used these assumptions, in addition to the temporary nature of the PPP with a high-volume of loans and the statutory timeframe for forgiveness, to design and implement antifraud controls for the 2020 loans. Some of the controls extended into 2021.

**Figure 3: SBA Processing of PPP Loans with 2020 Controls (referred to as Phase I and II)**




*Source: PRAC analysis of SBA documentation of Phase I and II controls and process information*

Below is a full list of SBA's 2020 PPP (Phases I and II) antifraud controls:

**Approved PPP lender list and Lender KYC (as discussed in Phase III controls)**

**E-TRAN Platform Updates** – The SBA modified controls (added and removed) to its existing 7(a) loan submission platform (E-TRAN), including adding a feature to identify borrowers with duplicate tax identifiers. SBA removed controls to identify ownership and controlling interest in a business. Notably, PPP disbursed more than 4,200 loans to borrowers with the same tax and business identifiers in early 2020, despite this feature.

29 SBA Express program features an accelerated turnaround time (within 36 hours) for SBA review.

When it came time to begin forgiving loans, SBA introduced several additional safeguards to its 2020 loan forgiveness process by instituting:

**Automated Screening Rules** – The SBA, in conjunction with its contractor, retroactively screened all 5.2 million loans that lenders approved in 2020 against publicly available information and 19 fraud detection rules that, according to SBA documentation, resulted in about 1.9 million "alerted loans." Alerted loans identified anomalies or attributes that could indicate noncompliance with eligibility requirements, fraud, or abuse. For example, the automated screening tool flags loans made to a borrower in active bankruptcy or who used the TIN of a deceased person. Other screening rules included:

- Criminal Record[30]
- Inactive Business
- Mismatch of TIN (EIN/SSN)
- Entity in Operation after February 15, 2020
- Large number of Employees at Residential Business Address
- Maximum Loan Size (annual salary limit)
- Business address is currently vacant (according to public record)

**Aggregate Review** – Used as an additional screening process, the aggregate review was intended to identify and analyze relationships across loans, borrowers, and lenders to identify potentially suspicious relationships and activities. SBA's contractor used a proprietary rules-based script to analyze the PPP loan portfolio.[31]

**Manual Review of Loans Less Than $2 Million** – In addition to automated screening, using internet searches and public data records to check information contained in borrowers' applications, SBA's contractor manually reviewed certain loans less than $2 million that triggered an alert or flag to determine whether the loan required referral to SBA for further action. Manual review flag(s)/alert(s) included:

- Do Not Pay (DNP),
- Borrower or Lender is Involved in OIG Investigation
- Duplicate TIN
- FBI - Identified as Fraudulent Tax

**Batch-Dispositioning Loans as No Further Action** – In fall 2020, the SBA authorized its contractor to develop a proprietary modeling tool to expedite the manual review process of the remaining alerted loans by batch-dispositioning certain groups as "No Further Action."[32]

In addition, the SBA also manually reviewed the loans "Requiring Further Action" as well as a sample of loans under $2 million.

**Hold Codes** – The results of the automated screenings and manual reviews yielded hold codes on certain suspect 2020 PPP loans, prohibiting borrowers for both loan forgiveness and receiving additional PPP funds in 2021 until the hold codes were cleared. For example, borrowers that submitted a Second Draw loan application with a hold code or compliance error from the 2020 screening process was put on hold in 2021 until resolved.[33]

30 SBA revised its guidance on criminal records in June 2020 and again in March 2021, which impacted the parameters for mitigating these rules.

31 As of December 10, 2021, the PRAC has not received details on SBA's aggregate review process.

32 According to SBA's independent auditors' report on November 15, 2021, SBA did not demonstrate effective monitoring controls over the results from its contractor involved in the 2020 PPP loan review process. Loans determined by the contractor as "No Further Action" were not subsequently reviewed by SBA.

33 As reported by GAO, "according to SBA officials, as of March 2021, SBA was issuing loan numbers for more than 96 percent of new loans within 48 hours of submission, and there were about 190,000 applications with outstanding hold codes."

In December 2020, the SBA's independent financial statement auditor reported deficiencies considered to be material weaknesses in internal controls over financial reporting as it relates to the approval and reporting of PPP loan guarantees and entity level controls, among others. For example, the auditor reported that there were over 2 million approved PPP loans with an approximate value of $189 billion flagged by management for one or more of 35 reasons (e.g., business in operation after February 15, 2020, mismatch of TIN/EIN/SSN, criminal record, mismatch of individual or company entity name, aggregated data mismatch, or inactive business). SBA was unable to provide the auditor adequate documentation to support a significant number of transactions related to PPP due to inadequate processes and controls.

# Appendix C: 66 DOJ PPP Fraud-Related Criminal Cases from May 2020 to December 2020

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 1: Two Charged in Rhode Island with Stimulus Fraud | Bank fraud, aggravated identity theft | ● | ● | ● | ● | ● |
| Case 2: Reality TV Personality Charged with Bank Fraud | Bank fraud | ● | | | | ● |
| Case 3: Engineer Charged in Texas with COVID-Relief Fraud | Wire fraud, bank fraud, false statements to a financial institution and false statements to SBA | ● | ● | ● | ● | ● |
| Case 4: Texas Man Charged with $5 Million COVID-Relief Fraud | Wire fraud, bank fraud, false statements to a financial institution and false statements to SBA | ● | ● | ● | | ● |
| Case 5: Software Engineer Charged in Washington with COVID-Relief Fraud | Wire fraud, bank fraud | ● | ● | ● | | ● |
| Case 6: Hollywood Executive Arrested on Federal Fraud Charges that Allege He Pocketed Money from COVID-19 Relief Program | Wire fraud, bank fraud, making false statements to a financial institution, making false statements to SBA. | ● | ● | ● | | ● |
| Case 7: Arkansas Project Manager Charged in Oklahoma with COVID-Relief Fraud | Wire fraud, bank fraud, making false statements to a financial institution, making false statements to SBA. | ● | ● | ● | | ● |
| Case 8: Illinois Business Owner Charged with COVID-Relief Fraud | Bank fraud, making false statements to a financial institution. | ● | ● | | | ● |
| Case 9: Federal Complaint Filed Against Austin Man for Multi-Million Dollar Fraud Scheme Related to the SBA Paycheck Protection Program During COVID-19 Pandemic | Wire fraud, making false statements to the SBA. | ● | ● | ● | ● | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 10: Texas Man Charged with COVID-Relief Fraud, False Statements and Money Laundering | Wire fraud, false statements to a bank, money laundering | ● | ● | | | ● |
| Case 11: Ophthalmologist Previously Charged With Healthcare Fraud Indicted For Defrauding SBA Program Intended To Help Small Businesses During COVID-19 Pandemic | Making false statements to a bank, making false statements | ● | ● | | | ● |
| Case 12: Houston man charged with COVID relief fraud | Making false statements, bank fraud, falsified own identity. | ● | ● | ● | ● | ● |
| Case 13: Dayton business owner charged with COVID-relief fraud | Bank fraud, making false statements to a bank | ● | ● | | | ● |
| Case 14: Seattle Doctor Charged with COVID Relief Fraud | Wire fraud, bank fraud | ● | ● | ● | | ● |
| Case 15: Two Utahns Charged With Covid-Relief Fraud After Failing To Disclose Applicant Was Under Federal Indictment | Conspiracy, removal of property to prevent seizure, loan application fraud, wire fraud, money laundering | | ● | | | ● |
| Case 16: Madison Man Charged with CARES Act Fraud | Wire fraud, money laundering | | ● | | | ● |
| Case 17: Florida Man Charged with COVID Relief Fraud and Health Care Fraud | Wire fraud, conspiracy to commit health fraud, payment of health care kickbacks, and making false statements to a financial institution. | ● | ● | | | ● |
| Case 18: Another Houston man charged with COVID relief fraud | Making false statements to a financial institution, wire fraud, bank fraud, and engaging in unlawful monetary transactions. | | ● | ● | | ● |
| Case 19: Winchester Man Charged with COVID-Relief Fraud | Wire fraud, making false statement to a financial institution | ● | ● | | | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 20: Little Rock Woman Charged with COVID Relief Fraud | Bank fraud, making a false statement on a loan application, engaging in monetary transaction with proceeds of unlawful activity. | ● | ● | ● | | ● |
| Case 21: West L.A. Man Charged with Fraudulently Obtaining about $9 Million in COVID-Relief Loans, Some of Which He Gambled Away in Las Vegas | Bank fraud | ● | ● | | | ● |
| Case 22: Washington Tech Executive Charged with COVID-Relief Fraud and Money Laundering | Wire fraud, money laundering | ● | ● | ● | | ● |
| Case 23: Florida Man who Used COVID-Relief Funds to Purchase Lamborghini Sports Car Charged in Miami Federal Court | Bank fraud, making false statements to a financial institution, engaging in transactions in unlawful proceeds. | ● | ● | ● | | ● |
| Case 24: Florida Man Charged with COVID Relief Fraud, Health Care Fraud and Money Laundering | Wire fraud, health care fraud, conspiracy to commit health care fraud and wire fraud, making false statements to a financial institution, money laundering | | ● | | | ● |
| Case 25: Houston entrepreneur charged with spending COVID relief funds on improper expenses including Lamborghini and strip club | Making false statements to a financial institution, wire fraud, bank fraud, and engaging in unlawful monetary transactions. | ● | ● | ● | ● | ● |
| Case 26: Five Charged in Connection with an over $4 Million Paycheck Protection Program Fraud Scheme | Conspiracy to commit bank and wire fraud, bank fraud, wire fraud, false statements to a financial institution and money laundering. | ● | ● | | | ● |
| Case 27: Nine charged in $24 million COVID-relief fraud scheme | Wire fraud, bank fraud, obstruction of justice, conspiracy to commit bank and wire fraud. | ● | ● | | | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 28: San Fernando Valley Man Charged with Fraudulently Obtaining COVID-Relief Loans for His Sham Sewing Company | Bank fraud | ● | ● | ● | | ● |
| Case 29: District Man Charged with Over $2 Million in Paycheck Protection Program and Related Loan Fraud | Embezzlement, bank fraud, wire fraud, money laundering | ● | ● | ● | | ● |
| Case 30: Nevada Woman Charged with COVID-Relief Fraud | Bank fraud | ● | ● | ● | | ● |
| Case 31: Taiwanese National Arrested for Misrepresenting Employee Payroll Figures for Multiple Companies to Receive COVID-19 Loan Funds; Spent Over $275,000 of Loan Proceeds on Personal Luxury Expenses | Identity theft, bank fraud, wire fraud, making false statements to a bank, forging e-signature of a payroll company employee in payroll documents | ● | ● | | ● | ● |
| Case 32: Minnesota Man Charged with COVID-Relief Fraud and Money Laundering | Wire fraud, money laundering | ● | ● | | ● | ● |
| Case 33: Man Pleads Guilty to COVID-19 Fraud Involving Paycheck Protection Program | Conspiracy to defraud the U.S. | ● | ● | ● | | ● |
| Case 34: North Carolina Man Charged with COVID-19 Relief Fraud | Wire fraud, bank fraud | ● | ● | | | ● |
| Case 35: Miami Neighbors Charged with COVID-Relief Fraud after Falsely Claiming to be Farmers | Wire fraud, false statements | ● | ● | ● | | ● |
| Case 36: Nevada Man Charged with Using COVID-Relief Funds to Buy House | Wire fraud, bank fraud, concealment of money laundering and engaging in unlawful monetary transactions | ● | ● | ● | | ● |
| Case 37: Two Men Who Allegedly Used Synthetic Identities, Existing Shell Companies, and Prior Fraud Experience to Exploit Covid-19 Relief Programs Charged in Miami Federal Court | Bank fraud, conspiracy for allegedly using synthetic identities for defrauding banks and stealing | ● | ● | ● | ● | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 38: Michigan Man Charged with COVID-Relief Fraud | Wire fraud | ● | ● | ● | | ● |
| Case 39: New Jersey Attorney Charged with Fraudulently Obtaining $9 Million in Loans Meant to Help Small Businesses During COVID-19 Pandemic | Bank fraud, money laundering | ● | ● | | ● | ● |
| Case 40: NFL Player Charged in South Florida Federal Court for Alleged Role in $24 Million COVID-Relief Fraud Scheme | Wire fraud, bank fraud, conspiracy to commit wire fraud, conspiracy to commit bank fraud | ● | | ● | | ● |
| Case 41: Seven Charged in Connection with a $2.1 Million Money Laundering Scheme that Involved Money from the Paycheck Protection Program | Wire fraud, money laundering | ● | | | | ● |
| Case 42: Two Brothers Charged with COVID Relief Fraud | Wire fraud conspiracy | ● | ● | ● | | ● |
| Case 43: Texas Man Charged in Miami Federal Court with Using False Payroll Documents To Obtain $1.2 Million in Covid Relief | Bank fraud, making false statements to a financial institution | ● | ● | | | ● |
| Case 44: RI Man Charged with Fraudulently Seeking $4.7 Million in Covid-19 Stimulus Loans | Making false statements to SBA, Bank Fraud | ● | ● | ● | | ● |
| Case 45: North Carolina Man Charged with Fraudulently Seeking Over $6 Million in COVID Relief Funds | Wire Fraud, Bank Fraud, Engaging in Unlawful monetary transactions | ● | ● | ● | | ● |
| Case 46: Hawaii CEO Charged with COVID-Relief Fraud | Bank fraud, money laundering | ● | ● | | | ● |
| Case 47: Florida Recording Artist and Pennsylvania Man Charged for Role in $24 Million COVID-Relief Fraud Scheme | Wire Fraud, Bank Fraud | ● | ● | | | ● |
| Case 48: Texas Man Charged In $24 Million COVID-Relief Fraud | Wire Fraud, Bank Fraud, Money Laundering | ● | ● | ● | | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 49: Leesburg Man Arrested for $2.5M CARES Act Loan Fraud | Bank Fraud | ● | ● | | | ● |
| Case 50: Five Charged in Connection with COVID-Relief Fraud Scheme | Bank fraud, money laundering | ● | ● | ● | | ● |
| Case 51: Dade City Man Charged with COVID Relief Fraud | Bank Fraud, Illegal Monetary Transactions | ● | | ● | | ● |
| Case 52: Washington man charged with COVID-relief fraud | Wire Fraud | ● | ● | ● | | ● |
| Case 53: Northridge Man Arrested on Charges that Business Partner and He Fraudulently Obtained Nearly $2 Million in COVID-Relief PPP Loans | Making false statements to the government and SBA, Wire Fraud, Bank Fraud, Conspiracy | ● | ● | ● | | ● |
| Case 54: Macomb Township Resident Charged In COVID-19 Bank Fraud Scheme | Bank Fraud | ● | ● | | ● | ● |
| Case 55: Local Basketball Coach Charged in Federal Court with Defrauding Covid-19 Relief Program out of Almost $1 Million | Bank Fraud, Money Laundering, Engaging in Transactions in Unlawful Proceeds, Making False Statements to a financial institution | | | | | ● |
| Case 56: Maple Grove Man Charged With Defrauding The U.S. Small Business Administration's Paycheck Protection Program | Wire fraud | ● | | ● | ● | ● |
| Case 57: Seven Charged in Connection with a COVID-Relief Fraud Scheme Involving more than 80 Fraudulent Loan Applications Worth Approximately $16 Million | Wire Fraud, Conspiracy to Commit Wire Fraud, Money Laundering | ● | ● | ● | | ● |
| Case 58: 4 San Fernando Valley Residents Indicted for Fraudulently Obtaining Nearly $5 Million in COVID-Relief Loans for Fake Businesses | Conspiracy to commit wire fraud, bank fraud, wire fraud, identity theft | ● | ● | | ● | ● |

| *DOJ Press Release* | *Criminal Charges* | *Fake Documents* | *Multiple Applications* | *Fake Business/ Operating History* | *ID Theft/ Synthetic IDs* | *Misrepresenting Self-Certified Information* |
|---|---|---|---|---|---|---|
| Case 59: Warren County Businessman Arrested for Fraudulently Obtaining Nearly $2 Million in Loans Meant to Help Small Businesses During COVID-19 Pandemic | Wire Fraud, Bank Fraud, Money Laundering | ● | ● | | | ● |
| Case 60: 3 Defendants Arrested For Over $13 Million Fraud Scheme To Obtain Loans Intended To Help Small Businesses During COVID-19 Pandemic | Wire Fraud, Major Fraud, Conspiracy to Make False Statements | ● | ● | | | ● |
| Case 61: Sussex County Man Charged with Fraudulently Obtaining $5.6 Million Loan Meant to Help Small Businesses During COVID-19 Pandemic | Bank Fraud and Money Laundering | ● | | | | ● |
| Case 62: Three From Northwest Arkansas Plead Guilty To Making False Statements To Obtain Coronavirus Relief Fund | Making a false statement | ● | | | ● | ● |
| Case 63: North Carolina Restaurant Owner and Son Charged With COVID-Relief Fraud | Wire Fraud, Bank Fraud | ● | ● | ● | | ● |
| Case 64: Four Charged with Covid-19 Fraud | Wire Fraud, Money Laundering | ● | ● | ● | | ● |
| Case 65: Two Men Charged After Fraudulently Applying for Paycheck Protection Program Loans | Identity Theft, Bank Fraud | | | | ● | ● |
| Case 66: Nevada Man Charged with Covid-Relief Fraud | Wire Fraud, Engaging in Transactions in Unlawful Proceeds | ● | ● | | | ● |

## PRAC Point of Contact:

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## Visit our website at:

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## Report fraud, waste, abuse, or misconduct:

To report allegations of fraud, waste, abuse, or misconduct regarding pandemic relief funds or programs please go to the PRAC website at PandemicOversight.gov.

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE

A Committee of the
Council of the Inspectors General
on Integrity and Efficiency