Fact Sheet: Combatting COVID-19 Fraud

In May 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Department of Justice in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The task force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by, among other methods, augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts.

PPP and EIDL fraud

Prominent among the department's efforts have been cases involving PPP and EIDL fraud. Across the department, including the Criminal Division's Fraud Section and U.S. Attorney's Offices, approximately 500 defendants have been charged in over 340 cases with alleged intended losses of over $700 million.

- Relatedly, the department has seized over $1 billion in EIDL loan proceeds, primarily through the work of the U.S. Attorney's Office for the District of Colorado and their partners at the U.S. Secret Service.
- Fraudsters have targeted the EIDL program, which was designed to provide loans to small businesses, agricultural and non-profit entities, by applying for advances and loans on behalf of ineligible newly-created, shell, or non-existent businesses, and diverting the funds for illegal purposes. The EIDL Fraud Task Force in Colorado, comprised of personnel from five federal law enforcement agencies and federal prosecutors, is investigating a broad swath of allegedly fraudulently loans and their applicants. It is working to identify individual wrongdoers and networks of fraudsters appropriate for prosecution.
- The PPP and EIDL criminal cases involve a range of conduct, from individual business owners who have inflated their payroll expenses to obtain larger loans than they otherwise would have qualified for, to serial fraudsters who revived dormant corporations and purchased shell companies with no actual operations to apply for multiple loans falsely stating they had significant payroll, to organized criminal networks submitting identical loan applications and supporting documents under the names of different companies. Most charged defendants have misappropriated loan proceeds for prohibited purposes, such as the purchase of houses, cars, jewelry, and other luxury items.
- In one case, *U.S. v. Dinesh Sah*, in the Northern District of Texas, the defendant applied for 15 different PPP loans to eight different lenders, using 11 different companies, seeking a total of $24.8 million. The defendant obtained approximately $17.3 million and used the proceeds to purchase multiple homes, jewelry, and luxury vehicles. In 2021, Sah pleaded guilty to wire fraud and money laundering offenses and was sentenced to more than 11 years in prison.
- In *U.S. v. Richard Ayvazyan, et al.*, in the Central District of California, eight defendants applied for at least 151 PPP and EIDL loans seeking over $21 million using stolen and fictitious identities and sham companies, and laundered the proceeds through a web of bank accounts to purchase real estate, securities, jewelry, and other luxury goods. In 2021, four of those eight defendants were convicted at trial and the other four pleaded guilty. Two of the defendants in that scheme, Richard Ayvazyan and Marietta Terabelian, were sentenced *in absentia* – as they fled and failed to appear

in court after their trial convictions – to 17 years and six years, respectively. Two other defendants in that scheme, Tamara Dadyan and Artur Ayvazyan, were sentenced to 130 months and five years, respectively. Richard Ayvazyan and Marietta Terabelian were recently arrested in Montenegro together with Tamara Dadyan, who fled after failing to report to serve her sentence. The three fugitives remain in custody pending extradition to the United States.

- In *U.S. v. Amir Aqeel, et al.*, in the Southern District of Texas, 15 individuals across two states allegedly applied for more than 80 false and fraudulent PPP loan applications seeking over $35 million by falsifying the number of employees and the average monthly payroll expenses of the applicant businesses. Six of the defendants have pleaded guilty and the remaining co-conspirators are pending trial.
- In *U.S. v. Eric Shibley*, in the Western District of Washington, the defendant, a Seattle doctor, was convicted at trial of wire fraud, bank fraud, and money laundering in connection with his scheme to fraudulently seek over $3.5 million in PPP and EIDL funds in the names of businesses with no actual operations or by otherwise misrepresenting the business's eligibility for those loans.

UI Fraud

Due to the COVID-19 pandemic, up to $860 billion in federal funds has been appropriated for UI benefits through September 2021. Early investigation and analysis indicate that international organized criminal groups have targeted these funds by using stolen identities to file for UI benefits. Domestic criminals, ranging from identity thieves to violent street gangs to prison inmates, have also committed UI fraud. In response, the department established the National Unemployment Insurance Fraud Task Force, a prosecutor-led multi-agency task force with representatives from more than eight different federal law enforcement agencies to coordinate those efforts. U.S. Attorney's Offices around the country have worked with law enforcement partners to investigate and arrest those responsible for committing UI fraud. Since the start of the pandemic, over 430 defendants have been charged and arrested for federal offenses related to UI fraud.

- In one case, *U.S. v. Njokem, et al.*, in the District of Maryland, three conspirators were indicted and arrested for conspiring to file more than $2.7 million in fraudulent UI claims from February 2020 through February 2021.

COVID-19 Health Care Fraud Enforcement

The Criminal Division Health Care Fraud Unit has charged criminal cases involving various fraud schemes that were designed to exploit the COVID-19 pandemic. These cases include clinical laboratory testing schemes where COVID-19 testing was offered in order to obtain Medicare beneficiary information that then was used to submit medical claims to health care insurance programs for unrelated and medically unnecessary – and far more expensive – testing; telemedicine fraud that exploited policies that were put in place by Centers for Medicare & Medicaid Services to enable increased access to care during the COVID-19 pandemic; CARES Act Provider Relief Fund fraud, in which monies provided for needed medical care were misappropriated by health care providers for personal purposes; COVID-19 vaccine and vaccination record card fraud; and schemes by health care providers to defraud investors or consumers in connection with the pandemic.

- In May, the department announced a coordinated law enforcement action to combat health care fraud related to COVID-19 that included criminal charges against a telemedicine company executive, physician, marketers, and medical business owners for COVID-19 related fraud schemes with losses exceeding $143 million.
- In *U.S. v. Stein et al.*, in the Southern District of Florida, two defendants have been charged in connection with the alleged exploitation of temporary waivers of telehealth restrictions, which resulted in the submission of over $73 million in claims for medically unnecessary cancer and cardiovascular genetic testing.
- In *U.S. v. Staley*, in the Southern District of California, a physician who attempted to profit from the pandemic by marketing a "miracle cure" for COVID-19, pleaded guilty and admitted that he tried to smuggle hydroxychloroquine into the United States to sell in his coronavirus "treatment kits."
- Through the department's International Computer Hacking and Intellectual Property (ICHIP) program, jointly administered by the Criminal Division's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and the Computer Crime and Intellectual Property Section (CCIPS), ICHIP advisors have provided assistance and case-based mentoring to foreign counterparts around the globe to help detect, investigate and prosecute fraud related to the pandemic. The ICHIPs have helped counterparts combat cyber-enabled crime (e.g., online fraud) and intellectual property crime, including fraudulent and mislabeled COVID-19 treatments and sales of counterfeit pharmaceuticals. ICHIPs conducted webinars for foreign prosecutors and law enforcement in Asia, Africa, Europe, South and Central America and Mexico on detecting online fraudulent sales of COVID-19 vaccines and counterfeit pharmaceuticals. This has resulted in the take down of multiple online COVID-19 scams and significant seizures of counterfeit medicines and medical supplies such as masks, gloves, hand sanitizers and other illicit goods.
- The department also continued its efforts to combat coronavirus-related fraud schemes targeting American consumers through criminal and civil actions. With scammers around the world attempting to sell fake and unlawful cures, treatments, and personal protective equipment, the department brought dozens of civil and criminal enforcement actions during the pandemic to safeguard Americans' health and economic security. In 2021, the department prosecuted, secured civil injunctions, or instituted proceedings against more than a dozen defendants who sold products, such as vitamin supplements and "colloidal silver" supplements, using false or unapproved claims about the products' abilities to prevent or treat COVID-19 infections. The department has also worked to shutter hundreds of fraudulent websites that were facilitating consumer scams and is coordinating with numerous agency partners to prevent and deter vaccine-related fraud.
- The department is using numerous civil tools to address fraud in connection with pandemic relief programs. Since enactment of the CARES Act, the Civil Fraud Section has opened over 240 civil investigations into more than 1,800 individuals and entities for alleged misconduct in connection with over $6 billion in pandemic relief program funds. The department also has reached civil settlements under the False Claims Act (FCA) and the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) that have avoided millions of dollars in losses to the government.
- For example, the department recently reached several civil settlements involving small businesses that knowingly received multiple PPP loans in violation of the program rule in effect during the first round of PPP disbursements that limited a borrower to one PPP loan.
- In one settlement, Sandeep S. Walia, M.D. and his medical practice, Walia PMC, paid $70,000 in damages and penalties to resolve allegations under the FCA and FIRREA that Dr. Walia, on behalf of his practice, falsely certified in an application for a second PPP loan that the medical practice

had not previously received a PPP loan. As part of the civil settlement, the medical practice also agreed to repay the second PPP loan to the lender, with interest, relieving the SBA of liability for the federal guaranty of over $430,000 on the improper loan.

- Similarly, Sextant Marine Consulting LLC, a Florida-based duct cleaning company, paid $30,000 in damages and civil penalties to settle allegations that it violated the FCA by obtaining more than one PPP loan in 2020. Sextant also repaid the duplicative PPP funds in full to its lender, relieving the SBA of liability to the lender for the federal guaranty of approximately $170,000 on the improper loan.
- The department has also pursued cases against eligible borrowers for using PPP funds to pay for impermissible expenses, such as https://www.justice.gov/opa/pr/owner-jet-charter-company-settles-false-claims-act-allegations-regarding-misappropriation, the owner of jet charter company All in Jets LLC dba JetReady (JetReady) who paid $287,055 to settle allegations that he diverted PPP funds to pay for personal, non-company related expenses.

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