



PROGRAM MATERIALS

Program #30176

July 28, 2020

CARES Act Enforcement

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CARES Act Enforcement

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CARES ACT OVERVIEW

- Jan. 26, 2020: First confirmed COVID-19 case in U.S.
- Mar. 13, 2020: Emergency Declaration under National Emergencies Act
- Mar. 27 2020: CARES Act signed into law
 - \$2 trillion relief package
 - \$560 billion to direct economic impact payments to Taxpayers
 - \$350 billion to Payroll Protection Program (“PPP”)
 - Second round of another \$310 billion passed in April
 - Creation of Employer Tax Credits
 - Amendment of NOL Carryback Rules

Payroll Protection Program (“PPP”)

- ▶ Mar. 27: First wave of PPP funds (\$350 billion) authorized under CARES Act
- ▶ Apr. 16: First wave of PPP funds exhausted
- ▶ Apr. 24: Second wave of PPP funds authorized (\$310 billion)
- ▶ May 4: First indictment for PPP fraud filed (District of Rhode Island)
- ▶ July 6: SBA/IRS release data on PPP loan recipients

GOA Report on COVID-19

- ▶ June 25: Gov't Accountability Office releases report on COVID-19 Response
 - ▶ Finds a "significant risk" of fraud in the PPP Program
- ▶ ***"Because of the number of loans approved, the speed with which they were processed, and the limited safeguards, there is a significant risk that some fraudulent or inflated applications were approved In addition, the lack of clear guidance has increased the likelihood that borrowers may misuse loan proceeds or be surprised they do not qualify for full loan forgiveness."*** GOA-20-625 (June 25, 2020)

Lessons from TARP - Overview

- ▶ \$700 billion stimulus program (reduced to \$475B by Dodd Frank)
 - ▶ CARES Act exceeds \$3 billion by comparison
- ▶ Beneficiaries: auto, banking, housing, insurance industries
- ▶ Creation of TARP Special Inspector General (“SIGTARP”)
- ▶ SIGTARP worked together with agencies (e.g., SEC) and Department of Justice

Lessons from TARP - Enforcement

- ▶ SIGTARP working in collaboration with DOJ
- ▶ Stats:
 - ▶ 300 defendants sentenced to prison
 - ▶ > \$11 billion returned to government in fines/forfeiture/restitution
 - ▶ Statutes implicated: conspiracy to defraud government (18 U.S.C. § 371); bank fraud (18 U.S.C. § 1344); wire fraud (18 U.S.C. § 1343); false loan / credit apps (18 U.S.C. § 1014); false bank entries, reports and transactions (18 U.S.C. § 1005).
 - ▶ Cases still being processed
 - ▶ E.g., Feb. 2020 sentence of banker to 5 years prison and \$23.5m forfeiture

CARES Act Enforcement Overview

- “Whole of Government Approach”
- Creation of Watchdogs
 - Pandemic Response Accountability Committee
 - Special Inspector General for Pandemic Recovery (mimicks SIGTARP)
 - Congressional Oversight Committee
- Additional Funding to Inspectors General
 - \$25 million to SBA IG
 - \$35 million to Treasury IG
- IRS Civil and Criminal Divisions to play a large role in enforcement

Enforcement Collaboration

Collaboration

- Special Inspector General
- Agencies (IRS CID / SBA / FTC / SEC)
- Department of Justice
- National Center for Disaster Fraud
- Executive Office of the United States Attorneys
- States
- TIGTA
- Cyber Partners

IRS SB/SE Fraud Section

- Collaboration on the new Form 7200's

Current Investigations

Per Executive Director of Refund & Cyber Crimes Unit of IRS CID, this is what they are currently focusing on:

- Increase in Identity Theft
- 7200 Investigations
- PPP Loan Fraud
- PPE Fraud
- Cyber crimes
- State Unemployment Fraud

PPP Overview

- ▶ Almost \$700 billion in stimulus
 - ▶ Larger than all of TARP
- ▶ Loans issued by private lenders backed by SBA
 - ▶ Turn to guarantee if criteria met
- ▶ Criteria:
 - ▶ For employers with < 500 employees
 - ▶ Certification that funds be used for payroll and other qualifying expenses
 - ▶ If > 75% of funds used for payroll, loan is forgiven
 - ▶ Economic Need Certification (Controversial)
- ▶ Jurata: false applications subject to prosecution under 18 U.S.C. § 1001

PPP Certifications to Obtain Loan

- ▶ PPP Applications contains multiple certifications for obtaining loans and applying for loan forgiveness.
- ▶ To obtain loan, borrower must certify:
 - ▶ It was in operation as of Feb. 15, 2020
 - ▶ It has fewer than 500 employees
 - ▶ “Current economic conditions” make the loan necessary to support ongoing operations
 - ▶ It will use the funds to retain workers and maintain payroll or make mortgage interest, lease or utility payments
 - ▶ It will not receive another loan between Feb. 15, 2020 – Dec. 31, 2020
- ▶ No need to certify SBA is lender of last resort

PPP Certifications for Loan Forgiveness

- ▶ To obtain loan forgiveness, borrower must certify:
 - ▶ The loan was used for payroll costs
 - ▶ The application includes all applicable reductions due to decreases in number of employees or their compensation
 - ▶ No more than 25% of the loan was used for non-payroll costs
 - ▶ The loan was not used to fund more than 8 weeks of payroll at a cap of \$15,385 per worker.
 - ▶ Recordkeeping certifications

PPP Stats

- ▶ Over \$515 billion in funds distributed
- ▶ Over 4.6 million borrowers received loans
 - ▶ Nearly 3 million (64%) are under \$50k
 - ▶ Approximately 5,000 are over \$5 million
- ▶ Average loan size = \$114k
- ▶ Over 20 indictments filed to date

Economic Necessity Under PPP

- ▶ Borrowers must certify that “the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient.”
- ▶ Little guidance on meaning of this certification – widely believed to be interpreted broadly given dire situation.
- ▶ Initial SBA FAQs suggest PPP did not need to be lender of last resort

Economic Necessity Under PPP (Cont'd)

- ▶ Apr 2020: Press reports circulate of well-heeled companies receiving millions in PPP loans (e.g., Shake Shack)
- ▶ Secretary Mnuchin announces all PPP loans over \$2 million will be audited and announces prosecutions will be brought for PPP fraud
- ▶ SBA issues revised FAQs suggesting availability of other credit will be counted in considering whether certification of economic necessity was in good faith
- ▶ “Safe Harbor”: Secretary Mnuchin announces that borrowers who return funds by May 14 will be deemed to have applied for loan in good faith

Economic Necessity Under PPP- Takeaways

- ▶ May 13: SBA issues revised FAQs
 - ▶ Borrowers of less than \$2 million will have been deemed to have had a good faith economic need for loan
 - ▶ Borrowers of greater than \$2m will be audited – “safe harbor” will apply if return the loan upon request following an audit
- ▶ Does this mean there is no risk of criminal liability?
 - ▶ Not necessarily. Borrower with false application or who misused funds could have exposure outside of “safe harbor”
- ▶ Shame factor: Borrower info is subject to FOIA by press
 - ▶ July 6: Data released on PPP loans
 - ▶ Includes names of borrowers receiving more than \$150,000 as well as other loan info

PPP Fraud – Types of Conduct

- ▶ Applying for PPP loan for “ghost” business
- ▶ Inflating payroll through “ghost” employees to receive larger loan
- ▶ Using proceeds of loan to pay personal debts or for lavish personal expenses
- ▶ Multiple loan applications to different lenders for same business

PPP Fraud – Sources of Information

- ▶ Whistleblowers
- ▶ Public filings
- ▶ Payroll records (federal and state)
- ▶ Lending partners
- ▶ Employees
- ▶ Press

PPP Fraud – Criminal Statutes

- ▶ 18 USC § 1001: criminalizes knowingly or willfully make a false representation, or to file a document known to contain a false statement, to an agency of the executive branch, which includes the SBA.
 - ▶ Jurata on the PPP loan application makes this a likely charge
- ▶ 15 USC § 645: False Statements to the SBA / defrauding the SBA
- ▶ 18 USC § 371: Conspiracy to defraud the United States.
- ▶ 18 USC § 1344: Bank fraud
- ▶ 18 USC §§ 1341 / 1343: wire / mail fraud
- ▶ **Key is knowledge / willfulness**

PPP Fraud - Prosecutions

- ▶ *US v. Stavely*, 20-MJ-00034, (DRI)
 - ▶ First PPP fraud case filed
 - ▶ Charges: 18 USC § 371 (conspiracy to defraud US); 18 USC § 1349 (conspiracy to commit bank fraud); 18 USC § 1344 (bank fraud); 18 USC § 1028A (identity theft)
 - ▶ Defendants applied for PPP loans for three businesses that were not operating and had no employees and one business they did not own
- ▶ *US v Fayne*, 1:20-MJ-000370 (ND Ga)
 - ▶ Defendant is reality TV star (“Love & Hip Hop Atlanta”) who submitted PPP application certifying funds would be used to retain workers when actually used to pay personal expenses
 - ▶ Charges: 18 USC § 1344 (bank fraud)

PPP Fraud – Prosecutions

- ▶ *US v. Sadleir*, 2:20-MJ-02326, (CD Ca)
 - ▶ Defendant is Hollywood producer who obtained multiple loans totaling \$1.7m falsely representing that funds would be used to support 3 film production companies when funds were used to pay off credit cards and other debts
 - ▶ Charges: 18 USC § 1343 (wire fraud); 18 USC § 1344 (bank fraud); 18 USC § 1014 (loan fraud); 15 USC § 645a (SBA loan fraud)
- ▶ *US v Yates*, 5:20-MJ-0015 (ED Tex.)
 - ▶ Defendant sought two PPP loans totaling \$5m fraudulently claiming to have 500 employees. Defendant found employee names from publicly available name generator on internet.
 - ▶ Charges: 18 USC § 1343 (wire fraud); 18 USC § 1344 (bank fraud); 15 USC § 645(a) (SBA loan fraud)

Form 7200

- ▶ New Form 7200: Advance Payment of Employer Credits Due to COVID-19
- ▶ Means for filing for immediate payment of Employee Retention Credits
 - ▶ Employee retention credits equal up to 50% of taxes paid on qualifying wages
- ▶ Return signed under penalties of perjury like all tax forms
- ▶ Penalties: IRC 7206(1) (filing false return); IRC 7206(2) (aiding and abetting); 18 USC § 371 (conspiracy to defraud US); 18 USC § 1001 (submitting fraudulent document); IRC 6663(civil fraud).

FALSE CLAIMS ACT – 31 U.S.C. § 3129

- ▶ Creates civil cause of action for knowingly submitting false statements or records to receive payments from the government
- ▶ Standard of Proof = preponderance of the evidence
- ▶ Treble damages and fee shifting provisions
- ▶ “Qui tam” provisions
- ▶ PPP certifications fertile ground for FCA claims

Helpful Resources

- ▶ PPP Home Page: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
- ▶ GAO Report: <https://www.gao.gov/reports/GAO-20-625/>
- ▶ House Subcommittee on Coronavirus Crisis Tip Line: <https://coronavirus.house.gov/contact/tip-line>

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Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, May 5, 2020

Two Charged in Rhode Island with Stimulus Fraud

First in the Nation to be Charged with Fraudulently Seeking CARES Act SBA Paycheck Protection Loans

Two businessmen have been charged in the District of Rhode Island with allegedly filing bank loan applications fraudulently seeking more than a half-million dollars in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

David A. Staveley, aka Kurt D. Sanborn, 52, of Andover, Massachusetts, and David Butziger, 51, of Warwick, Rhode Island, are charged with conspiring to seek forgivable loans guaranteed by the SBA, claiming to have dozens of employees earning wages at four different business entities when, in fact, there were no employees working for any of the businesses.

Staveley and Butziger are charged by way of a federal criminal complaint with conspiracy to make false statement to influence the SBA and conspiracy to commit bank fraud. Additionally, Staveley is charged with aggravated identity theft. Butziger is charged with bank fraud.

“Every dollar stolen from the Paycheck Protection Program comes at the expense of employees and small business owners who are working hard to make it through these difficult times,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “The Criminal Division is committed to working with our law enforcement partners to root out abuse of the important relief programs established under the CARES Act.”

“Tens of millions of Americans have lost their jobs and have had their lives thrown into chaos because of the coronavirus pandemic. It is unconscionable that anyone would attempt to steal from a program intended to help hard working Americans continue to be paid so they can feed their families and pay some of their bills,” said U.S. Attorney Aaron L. Weisman for the District of Rhode Island. “Attorney General Barr has directed all U.S. Attorneys to prioritize the investigation and prosecution of crimes related to coronavirus and COVID-19, and we are doing just that.”

“As alleged, David Staveley and David Butziger tried to capitalize on the coronavirus crisis by conspiring to fraudulently obtain more than half a million dollars in forgivable loans that were intended to help small businesses teetering on the edge of financial ruin,” said Special Agent in Charge Joseph R. Bonavolonta of the FBI’s Boston Field Office.

“Thankfully we were able to stop them before taxpayers were defrauded, but today’s arrests should serve as a warning to others that the FBI and our law enforcement partners will aggressively go after bad actors like them who are utilizing the COVID-19 pandemic as an opportunity to commit fraud.”

“The alleged actions of defendants Staveley and Butziger are criminally reprehensible,” said Special Agent in Charge Kristina O’Connell of the IRS-Criminal Investigation (IRS-CI). “Defrauding a government program designed to provide financial assistance to small business owners during the Coronavirus pandemic is tantamount to taking money directly out of the pockets of those who need it most. Today’s arrests exemplify the hard work, dedication and efficiency of IRS-CI and the entire investigative team.”

“This is a critical time for our nation’s small businesses. It is well known that fraudsters prey upon those in vulnerable positions,” said SBA Inspector General Hannibal “Mike” Ware. “As this result shows, SBA-OIG and its law enforcement partners are actively working together to root out fraud in SBA’s programs and bring those responsible to justice. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their leadership and dedication throughout this investigation.”

According to court documents unsealed today in U.S. District Court in Providence, Rhode Island, the fraudulent loan requests were to pay employees of businesses that were not operating prior to the start of the COVID-19 pandemic and had no salaried employees, or, as in one instance, to pay employees at a business the loan applicant did not own.

Allegedly, Staveley and Butziger discussed via email the creation of fraudulent loan applications and supporting documentations to seek loans guaranteed by the SBA for COVID-19 relief through the Paycheck Protection Program (PPP). It is alleged that Staveley posed as his brother in real estate transactions.

It is alleged that Staveley claimed in loan applications requesting more than \$438,500 that he had dozens of employees at three restaurants he owned, two in Warwick, Rhode Island, and one in Berlin, Massachusetts. An investigation determined that one of the Rhode Island restaurants, the former Remington House, and the Massachusetts restaurant, On The Trax, were not open for business prior to the start of the COVID-19 pandemic, at the time the loan applications were submitted, or at any time thereafter. Moreover, Staveley did not own or have any role in the second Rhode Island restaurant, Top of the Bay, for which he was seeking financial relief.

According to court documents, Staveley’s Massachusetts restaurant was closed by March 10, 2020, when the town of Berlin revoked the business’ liquor license for numerous reasons, including that “Sanborn” allegedly misrepresented that his brother owned the restaurant. Investigators obtained information that Staveley/Sanborn allegedly used his brother’s personal identifying information in other real estate transactions as well.

According to court documents, it is alleged that on April 6, 2020, Butziger filed an application seeking a \$105,381 SBA loan under the PPP as owner of an unincorporated entity named Dock Wireless. Butziger claimed in documentation filed with the bank and in a telephone call with an FBI undercover agent posing as a bank compliance officer that he had seven full-time employees on Dock Wireless’ payroll, including himself. Butziger falsely represented to the agent that he brought the employees on full-time on Jan. 1, 2020, and laid them off at the end of March. Butziger claimed the employees continued to work without being paid through April 2020, and that he would use SBA PPP funds to pay them.

The Rhode Island State Department of Revenue provided information to the IRS of having no records of employee wages having been paid in 2020 by Butziger or Dock Wireless. Agents interviewed several of the supposed Dock Wireless employees who reported that they never worked for Butziger or Dock Wireless.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

Staveley and Butziger are the first individuals in the nation charged with allegedly defrauding the CARES Act SBA Paycheck Protection Program.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

Assistant Chief Lawrence Atkinson of the Criminal Division’s Fraud Section and Assistant U.S. Attorney Lee H. Vilker for the District of Rhode Island are prosecuting the case.

The Justice Department acknowledges and thanks the FBI, IRS-CI, SBA Office of Inspector General, and the FDIC, Office of Inspector General for their efforts investigating this matter.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Topic(s):

Coronavirus

Financial Fraud

Component(s):Criminal DivisionCriminal - Criminal Fraud SectionUSAO - Rhode Island**Press Release Number:**

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Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Wednesday, May 13, 2020

Reality TV Personality Charged with Bank Fraud

A reality TV personality who stars in *Love & Hip Hop: Atlanta*, has been arrested on federal bank fraud charges arising from a Paycheck Protection Program (PPP) loan that he obtained in the name of Flame Trucking.

Maurice Fayne, aka Arkansas Mo, 37, of Dacula, Georgia, was charged with bank fraud and made his initial appearance this afternoon before U.S. Magistrate Judge Justin S. Anand.

“The defendant allegedly stole money meant to assist hard-hit employees and businesses during these difficult times, and instead greedily used the money to bankroll his lavish purchases of jewelry and other personal items,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “The department will remain steadfast in our efforts to root out and prosecute frauds against the Paycheck Protection Program.”

“The defendant allegedly took advantage of the emergency lending provisions of the Paycheck Protection Program that were intended to assist employees and small businesses battered by the Coronavirus,” said U.S. Attorney Byung J. “BJay” Pak of the Northern District of Georgia. “We will investigate and charge anyone who inappropriately diverts these critical funds for their own personal gain.”

“At a time when small businesses are struggling for survival, we cannot tolerate anyone driven by personal greed, who misdirects federal emergency assistance earmarked for keeping businesses afloat,” said Special Agent in Charge Chris Hacker of the FBI’s Atlanta Field Office. “The FBI and our federal partners remain vigilant during this Coronavirus pandemic to make sure funds provided by programs like PPP are used as intended.”

“The defendant allegedly egregiously sought personal gain from a program intended to assist hardworking Americans in this challenging time,” said Special Agent in Charge Kevin Kupperbusch of the Small Business Association Office of Inspector General (SBA OIG) Eastern Region. “SBA OIG and its law enforcement partners will aggressively pursue allegations of wrongdoing to maintain the integrity of SBA’s programs. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their dedication and pursuit of justice.”

According to the charges and other information presented in court, Fayne is the sole owner of a Georgia corporation called Flame Trucking. On April 15, 2020, Fayne signed and submitted to United Community Bank (UCB) a PPP loan application in the name of Flame Trucking stating that the business had 107 employees and an average monthly payroll of \$1,490,200. In seeking a loan in the amount of \$3,725,500, Fayne certified that the loan proceeds would be used to “retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule.”

UCB ultimately funded the loan for \$2,045,800. Within days, Fayne allegedly used more than \$1.5 million of the PPP loan proceeds to purchase \$85,000 in jewelry, including a Rolex Presidential watch, a diamond bracelet, a 5.73 carat diamond ring for himself, and to pay \$40,000 for child support. Such payments are not an authorized use of PPP funds under the CARES Act.

On May 6, 2020, Fayne was interviewed by federal agents and admitted that he submitted a PPP loan application on behalf of Flame Trucking. Fayne claimed that he used all of the PPP loan proceeds to pay payroll and other business expenses incurred by Flame Trucking and denied using any of the PPP loan proceeds to pay his personal debts and expenses.

On May 11, 2020, agents executed a search at Fayne's residence in Dacula and seized approximately \$80,000 in cash, including \$9,400 that Fayne had in his pockets, and the jewelry he purchased with the PPP funds, and further discovered a 2019 Rolls-Royce Wraith, which still had a temporary dealer tag on it. Agents also executed seizure warrants for three bank accounts that Fayne owned or controlled and seized approximately \$503,000 in PPP funds.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

The charges are merely an allegation and the defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

The FBI and SBA OIG are investigating the case.

Assistant Chief L. Rush Atkinson of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Russell Phillips, Bernita Malloy, and Michael J. Brown of the Northern District of Georgia are prosecuting the case.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Topic(s):

Coronavirus

Financial Fraud

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - Georgia, Northern](#)

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FOR IMMEDIATE RELEASE

Tuesday, May 19, 2020

Texas Man Charged with \$5 Million COVID-Relief Fraud

Individual Copied List of Names off the Internet and Claimed Them as Employees

A Texas man has been charged in the Eastern District of Texas with allegedly filing bank loan applications fraudulently seeking more than \$5 million dollars in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Samuel Yates, 32, of Maud, Texas, allegedly sought millions of dollars in forgivable loans guaranteed by the SBA from two different banks by claiming to have over 400 employees earning wages when, in fact, no employees worked for his purported business.

Yates is charged by way of a federal criminal complaint with violations of wire fraud, bank fraud, false statements to a financial institution, and false statements to the SBA.

“This defendant allegedly sought to steal millions of dollars in loans intended to aid legitimate small businesses grappling with the economic effects of COVID-19,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “The department and our law enforcement partners will use all the tools at our disposal to investigate and prosecute frauds against the Paycheck Protection Program.”

“Any time the government provides large amounts of money to the public there are people who will try to cheat the system,” said U.S. Attorney Joseph D. Brown of the Eastern District of Texas. “We encourage lenders to be very careful, and to report suspicious applications. It is a priority of the Department of Justice to deter and prosecute this type of fraud.”

“The Treasury Inspector General for Tax Administration will aggressively pursue those who try to use the Internal Revenue Service to facilitate their schemes to defraud coronavirus relief programs,” said Special Agent in Charge Dale Forrester of the Treasury Inspector General for Tax Administration’s Cybercrime Investigations Division. “Our successes today would have not been possible without the joint efforts of the Small Business Administration Office of the Inspector General, the Department of Justice and other law enforcement partners.”

“Providing false statements to gain access to SBA’s programs will be aggressively investigated by our office,” said Special Agent in Charge Donald Abram of SBA OIG’s Central Region. “SBA OIG and its law enforcement partners are poised to root out wrongdoers in the Paycheck Protection Program and maintain its integrity. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their dedication and pursuit of justice.”

“Today’s arrest should serve as a strong deterrent to anyone considering exploiting the COVID-19 pandemic to enrich themselves through fraud. These individuals have no concern for legitimate businesses whose employees and their families are hurting financially during these unprecedented times,” said Special Agent in Charge Ryan L. Spradlin of U.S. Immigration and Custom’s Homeland Security Investigations (HSI) Dallas. “HSI stands at the ready to utilize its

ample investigative mandate to assist in rooting out such unscrupulous individuals, and hold them accountable for their crimes.”

According to court documents unsealed today in U.S. District Court in Texarkana, Yates allegedly made two fraudulent applications to two different lenders for loans guaranteed by the SBA for COVID-19 relief through the Paycheck Protection Program (PPP). In the application submitted to the first lender, Yates allegedly sought \$5 million in PPP loan proceeds by fraudulently claiming to have 400 employees with an average monthly payroll of \$2 million. In the second application, Yates claimed to employ over 100 individuals and was able to obtain a loan over \$500,000. With each application, Yates submitted a list of purported employees that he obtained from a publicly available random name generator on the internet. He also submitted forged tax documents with each application.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

Trial Attorney Louis Manzo of the Criminal Division’s Fraud Section and Assistant U.S. Attorney Frank Coan for the Eastern District of Texas are prosecuting the case.

The Justice Department acknowledges and thanks the SBA Office of Inspector General, and U.S. Postal Inspection Service for their efforts investigating this matter.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice’s National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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Topic(s):

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Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - Texas, Eastern](#)

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Department of Justice

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FOR IMMEDIATE RELEASE

Friday, May 22, 2020

Hollywood Film Producer Charged with \$1.7 Million COVID-Relief Fraud

Individual Used Funds for Personal Expenses

A California man has been charged with allegedly filing bank loan applications fraudulently seeking more than \$1.7 million dollars in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

William Sadleir, 66, of Beverly Hills, California, was charged in a federal criminal complaint filed in the Central District of California with wire fraud, bank fraud, false statements to a financial institution, and false statements to the SBA.

"This defendant allegedly used Paycheck Protection Program loans to pay off his personal credit card debts and other personal expenses, rather than using the funds for legitimate business needs," said Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division. "As the department has made clear, those who defraud the PPP to line their own pockets at the expense of the American people will be brought to justice."

"This film producer allegedly made a series of misrepresentations to a bank and the Small Business Administration to illegally secure taxpayer money that he then used to fund his nearly empty personal bank account," said U.S. Attorney Nick Hanna of the Central District of California. "The Paycheck Protection Program was implemented to help small businesses stay afloat during the financial crisis, and we will act swiftly against those who abuse the program for their own personal gain."

"These funds were designed to be a lifeline to businesses struggling to stay afloat during the current crisis," said Assistant Director in Charge Paul Delacourt of the FBI's Los Angeles Field Office. "The FBI is committed to maintaining the integrity of the PPP and will hold accountable those who cheat the system at the expense of American taxpayers."

"SBA OIG applauds due diligence by SBA's lending partners to maintain the integrity of the lending programs," said Special Agent in Charge Weston King of the SBA Office of Inspector General (SBA OIG) Western Region. "Providing false statements to gain access to SBA's programs will be aggressively investigated by our office in partnership with our law enforcement counterparts. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

"Today's charges hold the defendant responsible for his alleged actions to swindle money out of a federal program intended to help those in need during a pandemic crisis," said Special Agent in Charge Wade V. Walters of the Federal Deposit Insurance Corporation Office of Inspector General (FDIC OIG). "When an individual cheats the Paycheck Protection Program out of money, it deprives hard-working Americans and deserving small businesses. The FDIC OIG

is committed to working with our law enforcement partners to investigate financial crimes in order to preserve the integrity of the nation's banking sector.”

According to court documents unsealed today in U.S. District Court in Los Angeles, Sadleir allegedly obtained over \$1.7 million in forgivable loans guaranteed by the SBA by falsely representing that the funds would be used to support payroll expenses for three film production and distribution companies, when, in fact, Sadleir intended to use and did use a significant portion of the funds for personal and non-business-related expenses, including personal credit cards and a car loan. Sadleir allegedly used three entities he controlled to obtain over \$1.7 million in PPP loans guaranteed by the SBA for COVID-19 relief.

The applications submitted to the lenders certified that the funds would be used for payroll expenses and other specific business-related expenses, such as utilities or rent payments. According to the complaint, these certifications were false. As soon as Sadleir obtained the funds, he allegedly transferred over half the money to a personal bank account and began using and attempting to use the funds to pay off personal credit card debts totaling more than \$80,000 and a car loan totaling approximately \$40,000, among other personal expenses.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Trial Attorney Amanda R. Vaughn of the Criminal Division's Fraud Section and Assistant U.S. Attorney Alex Wyman for the Central District of California are prosecuting the case.

The Justice Department acknowledges and thanks the FBI, the SBA OIG, and the FDIC OIG for their efforts investigating this matter.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Topic(s):

Coronavirus

Financial Fraud

Component(s):[Criminal Division](#)[Criminal - Criminal Fraud Section](#)[USAO - California, Central](#)**Press Release Number:**

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Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, July 10, 2020

Florida Man Charged with COVID Relief Fraud and Health Care Fraud

A Florida man was arrested today on allegations that he fraudulently sought several Paycheck Protection Program (PPP) loans, and that he participated in a scheme to defraud Medicare of at least \$5.6 million. It is further alleged that a portion of the PPP loan proceeds were potentially used in furtherance of the Medicare fraud scheme.

Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division, U.S. Attorney Ariana Fajardo Orshan of the Southern District of Florida, Special Agent in Charge George L. Piro of the FBI's Miami Field Office, Omar Perez Aybar of the U.S. Department of Health and Human Services-Office of the Inspector General (HHS-OIG), and Special Agent in Charge Kevin Kupperbusch of the Small Business Administration's Office of the Inspector General (SBA-OIG) made the announcement.

Carlos Belone, 37, of Coconut Creek, Florida, was charged by criminal complaint, unsealed today upon his arrest, in the Southern District of Florida with wire fraud; conspiracy to commit health care fraud; payment of health care kickbacks; and making false statements to a financial institution. He made his initial appearance before U.S. Magistrate Judge Lurana S. Snow.

The complaint alleges that Belone submitted several fraudulent PPP loan applications to federally insured financial institutions, other SBA-approved lenders, and the SBA in the name of R&S Pharmacy Inc. (R&S Pharmacy), a durable medical equipment company that allegedly submitted false and fraudulent claims to Medicare for orthotic braces that were medically unnecessary, ineligible for Medicare reimbursement and/or not provided as represented. Belone was an owner of R&S Pharmacy. Patients interviewed as part of the investigation stated that they did not want or need orthotic braces; had not authorized their Medicare number to be used to submit claims for orthotic braces; and/or that they did not receive orthotic braces as represented by R&S Pharmacy in the claims that Belone and his co-conspirators submitted to Medicare.

The complaint alleges that, to support the fraudulent PPP loan applications, Belone submitted fake tax documents and doctored profit and loss statements for R&S Pharmacy. The complaint additionally alleges that Belone succeeded in fraudulently obtaining over \$22,000 in PPP loan proceeds, and shortly thereafter, made payments, or caused payments to be made, to a company suspected of furthering the Medicare fraud scheme, and directed approximately \$12,000 of the PPP loan money to a personal account under his control.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent

and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses.

A criminal complaint is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by SBA-OIG, the FBI's Miami Field Office, and HHS-OIG. The Department of Justice also thanks the U.S. Attorney's Office for the Southern District of Florida, the Florida Department of Revenue, IRS-Criminal Investigation, and the U.S. Department of Labor's Office of Inspector General for assistance they provided. Trial Attorney Sara Clingan of the Criminal Division's Fraud Section is prosecuting the case.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

The Fraud Section leads the Medicare Fraud Strike Force. Since its inception in March 2007, the Medicare Fraud Strike Force, which maintains 15 strike forces operating in 24 districts, has charged more than 4,200 defendants who have collectively billed the Medicare program for nearly \$19 billion. In addition, the HHS Centers for Medicare & Medicaid Services, working in conjunction with the HHS-OIG, are taking steps to increase accountability and decrease the presence of fraudulent providers.

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Topic(s):

Coronavirus

Health Care Fraud

Component(s):[Criminal Division](#)[Criminal - Criminal Fraud Section](#)[USAO - Florida, Southern](#)**Press Release Number:**

20-648

Updated July 10, 2020

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Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Monday, July 13, 2020

Washington, D.C. General Contractor Charged with COVID-Relief Fraud

The owner of a residential construction contracting firm based in Washington, D.C., was charged with allegedly submitting fraudulent documents to a bank in connection with applications seeking more than \$400,000 in a forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division, Acting U.S. Attorney Michael R. Sherwin for the District of Columbia, Special Agent in Charge James A. Dawson of the FBI Washington Field Office's Criminal Division, Inspector General Hannibal "Mike" Ware of the Small Business Administration's Office of Inspector General (SBA OIG), and J. Russell George, the Treasury Inspector General for Tax Administration (TIGTA) made the announcement.

Oludamilare Olugbuyi, 40, of Washington, D.C., was charged in a federal criminal complaint filed in the District of Columbia with making false statements to a financial institution. According to the complaint, Olugbuyi submitted several fake and fraudulent documents to a financial institution in support of two PPP loan applications seeking more than \$400,000 in forgivable loans for a construction firm that he owned. Specifically, Olugbuyi submitted what purported to be several IRS Forms 1099-MISC reporting hundreds of thousands of dollars in disbursements made to independent contractors.

The complaint alleges that the social security numbers reflected on the forms were either invalid or assigned to other people. In addition, Olugbuyi allegedly submitted to the financial institution what purported to be a tax return reporting \$175,565 in adjusted gross income for tax year 2019. According to IRS records, however, on April 14, 2020, Olugbuyi filed an IRS Form 1040 reporting \$1 in total income for 2019. This document, known as a "non-filer return," qualified Olugbuyi to receive a \$1,200 Coronavirus Aid, Relief, and Economic Security Act (CARES) economic impact payment.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on the PPP loan to be entirely forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses a certain amount of the PPP loan proceeds on payroll expenses.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Deputy Chief Brian R. Young of the Criminal Division's Fraud Section and Assistant U.S. Attorney Christine Macey are prosecuting the case. The Justice Department acknowledges and thanks the FBI, TIGTA, and the SBA OIG for their efforts investigating this matter.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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Topic(s):

Coronavirus

Financial Fraud

Component(s):Criminal DivisionCriminal - Criminal Fraud SectionUSAO - District of Columbia**Press Release Number:**

20-651

Updated July 13, 2020

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Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, July 14, 2020

Texas Man Charged with COVID Relief Fraud

A Texas man was taken into custody on allegations he fraudulently obtained more than \$1.1 million in Paycheck Protection Program (PPP) loans, announced Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division and U.S. Attorney Ryan K. Patrick for the Southern District of Texas.

Joshua Thomas Argires, 29, of Houston, Texas, is charged in a criminal complaint, unsealed Monday upon his arrest, with making false statements to a financial institution, wire fraud, bank fraud and engaging in unlawful monetary transactions. He made his initial appearance Monday before U.S. Magistrate Judge Peter Bray.

Argires allegedly perpetrated a scheme to file two fraudulent loan applications seeking more than \$1.1 million in forgivable loans. The Small Business Administration (SBA) guarantees the loans for COVID-19 relief through the PPP under the Coronavirus Aid, Relief and Economic Security (CARES) Act.

The complaint alleges Argires submitted two fraudulent PPP loan applications to federally insured banks. One of these applications was submitted on behalf of an entity called Texas Barbecue; the other was filed on behalf of a company called Houston Landscaping. Argires allegedly claimed these two companies had numerous employees and hundreds of thousands of dollars in payroll expenses.

According to the complaint, neither Texas Barbecue nor Houston Landscaping has employees or pays wages consistent with the amounts claimed in the PPP loan applications. The complaint further asserts that both of these loans were funded, but that none of the funds were used for payroll or other expenses authorized under the PPP. Rather, the funds received on behalf of Texas Barbecue were invested in a cryptocurrency account, while the funds obtained for Houston Landscaping were held in a bank account and slowly depleted via ATM withdrawals, according to the charges.

The CARES Act is a federal law enacted March 29. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief the CARES Act provides is the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

The Federal Housing Finance Agency Office of the Inspector General (OIG), SBA OIG and U.S. Postal Inspection Service's Houston Division conducted the investigation. Trial Attorney Timothy A. Duree of the Criminal Division's Fraud

Section and Assistant U.S. Attorney James McAlister for the Southern District of Texas are prosecuting the case.

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Topic(s):

Coronavirus

Financial Fraud

Component(s):

Criminal Division

Criminal - Criminal Fraud Section

USAO - Texas, Southern

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