

Congress of the United States
House of Representatives

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

Phone (202) 225-4400

<https://coronavirus.house.gov>

MEMORANDUM

June 13, 2022

To: Members, Select Subcommittee on the Coronavirus Crisis

Fr: Majority Staff

Re: The Biden Administration's Efforts to Root Out Fraud in Pandemic Relief Programs and Bring Wrongdoers to Justice

This memorandum describes updated data obtained by the Select Subcommittee regarding federal efforts to investigate fraud committed against pandemic relief programs and bring wrongdoers to justice. These relief programs were vital to helping Americans in need during the economic crisis brought on by the coronavirus pandemic. However, as the Select Subcommittee reported last year, the Trump Administration failed to take basic steps to prevent expansive fraud against them.¹ Under the Biden Administration, federal investigative and law enforcement agencies have been working hard to undo the damage and reclaim funds for the American taxpayer.

This analysis is based on data provided to the Select Subcommittee by the Department of Justice (DOJ), the Small Business Administration (SBA) Office of Inspector General (OIG), the Pandemic Response Accountability Committee (PRAC), and the United States Secret Service (USSS).

I. KEY FIGURES

- **Over \$10 billion:** Amount of Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) funds returned to the government as a result of SBA OIG investigations and financial institution actions, as of June 2, 2022. SBA OIG provided financial institutions with information, education, and alerts to assist them in returning potentially fraudulent funds to the government. The \$10 billion figure represents an increase of **nearly \$5 billion** since SBA OIG's April 2022 Semiannual Report to Congress, owing to an increase in the reported amount of funds returned by financial institutions.

¹ Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

- **1,481:** Defendants criminally charged by U.S. Attorneys' Offices and the DOJ Fraud Section across **1,003 cases** involving over **\$1.07 billion in losses** from PPP, COVID-19 EIDL, and Pandemic Unemployment Insurance (PUI).² DOJ has charged **1,239 additional defendants** in **830 additional cases** since the Select Subcommittee last reported on these figures in March 2021.
- **At least 1,150:** OIG investigations into PPP, COVID-19 EIDL, and PUI fraud currently ongoing, according to the PRAC. This is an increase of **965 investigations** since PRAC Chair Michel E. Horowitz last testified before the Select Subcommittee in March 2021. These investigations cover more than **\$2.4 billion in losses** from PPP and EIDL, as well as funds lost from PUI.³
- **At least 1,200:** Indictments resulting from OIG investigations into pandemic-related fraud, according to the PRAC, up from 240 in March 2021. These have led to over **950 arrests** (up from 190 in March 2021) and more than **450 convictions** (up from 36 in March 2021).
- **Over 1,000:** COVID-19 fraud-related cases opened by USSS in the last two years. These cases led to the seizure of more than **\$1 billion**, as well as the return of **approximately \$86 million** to crime victims.

II. VITAL PANDEMIC RELIEF PROGRAMS WERE SUSCEPTIBLE TO SIGNIFICANT AMOUNTS OF FRAUD

Together, the PPP, COVID-19 EIDL, and PUI programs resulted in the disbursement of over \$2 trillion in federal funds, including roughly \$800 billion in PPP loans, over \$350 billion in COVID-19 EIDL loans and grants, and approximately \$872.5 billion in PUI payments.⁴

² PUI programs were expansions of traditional Unemployment Insurance and included Pandemic Unemployment Compensation, Pandemic Unemployment Assistance, and Pandemic Emergency Unemployment Compensation. Due to the nature of data provided to the Select Subcommittee, this memorandum uses the term PUI broadly to include traditional Unemployment Insurance and the various pandemic expansion programs.

³ According to PRAC, the Department of Labor OIG does not track the dollar amount of loss associated with PUI investigations.

⁴ Small Business Administration, Office of Inspector General, *Paycheck Protection Program (PPP) Report* (May 31, 2021) (online at www.sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf); Small Business Administration, *Press Release: SBA Administrator Guzman Announces Key Policy Change: Existing COVID Economic Injury Disaster Loan Program Borrowers to Receive an Additional Deferment* (Mar. 15, 2022) (online at www.sba.gov/article/2022/mar/15/sba-administrator-guzman-announces-key-policy-change-existing-covid-economic-injury-disaster-loan); Senate Committee on Homeland Security and Governmental Affairs, Testimony of Inspector General Larry D. Turner, Department of Labor, *Hearing on Pandemic Response and Accountability: Reducing Fraud and Expanding Access to COVID-19 Relief Through Effective Oversight* (Mar. 17, 2022) (online at www.hsgac.senate.gov/imo/media/doc/Testimony-Turner-2022-03-17-REVISED.pdf).

Although these programs were vital to America’s strong economic recovery,⁵ they were also susceptible to significant amounts of fraud, which, as the Select Subcommittee reported last year,⁶ was partly due to failures on the part of the Trump Administration:

- **COVID-19 Economic Injury Disaster Loans:** Data provided to the Select Subcommittee by SBA OIG identify just over \$86 billion worth of COVID-19 EIDL loans and grants as potentially fraudulent due to the presence of various fraud indicators. This represents an increase of \$7 billion in such loans and grants from what the Select Subcommittee reported in 2021.⁷ This includes around \$67.5 billion in loans and grants disbursed to applicants using duplicate information (*e.g.*, IP addresses, email addresses), \$7.8 billion to applicants that changed bank accounts, \$3.2 billion to applicants linked to identity theft, \$4.8 billion to sole proprietor applicants that also claimed employees, and \$2.1 billion to applicants on the Treasury Do Not Pay list. SBA OIG stated that it “does not believe the full scope of [COVID-19 EIDL] fraud will be realized until after the deferment periods for these programs.”⁸
- **Paycheck Protection Program:** Both SBA OIG and independent researchers have found indications of widespread PPP fraud. A group of University of Texas professors estimated that between \$64.2 billion and \$117.3 billion worth of PPP loans were questionable and possibly fraudulent, owing to suspicious loan indicators such as multiple loans to the same address or missing business registry data.⁹ SBA OIG similarly found “strong indicators of widespread potential abuse and fraud in the PPP.”¹⁰

⁵ Center on Budget and Policy Priorities, *Robust Covid Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy* (Feb. 24, 2022) (online at www.cbpp.org/research/poverty-and-inequality/robust-covid-relief-achieved-historic-gains-against-poverty-and).

⁶ Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

⁷ Email from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022); Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

⁸ Email from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022).

⁹ John M. Griffin, Samuel Kruger, and Prateek Mahajan, *Did FinTech Lenders Facilitate PPP Fraud?* (May 19, 2022) (online at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3906395).

¹⁰ Small Business Administration, Office of Inspector General, *SBA’s Paycheck Protection Program Loan Review Processes* (Feb. 28, 2022) (online at www.sba.gov/sites/default/files/2022-02/SBA%20OIG%20Report%2022-09.pdf).

- **Pandemic Unemployment Insurance:** The Department of Labor OIG has estimated the amount of PUI overpayment at \$163 billion based on an improper payment rate of 18.71%, although it stated that this is likely an undercount.¹¹ Several states have acknowledged paying out fraudulent payments worth billions of dollars.¹²

The vast amount of fraud in these relief programs is also illustrated by the exorbitant number of hotline complaints that investigative entities have received during the pandemic. SBA OIG has received 230,553 fraud hotline and website complaints related to PPP and COVID-19 EIDL since March 2020 (a substantial majority of which—148,525—were received between March 2020 and March 2021, as the Select Subcommittee reported last year).¹³ DOJ’s National Center for Disaster Fraud has also received 185,251 complaint submissions between March 2020 and April 2022, 179,750 of which were referred to law enforcement agencies. Over 134,000 of these complaints were related to PUI fraud, while most of the remainder related to PPP and COVID-19 EIDL fraud.¹⁴

III. FEDERAL AGENCIES HAVE MADE SIGNIFICANT PROGRESS UNCOVERING FRAUD AND BRINGING WRONGDOERS TO JUSTICE

Data provided to the Select Subcommittee illustrate the broad and successful federal efforts underway to uncover the fraud in pandemic relief programs and to prosecute wrongdoers:

- **Pandemic Response Accountability Committee and Offices of Inspectors General:** The PRAC, which supports and coordinates oversight of pandemic relief spending among the more than 70 federal OIGs, informed the Select Subcommittee that there are currently at least 1,150 ongoing OIG investigations into fraud in PPP, COVID-19 EIDL, and PUI. This is an increase of 965 investigations since March 2021, when the PRAC testified to the Select Subcommittee that there were 185 publicly announced criminal investigations.

¹¹ Senate Committee on Homeland Security and Governmental Affairs, Testimony of Inspector General Larry D. Turner, Department of Labor, *Hearing on Pandemic Response and Accountability: Reducing Fraud and Expanding Access to COVID-19 Relief Through Effective Oversight* (Mar. 17, 2022) (online at www.hsgac.senate.gov/imo/media/doc/Testimony-Turner-2022-03-17-REVISED.pdf).

¹² *State Unemployment Systems Face ‘Epidemic of Fraud’; \$63 Billion Paid Out Wrongly Across US*, Chicago Tribune (Mar. 1, 2021) (online at www.chicagotribune.com/business/ct-biz-unemployment-fraud-phony-claims-20210301-tn4rvtcm5czzfq5uvnogrwuem-story.html); *Texas Unemployment Fraud Soars to \$2.5 Billion During Pandemic*, KVUE ABC (Nov. 19, 2021) (online at www.kvue.com/article/news/local/texas/texas-unemployment-fraud-pandemic/269-bef17d2a-07d9-4520-a7b6-1ff63ed34d91).

¹³ Email from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022); Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

¹⁴ Email from Staff, Department of Justice, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022).

Thus far, OIG investigations have resulted in more than 1,200 indictments (up from 240 indictments or complaints in March 2021), over 950 arrests (up from 190 in March 2021), and more than 450 convictions (up from 36 in March 2021) for pandemic-related fraud. PRAC data show that, together, OIG investigations into PPP and COVID-19 EIDL fraud cover more than \$2.4 billion worth of losses to the government.¹⁵

- **Department of Justice:** As of May 2022, U.S. Attorneys' Offices and the DOJ Fraud Section have criminally charged approximately 1,481 defendants (1,261 and 220, respectively) across 1,003 cases (855 and 148, respectively) involving PPP, COVID-19 EIDL, and PUI. In total, these charges cover more than \$1.07 billion in losses to the government. The U.S. Attorneys' Office cases cover more than \$678 million in losses related to PPP and COVID-19 EIDL fraud and more than \$63 million related to PUI. The DOJ Fraud Section charges cover approximately \$336 million in losses related to PUI, PPP, and COVID-19 EIDL, as well as some healthcare fraud. According to DOJ, "most of these cases are still in progress and many more matters are in the investigative stage."¹⁶ These figures represent significant increases over what the Select Subcommittee reported in March 2021. Since that time, DOJ has charged 1,239 additional defendants in 830 additional cases.¹⁷
- **Secret Service:** USSS has opened almost 1,000 COVID-19 fraud-related cases in the last two years. In fiscal year 2021, it also arrested approximately 940 individuals in connection to cyber-crime, which saw an uptick during the pandemic, and responded to over 700 network intrusions.¹⁸

These investigations and prosecutions are producing real benefits by recovering funds for American taxpayers. SBA OIG provided data to the Select Subcommittee that show their efforts

¹⁵ Email from Staff, Pandemic Response Accountability Committee, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022); Select Subcommittee on the Coronavirus Crisis, Testimony of Inspector General Michael E. Horowitz, Pandemic Response Accountability Committee, *Hearing on Rooting Out Fraud in Small Business Relief Programs* (Mar. 25, 2021) (online at <http://docs.house.gov/meetings/VC/VC00/20210325/111408/HHRG-117-VC00-Bio-HorowitzM-20210325.pdf>). These are minimum numbers as there are differences in OIG case management tracking capabilities and some OIGs may not have responded to PRAC's poll. The investigations into PUI fraud also cover losses to the government, although the Department of Labor OIG does not track the dollar amounts associated with its investigations.

¹⁶ Email from Staff, Department of Justice, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022).

¹⁷ Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

¹⁸ Email from Staff, United States Secret Service, to Staff, Select Subcommittee on the Coronavirus Crisis (June 9, 2022); United States Secret Service, *U.S. Secret Service Names National Pandemic Fraud Recovery Coordinator to Bolster Fight Against Fraud* (Dec. 21, 2021) (online at www.secretservice.gov/newsroom/releases/2021/12/us-secret-service-names-national-pandemic-fraud-recovery-coordinator).

have led to over \$10 billion being returned to the federal government from PPP and COVID-19 EIDL, as of June 2, 2022. This includes \$1.07 billion of COVID-19 EIDL and PPP funds returned by or seized from loan recipients as a result of SBA OIG investigations, more than \$1 billion of COVID-19 EIDL funds seized in collaboration with SBA and USSS, and over \$8 billion in COVID-19 EIDL funds returned to the federal government by financial institutions with assistance from SBA OIG (nearly \$5 billion more than the agency reported in April 2022). SBA OIG's assistance to financial institutions has included providing education regarding SBA's pandemic programs, issuing fraud alerts, and providing information on how to return funds to SBA.¹⁹ USSS's COVID-19 fraud investigations have resulted in the seizure of more than \$1 billion and the return of approximately \$86 million to crime victims, and its cyber fraud efforts resulted in the prevention of over \$2.3 billion in financial losses.²⁰

IV. NEW COLLABORATION MODELS HAVE EXPANDED AGENCIES' ABILITY TO ROOT OUT FRAUD

Investigating pandemic relief fraud has required massive efforts on the part of federal agencies such as the OIGs and DOJ. According to the PRAC, thus far, at least 490 OIG investigators and analysts have worked on investigations involving pandemic relief fraud.²¹ Additionally, while DOJ does not track the total number of prosecutors that have worked on pandemic relief matters, the agency informed the Select Subcommittee that every one of the 93 U.S. Attorneys' Offices has appointed a COVID-19 Fraud Coordinator. In March 2022, DOJ also appointed a Director for COVID-19 Fraud Enforcement.²²

The scale of fraud has required rapid hiring and creative staffing solutions to meet the investigative demand placed on federal agencies. For example, SBA OIG has increased its number of law enforcement agents from 37 in March 2020 to 63 in May 2022—a 70% increase—and all these agents are focused on PPP and COVID-19 EIDL fraud.²³ SBA OIG

¹⁹ Emails from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022, and June 9, 2022); Small Business Administration, Office of Inspector General, *Semiannual Report to Congress* (Apr. 29, 2022) (online at www.sba.gov/sites/default/files/2022-05/SBA%20OIG%20Spring%202022%20Semiannual%20Report%20to%20Congress.pdf).

²⁰ Email from Staff, United States Secret Service, to Staff, Select Subcommittee on the Coronavirus Crisis (June 9, 2022).

²¹ Email from Staff, Pandemic Response Accountability Committee, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022).

²² Email from Staff, Department of Justice, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022); Department of Justice, *Offices of the United States Attorneys* (online at www.justice.gov/usao) (accessed June 9, 2022); Department of Justice, *Justice Department Announces Director for COVID-19 Fraud Enforcement* (Mar. 10, 2022) (online at www.justice.gov/opa/pr/justice-department-announces-director-covid-19-fraud-enforcement).

²³ Emails from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022, and June 9, 2022). This number includes Hotline staff, who conduct a preliminary review and analysis of all complaints received to determine the appropriate course of action. It also includes supervisory staff who may not have been directly assigned cases, but who play a critical role in ensuring that cases are handled with excellence. Some staff are also investigating other SBA programs in addition to PPP and COVID-19 EIDL.

supported this hiring with supplemental funding, such as the \$25 million that congressional Democrats provided to the agency through the American Rescue Plan.²⁴ However, the agency informed the Select Subcommittee that “the fraud landscape exceeds the scope of current investigative capacity,” and it lacks the budgetary authority to continue increasing its investigative personnel.²⁵

Notably, the PRAC has been able to assist OIGs that may be short staffed by providing coordination, data analysis, investigative resources, and surge staff. The PRAC informed the Select Subcommittee that it is “using [its] CARES Act authority to create new models for coordination among the federal government’s 75 [Inspectors General].” One such model involves conferring the PRAC’s broad pandemic jurisdiction to OIG members of the PRAC Fraud Task Force, thereby enabling them to investigate cases outside of their traditional program areas. Another model involves surge staffing. Facilitated by the PRAC, 10 individuals from multiple OIGs were temporarily detailed to SBA OIG to help the agency triage its many hotline complaints regarding PPP and COVID-19 EIDL fraud. The PRAC also employs 18 data science fellows, who have been detailed to various OIGs to facilitate data analytics across pandemic programs.²⁶

²⁴ Emails from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022, and June 9, 2022); American Rescue Plan Act of 2021, Pub. L. No. 117-2.

²⁵ Email from Staff, Small Business Administration, Office of Inspector General, to Staff, Select Subcommittee on the Coronavirus Crisis (June 6, 2022).

²⁶ Emails from Staff, Pandemic Response Accountability Committee, to Staff, Select Subcommittee on the Coronavirus Crisis (June 8, 2022, and June 9, 2022).