

# *Fraudsters Never Let a Crisis Go to Waste: Pandemic Funding Era Fraud Schemes*



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- ▶ Why do fraudsters love a crisis?
- ▶ Why is it important to understand the *Pandemic Funding Era Fraud Schemes* ?
- ▶ Wouldn't it be great if there was a list of these fraud schemes?
- ▶ Let's look at some of the more "creative" schemes.

# Why do fraudsters love a crisis?

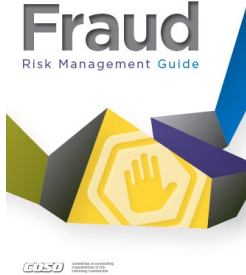

“Never allow a crisis to go to waste.”

--Rahm Emanuel (2008)

# Why do fraudsters love a crisis?

- ▶ A crisis attracts government money
- ▶ A major crisis attracts large amounts of government money
- ▶ Crises create confusion; confusion can be exploited
- ▶ In a crisis, job #1 is alleviating the pain/suffering; controls take a back seat
- ▶ In a crisis, controls can actually prevent or inhibit the alleviation of the crisis
  - In a flood/fire/hurricane, you cannot require a lot of paperwork before providing the needed relief
- ▶ This results in “pay-and-chase” scenarios; the costs of the “chase” often exceed what can be recovered

# Why is it important to understand the COVID and Cares Act fraud schemes?

Both  and  follow a “scheme-specific” approach:

- ▶ Identify fraud schemes
- ▶ Design/implement controls with respect to each scheme to:
  - Determine whether the scheme is happening
  - Prevent the scheme from happening in the future

# Why is it important to understand the COVID and Cares Act fraud schemes?



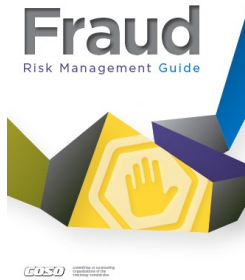
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**Best practices  
for non–  
governmental  
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# Why is it important to understand the COVID and Cares Act fraud schemes?

Both



and



follow a “scheme–

specific” approach:

**Best practices  
for non–  
governmental  
organizations**

***Required by law  
for federal  
governmental  
organizations  
and Federal  
programs***

tools with resp  
eme is happening  
happening in the futur



# Where does South Dakota rank in the perspective of COVID-related fraud schemes?

- ▶ [COVID-19 Fraud Statistics: \\$100 Million in Losses and Counting | The Ascent \(fool.com\)](#)
- ▶ Let's take a look

## Wouldn't it be great if there was a list of these fraud schemes?

- ▶ If we had such a list, we could work our way down that list asking, “could this be happening to/in our organization or with respect to our Federal program?”
- ▶ For every “yes” or “maybe” answer, we’d then focus on preventive and detective controls to deploy.
- ▶ In the absence of that approach, we’d be forced to be reactive rather than proactive:
  - I.e., “panic and chase.”

Wouldn't it be great if there was a list of these fraud schemes?

- ▶ Good news: such a list (actually two lists) exists!
- ▶ We've been watching and compiling several of the more interesting fraud schemes perpetrated over the last 5 years
- ▶ Let's share a few with you all (guaranteed for a few good laughs, if it wasn't our tax dollars being stolen)

# The list has been sorted two ways

By three major categories:	By the ACFE's COVID-19 Benchmarking Report Categories:
COVID-19 Schemes	Bribery and Corruption
Cares Act Schemes	Cyber Fraud
Payroll Protection Program (PPP) Schemes	Employee Embezzlement
	Financial Statement Fraud
	Fraud by Vendors and Sellers
	Health Care Fraud
	Identity Theft
	Insurance Fraud
	Loan and Bank Fraud
	Payment Fraud
	Unemployment Fraud

# Let's take a quick look....

# Schemes by category

By three major categories:	By the ACFE's COVID-19 Benchmarking Report Categories:
COVID-19 Schemes: 116	Bribery and Corruption: 25
Cares Act Schemes: 38	Cyber Fraud: 13
Payroll Protection Program (PPP) Schemes: 60	Employee Embezzlement: 2
	Financial Statement Fraud: 1
	Fraud by Vendors and Sellers: 21
	Health Care Fraud: 45
	Identity Theft: 8
	Insurance Fraud: 1
	Loan and Bank Fraud: 60
	Payment Fraud: 18
	Unemployment Fraud: 19

# Let's look at some of the more “creative” schemes

Covid-19

Cares Act

Payroll Protection Program

# Covid-19



# Commodities Fraud

Kenzley Ramos of Lawrenceville was indicted in the state of Georgia for commodities fraud. During the COVID-19 outbreak, Ramos claimed that the “stock market is crumbling” and claimed that he could provide high returns by profiting off of the COVID-19 crisis; however, Ramos pocketed investor funds for his use.

**Source:** [DOJ, U.S. Attorney's Office Northern District of Texas, Sham Trader Who Urged Investors to 'Profit Off' Pandemic Charged With Commodities Fraud](#)

# St. Petersburg Man Indicted for Threatening to Spread COVID-19

During a response to a domestic violence call and arrest involving a St. Petersburg man named Curry. Curry threatened officers that he had COVID-19 and proceeded to cough on the officers. The same day, after Curry had posted for bail. A call went out for Curry's arrest a second time, and upon his second arrest, Curry had spat on the officers.

**Source:** [PRAC, The US Attorney's Office Middle District of Florida, St. Petersburg Man Indicted For Threatening To Spread COVID-19 By Spitting And Coughing On Police Officers](#)

# COVID Mask Exemption Cards are Not From the Government

FTC advises the public that there are fraudulent government cards circulating online that states that “the holder has a disability that prevents them from wearing a mask, and that it’s illegal for any business to ask them to disclose their condition.”

**Source:** [FTC, COVID mask exemption cards are not from the government](#)

# Defraud Veterans Affairs Through Sale of Non-Existing Medical Supplies

Georgia man attempted to sell millions of nonexistent respirator masks to the Department of Veterans Affairs to exchange large upfront payments.

**Source:** [VA OIG - Georgia Man Arrested for Attempting to Defraud the Department of Veterans Affairs in a Multimillion-Dollar COVID-19 Scam](#)

# How to Spot, Avoid, and Report Imposter Scams

FTC posts a warning to the public that scams during COVID-19 could include calls, text messages, or email, where a scammer pretends to be someone you trust to attain personal information, money, or both.

FTC advises the public to be suspicious of any calls from the government and to “never pay with a gift card, wire transfer, or cryptocurrency.” Additionally, they advise to follow up with actual companies, individuals, and agencies.

Source: [FTC, How to spot, avoid, and report imposter scams](#)

# Grandparent Scams in the Age of Coronavirus

FTC states that scammers are targeting the elderly by posing as grandchildren that are distressed and in need of money.

**Source:** [FTC, Grandparent scams in the age of Coronavirus](#)

# Email Phishing Scams Related to Coronavirus

Email phishing scams appear as individuals who are from the CDC or WHO, who state they have updates on information regarding COVID-19 and scamming individuals by receiving personal data from individuals who click on the malicious links.

**Source:** [ACFE Fraud Magazine March 2020](#)

# COVID-Themed Web Sites

A tech journal company, The Next Web, reports that “at least 4,000 new coronavirus-themed website domain registrations since January according to new research from security firm Check Point”, many of which are used for phishing.

**Source:** [ACFE Fraud Magazine March 2020](#)



# Coronavirus Malware Packages

Cybersecurity journalist Brian Krebs states that cybercriminals have begun to sell “COVID-19 infection kits,” which show the infection map in real-time that was supposedly developed by John Hopkins; however, Krebs states that these programs are actually malware used to infect computers.

**Source:** [ACFE Fraud Magazine, March 2020](#)

# FBI Sees a Rise in Fraud Schemes

FBI sees a rise in fraud by scammers by leveraging the COVID19 outbreak and advises the public to be on the lookout for fake CDC emails, phishing emails, and counterfeit treatments or equipment.

**Source:** [FBI, FBI Sees rise in Fraud Schemes Related to the Coronavirus \(COVID-19\) Pandemic](#)

# At-Home Tests and “Virucide” Products

On May 27, the city attorney of Los Angeles plans to sue Wellness Matrix Group, who sold “at-home” COVID-19 testing kits with falsified FDA approval.

The company has also sold a product that supposedly kills COVID-19, which claimed: “that the product could build a force field around your event or even spray your entire city.”

**Source:** [See LA Sues California Company, Alleging ‘Sophisticated’ COVID-19 Fraud, by Tom Dreisbach, NPR, May 27, as cited by Emily Primeaux, CFE, in ACFE Fraud Magazine, July/August 2020](#)

# Colloidal Silver As Treatment For COVID-19

FDA and FTC issued a warning letter to a man named Xephyr for his promotion of unapproved colloidal silver as a “cure, to mitigate, prevent, or treat COVID-19, or other diseases like cholera, diabetes, cancer, and AIDS.”

**Source:** [PRAC, The US Attorney's Office Eastern District of Oklahoma, Court Orders Oklahoma Company To Stop Selling Colloidal Silver As Treatment For COVID-19](#)

# Cares Act

## Florida Men Charged with Stealing Credit, Tax Refunds, COVID-19 Stimulus Checks

3 Florida residents, Adesh Alvin Bissoon, Michael Jacques Joseph, and Victor Torres, were charged with defrauding at least 11 banks. By purchasing stolen IDs from the dark web and using them to file fraudulent IRS tax returns, receive COVID-19 stimulus checks, and create SSN and driver's licenses to create financial accounts in the stolen identities.

**Source:** [PRAC, U.S. Attorney's Office Southern District of Ohio, 3 Florida men charged with stealing credit, tax refunds, COVID-19 stimulus checks in bank fraud conspiracy involving more than \\$1 million in losses](#)

## Did a Nursing Home or Assisted Living Facility Take Your Stimulus Check?

FTC states that they have heard Medicaid participants taken advantage of through their assisted facilities by getting participants to sign stimulus funds away to them; however, FTC says that those facilities or government agencies do not have the right to take those types of funds away.

**Source:** [FTC, Did a nursing home or assisted living facility take your stimulus check?](#)

# Stolen PII Used to Claim Unemployment Benefits

Myra Walker, an employee of Bob's Discount Furniture, was on furlough, and when going to file an unemployment claim, she had found out that someone had stolen her SSN and filed an unemployment claim to receive \$464.

**Source:** ["Woman tries to file for unemployment but can't. Someone else is getting benefits in her name," by Karin Price Mueller, NJ Advance Media for NJ.com, May 2, as cited by Robert E. Holtfreter, Ph.D., CFE, ACFE Fraud Magazine September/October 2020](#)



## US DOL Prevents Fraudulently Filed Unemployment Insurance Claims

In collaboration with OESC, DOL-OIG stops nearly 3,800 fraudulently filed unemployment insurance claims, including 1,300 filed from a range of IP addresses located in London, England, which amounted to a savings of more than \$15.9m for taxpayers.

**Source:** [DOL OIG - The U.S. Department of Labor Office of Inspector General and Oklahoma](#)

# Maryland DOL Uncovers Massive fraudulent Unemployment Insurance Claims Scheme

The State of Maryland states, “it has uncovered a massive and sophisticated criminal enterprise involving more than 47,500 fraudulent unemployment insurance claims in Maryland and totaling over \$501 million.” The State of Maryland also urges citizens; “to remain vigilant and report suspicious activity or fraudulent use of their personal information.”

**Source:** [DOL OIG, Maryland Department of Labor Uncovers Massive fraudulent Unemployment Insurance Claims Scheme](#)

# Chester County COVID-19 Related Unemployment Fraud

Perpetrators assisted individuals incarcerated at Chester County Prison and other correctional institutions in fraudulent efforts to obtain Pandemic Unemployment Assistance (PUA) benefits.

**Source:** [DOL OIG, Four Chester County Residents Charged with COVID-19 Related Unemployment Fraud](#)

# Coronavirus relief scam impersonates Joe Simons from the Federal Trade Commission

For the second round of stimulus check payments, the FTC warns the public that scammers are impersonating Joe Simmons. The chairman of the FTC, to scam individuals to give their stimulus checks away.

**Source:** [FTC, Coronavirus relief scam impersonates Joe Simons from the Federal Trade Commission](#)

# Scam Email Says FTC Chairwoman Rebecca Slaughter is Sending Coronavirus Money

For the third stimulus check payment, the FTC states a phishing scam where the scammer spoofed and posed as Rebecca Slaughter, the FTC Chairwoman.

**Source:** [FTC, Scam Email Says FTC Chairwoman Rebecca Slaughter is Sending Coronavirus Money](#)

# Payroll Protection Program (PPP)

# Fraudulent Loan Application by Reality TV Personality

Reality television personality Fayne allegedly applied for \$2 million in PPP funds for a payroll of 107 employees; however, Fayne transferred \$350,000 to his sister's bank account, \$84,000 transferred to a jewelry store, and \$40,000 for child support services.

**Source:** [Law360 June 23, 2020](#)

# Fraudulent Loan Applications by Texas-Based Engineer

An engineer in Texas was charged for multiple fraudulent PPP applications equaling more than \$10 million to pay for a payroll of 250 employees when in actuality Rai had no employees working for him.

**Source:** [Law360 June 23, 2020](#)



# Fraudulent Loan Applications by Alleged Restaurant Business

Two individuals were charged for fraudulently applying for SBA forgiveness loans to pay for dozens of employees in four different restaurants; however, none of the restaurants have had any employees in actuality. Analysis showed that none of the businesses have been in operation since November 2018.

**Source:** [Law360 June 23, 2020](#)

# Game of Thrones PPP Fraud

A CEO, Pan, for an insurance company, Pan Insurance Agency, in North Carolina was charged for fraudulent PPP applications through his own company and multiple fake entities named after Game of Thrones characters, which totaled more than \$6 million. The company names inspired by Game of Thrones include: White Walker LLC, Khaleesi LLC, and The Night's Watch LLC.

**Source:** [Law360 \(September 29, 2020, 9:22 PM EDT\)](#)

# Paycheck Protection Program and Economic Injury Disaster Loan Scams

FTC warns small business owners of scammers imposing as approved lenders of PPP loans to steal personal information.

**Source:** Robert E. Holtfreter, Ph.D., CFE, ACFE Fraud Magazine, July/August 2020

# Defense Contractor Charged with Bank Fraud, PPP Fraud, and Money Laundering

Kao, a defense contractor in Hawaii, had fraudulently applied for PPP loans through inflated employee numbers, which totaled more than \$12.8 million.

**Source:** [J. Edward Moreno, The Hill, Defense Contractor Charged for Allegedly Stealing More Than \\$12.8M in PPP Funds](#)

# Loan Fraud Charges

Utah resident Ugarte fraudulently applied for PPP loans by falsely stating that he and his business were not under indictment. In actuality, he had been charged with wire fraud, money laundering, and felony drug possession.

**Source:** [DOT OIG, Utah Pair Indicted on Loan Fraud Charges Related to the CARES Act](#)

# Hollywood Film Producer PPP Fraud

A Hollywood Film Producer made a series of misrepresentations to a bank and the Small Business Administration and used Paycheck Protection Program loans to pay off his personal credit card debts and other personal expenses, rather than to use the funds for legitimate business needs.

**Source:** [FDIC OIG, Hollywood Film Producer Charged with \\$1.7 Million COVID-Relief Fraud](#)

# NFL Player Charged in South Florida COVID Relief Fraud

NFL player Joshua J. Bellamy has been charged with fraudulently applying for \$24 million in PPP loan with falsified documents. Bellamy was one of the other co-conspirators that worked with Augstin to receive fraudulent PPP loan, where Augstin would give kickbacks for getting loans for him.

**Source:** [PRAC, U.S. Attorney's Office Southern District of Florida, NFL Player Charged in South Florida Federal Court for Alleged Role in \\$24 Million COVID-Relief Fraud Scheme](#)

# Paycheck Protection Program and Related Loan Fraud in D.C.

A resident of Washington D.C., Kenneth Gaughan, fraudulently applied for \$2.1 million in PPP and ELDI loans through multiple companies with falsified documents, including forged paperwork and bank statements. Moreover, Gaughan used the fraudulently received funds to purchase a Yacht, Kia Stinger, and a rowhouse.

**Source:** [PRAC, U.S. Attorney's Office District of Columbia, District Man Charged with Over \\$2 Million in Paycheck Protection Program and Related Loan Fraud](#)



# PPP Loan Used to Purchase \$318,497 Lamborghini

David T. Hines fraudulently applied for \$4 million in COVID-19 relief loans and spent the fraudulent funds of \$318,497 on a Lamborghini and “thousands of dollars on dating websites, jewelry, clothes, and high-end hotels.”

**Source:** [Jay Weaver, Miami Herald, July 28, as cited by Emily Primeaux, CFE, in ACFE Fraud Magazine, September/October 2020](#)

# End Thoughts on Pandemic Era Funding

From a personal perspective, be aware of the range, scope, and creativity of these scams

From a professional and business, don't get involved with false loan applications and bogus businesses

If you or your organization has any involvement whatsoever with Covid-19, Cares Act, PPP, Infrastructure Investment, etc..., take some time to scan these lists and ask, "could that happen here?"

# On a more local level...

- ▶ Where do we see the most fraud at the local government level
  - Mostly anywhere there are significant transactions made in cash
    - Utility revenue/receivables
    - Municipal court revenue/receivables
  - Procurement cards
  - Unauthorized pay

# Questions