

**Department of Justice**

U.S. Attorney's Office

Eastern District of Virginia

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FOR IMMEDIATE RELEASE

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## **EDVA Takes Action Against COVID-19 Fraud in 2021**

ALEXANDRIA, Va. – Today Jessica D. Aber, United States Attorney for the Eastern District of Virginia, announced an update on the Eastern District of Virginia's criminal and civil enforcement efforts to combat COVID-19 related fraud, including schemes targeting the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) program and Unemployment Insurance (UI) programs.

“In the past year, Virginians have endured the physical, mental, and economic hardship brought on by the COVID-19 pandemic,” said Aber. “Within the last year, we have stood firm in our commitment to protect the programs implemented by Congress to assist community members suffering from the economic effects of this pandemic and, going forward, will continue to aggressively prosecute those who steal taxpayers' funds.”

Since the start of 2021, EDVA has charged over 30 defendants with criminal offenses based on fraud schemes connected to the COVID-19 pandemic. These cases involve attempts to defraud over \$105 million from the U.S. government and unsuspecting private individuals. The success of these cases reflects a degree of reach, coordination, and expertise emblematic of EDVA's and the Justice Department's response to COVID-19-related fraud.

In March 2020, Congress passed a \$2.2 trillion economic relief bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. Anticipating the need to protect the integrity of these taxpayer funds and to otherwise protect Americans from fraud related to the COVID-19 pandemic, the Department of Justice immediately stood up multiple efforts dedicated to identifying, investigating, and prosecuting such fraud.

On criminal matters, EDVA's efforts to combat COVID-19-related fraud schemes in 2021 have proceeded on numerous fronts, including:

- **Paycheck Protection Program (PPP) fraud:** The PPP fraud cases charged in EDVA this year involve a range of conduct, from individual business owners who inflated their payroll expenses to obtain larger loans than they otherwise would have qualified for, to a serial fraudster applying for multiple loans using false claims about business entities and income. Most charged defendants misappropriated loan proceeds for prohibited purposes, such as the purchase of houses, cars, Cessna aircraft, jewelry, and other luxury items. In one case, [U.S. v. Andrew Tezna](#), a Senior Executive Service (SES) employee of the National Aeronautics and Space Administration (NASA) was sentenced for submitting fraudulent applications for over \$357,000 in PPP relief loans and COVID-19 benefits.
- **Economic Injury Disaster Loans (EIDL) fraud:** EDVA has also focused on fraud against the EIDL program, which was designed to provide loans to small businesses, agricultural and non-profit

entities. Nationally, fraudsters have targeted the program by applying for EIDL advances and loans on behalf of ineligible, newly created, shell, or non-existent businesses, and diverting the funds for illegal purposes. In [U.S. v. Joseph Cherry](#), a repeat fraudster was sentenced in EDVA for engaging in an EIDL and PPP loan fraud scheme while under federal supervision, with an intended loss to the government of nearly \$232,000.

- **Unemployment Insurance (UI) fraud:** Due to the COVID-19 pandemic, more than \$860 billion in federal funds were 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 fraudsters, ranging from identity thieves to prison inmates, have also committed UI fraud. In [U.S. v. Mary Benton et al](#), the defendant operated a fraudulent scheme to obtain nearly \$437,000 in pandemic-related unemployment benefits by using the personal identifying information of over 30 Virginia prison inmates.
- **Personal Protective Equipment (PPE) fraud:** EDVA charged and prosecuted criminals who exploited the nation's need for personal protective equipment (PPE) required to protect medical professionals and the public from contracting and spreading COVID-19. These schemes often offered to sell scarce PPE, such as N95 respirator masks, to various medical supply companies, government entities, and consumers. For example, in [U.S. v. Robert Stewart](#), the defendant falsely stated to multiple Federal Government agencies that he was in possession of large quantities of PPE, thus putting him in the position to obtain contracts with the Department of Veteran's Affairs (VA) and the Federal Emergency Management Agency valued at \$35.1 million and \$3.5 million, respectively.
- **Economic Impact Payments (Stimulus Checks) Fraud:** EDVA has also worked to investigate and prosecute fraudsters who attempted financial scams, counterfeiting of checks, and mail, and identity theft targeting COVID-19 stimulus checks. In [U.S. v. Jonathan Drew](#), the defendant stole U.S. mail addressed to more than 150 individuals in EDVA, stealing more than \$700,000 in checks, including \$1,200 in COVID-19 stimulus payments and checks which the defendant further used to create counterfeit stimulus checks.

EDVA has also worked to shut down fraudulent websites that were facilitating consumer scams related to COVID-19 and has taken scores of actions to disrupt financial networks supporting such scams. For example, EDVA [announced the seizure of seven websites](#) used to collect personal information and that sought to exploit the increased interest in vaccines, treatments, and employment opportunities associated with the COVID-19 pandemic.

EDVA has also used numerous civil tools to address fraud in connection with CARES Act programs. For example, EDVA obtained a civil settlement of \$230,414.65 with [KC Investments Group, Inc. and its owner for fraud involving Paycheck Protection Program loans](#).

"We are dedicated to preserving the integrity of these programs that were designed and implemented to assist citizens during a time of uncertainty and strain related to the COVID pandemic; and will continue to work with our partners to investigate and hold accountable those who manipulate these government resources for personal gain," said Stanley M. Meador, Special Agent in Charge of the Federal Bureau of Investigation (FBI) Richmond Field Office.

"The NASA Office of Inspector General is committed to working with the EDVA in aggressively investigating allegations of wrongdoing targeting PPP, EIDL, and UI programs," said Robert Steinau,

Assistant Inspector General for Investigations for NASA. “We will continue to pursue and hold those accountable that defraud these crucial programs.”

“Through the dedicated efforts of Special Agents around the world, HSI conducted investigations into the sale of counterfeit personal protective equipment, disrupted financial fraud schemes that exploited COVID-19 relief programs, shut down websites that defrauded consumers, and interdicted shipments of dangerous prohibited pharmaceuticals and medical supplies through Operation Stolen Promise,” said Ray Villanueva, Special Agent in Charge of Homeland Security Investigations (HSI), Washington, D.C. “These efforts help protect American citizens from the transnational criminal organizations who seek to exploit the COVID-19 pandemic for financial gain.”

“Those who commit Covid fraud are robbing taxpayers while hurting the people who truly needed the financial support,” said Darrell Waldon, Internal Revenue Service Criminal Investigation (IRS-CI) Special Agent in Charge, Washington DC Field Office. “We will continue to prioritize COVID-19 fraud investigations and ensure those who commit it are brought to justice.”

“Each day, the OIG stands beside the nation’s robust diverse small business community by safeguarding the unique SBA programs established to support their development and growth,” said the Small Business Administration’s (SBA) Office of Inspector General’s Eastern Region Special Agent in Charge, Amaleka McCall-Brathwaite. “OIG remains committed to rooting out bad actors and protecting the integrity of SBA programs every day. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their dedication and pursuit of justice.”

“Initiatives like our Newport News Financial Crimes Task Force were created to crack down on various white-collar crimes, to include COVID-19 related fraud schemes. Our continued partnerships with area law enforcement, prosecutors and financial institutions will assist us in identifying and prosecuting those who commit pandemic-related fraud offenses involving the U.S. Mail,” said Daniel Adame, Postal Inspector in Charge of the Washington Division.

“So long as criminals continue to exploit pandemic relief programs, the U.S. Secret Service will continue to investigate and identify them for prosecution,” said U.S. Secret Service Special Agent in Charge Jerald Page. “The protection of our national economy and financial infrastructure has remained a critical part of our mission for more than 150 years, and our dedicated investigators will continue to work tirelessly to ensure that protection from any and all threats.”

“COVID-19 demands have created a climate for bad actors to pursue unique and considerable opportunities for fraud,” said VA Inspector General Michael J. Missal. “This office is actively engaging with our law enforcement partners to identify those who would capitalize on this pandemic to steal from veterans and taxpayers.”

“An important mission of the Office of Inspector General is to investigate allegations of fraud related to Unemployment Insurance programs,” stated Troy W. Springer, Acting Special Agent-in-Charge, Washington Region, U.S. Department of Labor Office of Inspector General. “We will continue to work with the U.S. Attorney’s Office, our law enforcement partners, and the Virginia Employment Commission, to protect the integrity of programs intended for unemployed American workers, including those who continue to be affected by the ongoing COVID-19 pandemic.”

Some of the major COVID-19-related cases prosecuted by EDVA in 2021 are as follows:

<b>Case Name</b>	<b>Case #</b>	<b>Program Targeted</b>	<b>Intended Loss to Taxpayer</b>
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U.S. v. Punelli*	1:21-cr-224	PPP, EIDL	\$55,606,000
U.S. v. Stewart	1:21-cr-5	PPP, EIDL, PPE	\$39,576,500
U.S. v. Mitchums*	4:21-cr-85	PPP, EIDL	\$5,100,000
U.S. v. Kindambu	1:20-cr-260	PPP	\$2,501,753
U.S. v. Noel*	4:21-cr-72	UI	\$469,635
U.S. v. Benton et al.	2:21-cr-33	UI	\$436,834
U.S. v. Tezna	1:21-cr-77	PPP, EIDL, UI	\$357,734
U.S. v. Suber	2:20-cr-110	PPP	\$350,000
U.S. v. Cherry	4:20-cr-27	PPP, EIDL	\$231,900
KC Investments	Civil Settlement	PPP	\$230,414
U.S. v. Smith	3:21-cr-60	UI	\$223,984
U.S. v. Khan*	1:21-cr-207	EIDL	\$110,000
U.S. v. Tierney et al	3:21-cr-32	UI	\$74,805
U.S. v. Jefferson	4:20-cr-64	EIDL	\$25,000
U.S. v. Drew	1:21-cr-71	Stimulus	\$1,200

*\*pending sentencing*

In addition to these efforts, the Newport News Financial Crimes Task Force, led by the U.S. Postal Inspection Service (USPIS) and in partnership with EDVA, the FBI Norfolk Field office through its Resident Agency in Newport News, and the Washington Regional Office of the U.S. Department of

Labor Office of Inspector General (DOL-OIG), have launched a joint pandemic counter-fraud operation focused on the Virginia Peninsula region. This collaborative initiative targets the trend of criminal organizations and networks incorporating pandemic-related fraud into their other illegal activities. As of December 13, 2021, this operation has successfully initiated 21 investigations, resulting in 14 individuals charged in 7 criminal cases, with identified losses of over \$800,000 related to the charged cases. An additional 14 cases remain ongoing and active.

All these efforts have been made possible through the diligent work of a wide range of law enforcement partners from the FBI (Washington, Norfolk and Richmond Field Offices), DOL-OIG, U.S. Secret Service, IRS-CI, Defense Criminal Investigative Service, HSI, USPIS, the Offices of Inspectors General from SBA, Department of Homeland Security, Social Security Administration, Federal Deposit Insurance Corporation, NASA, Department of Health and Human Services, and the VA.

On May 17, 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 the government to enhance efforts to combat and prevent pandemic-related fraud. The Virginia Coronavirus Fraud Task Force is a federal and state partnership led by the Eastern and Western Districts of Virginia along with fraud investigators from the FBI and Virginia State Police. The task force's mission is to identify, investigate, and prosecute fraud related to the ongoing pandemic. The task force reviews and investigates all credible leads of fraud associated with COVID-19, focusing on schemes to exploit vulnerable populations, including the elderly and concerned citizens.

EDVA continues its fight against COVID-19 related fraud. To report a COVID-19-related fraud scheme or suspicious activity, contact the National Center for Disaster Fraud (NCDF) by calling the NCDF Hotline at 1-866-720-5721 or via the NCDF Web Complaint Form at <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

A copy of this press release is located on the website of the [U.S. Attorney's Office](#) for the Eastern District of Virginia. Related court documents and information are located on the website of the [District Court](#) for the Eastern District of Virginia.