# OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

## Quarterly Report to the United States Congress

October through December 2024

MESSAGE FROM THE SPECIAL INSPECTOR GENERAL
FOR PANDEMIC RECOVERY

I am pleased to present our 19th semi-annual report to Congress. This will be our final report if SIGPR sunsets in less than three months. With award winning criminal investigations that have yielded a myriad of judicial actions, a return on investment of over 300%, and 130 potential defendants that will more than likely never be prosecuted if SIGPR sunsets, it would be unwise not to extend SIGPR in order for us to continue our mission. The Federal Reserve has reported over $1.36 billion in loan losses, which will only increase as the 70% principal payments start coming due on the loans four months after SIGPR terminates operations.

During this reporting period, SIGPR issued its final memorandum on the effect the Main Street Lending Program (MSLP) loan losses have on Treasury's investment in the program. SIGPR continues to rely almost entirely upon leads it developed itself (as opposed to the referrals that most agencies pursue) and has continued its pursuit of a significant number of investigations within SIGPR's jurisdiction. These investigations encompass potential fraud totaling $577 million and as many as 130 potential defendants.

This quarter the Office of Investigations was responsible for numerous outcomes involving fraud schemes against multiple CARES Act programs. A nationwide telecommunications provider and its CEO pled guilty to a scheme to defraud programs administered by the Federal Communications Commission (FCC) and Small Business Administration (SBA) totaling over $127 million. In Texas, two individuals pled guilty for their involvement in a $53 million fraud scheme that included over $13 million in CARES Act funding. In another case, three individuals were arrested in connection with a Paycheck Protection Program (PPP) fraud scheme where PPP lending service providers were submitting fraudulent applications. Additionally, six individuals in the Western District of Virginia pled guilty to filing fraudulent claims totaling more than $341,000 to obtain pandemic unemployment benefits while incarcerated.

I want to thank the auditors, special agents, attorneys, and administrative staff of SIGPR, all of whom are professional public servants sharing one goal—to protect the American people from fraud, waste, and abuse.

As I have noted in previous correspondence and other communications with Congress, for this work to continue, we are asking for a five-year extension beyond our March 2025 sunset date. We need this time to see our investigations through to completion and program audits to conclusion. Most loans within our jurisdiction mature in 2025; should defaults then occur, without an extension SIGPR will sunset just when it is most needed.

We at SIGPR will continue our mission and look forward to working with you in the future.

Very respectfully,

Brian D. Miller
Special Inspector General for Pandemic Recovery

# PROFILE

## ABOUT

SIGPR is an independent organization within Treasury whose mission is to promote the economy, efficiency, effectiveness, and integrity of CARES Act funds and programs. SIGPR was established by section 4018 of the CARES Act with duties, responsibilities, and authority under the Inspector General Act of 1978.

## STAFFING AND BUDGET

SIGPR has 21 employees on board. We continue to be judicious in the execution of our budget in support of the SIGPR mission.

# CONTENTS



SECTION 1

# SIGPR OVERSIGHT

SIGPR employs proactive efforts to detect and investigate fraud, waste, and abuse involving CARES Act funds and programs within SIGPR's jurisdiction. Below is a summary of SIGPR's activities during the reporting period:

## Audits

The Office of Audits conducts audits and evaluations of loans and other investments made by Treasury under programs within SIGPR's jurisdiction.[1]

### Engagements

During this quarter, the Office of Audits completed one engagement related to Treasury's investment in the MSLP. The MSLP supported lending to small and medium-sized for-profit businesses and nonprofit organizations that were in sound financial condition before the onset of the pandemic. The Federal Reserve Bank of Boston, which manages the program, set up a Special Purpose Vehicle to purchase 95 percent of participations in MSLP loans from lender banks. These purchases were backed by a $16.6 billion equity investment by Treasury.

The office also continued to monitor the performance of Treasury's Direct Loan Program. The Direct Loan Program was established under section 4003 of the CARES Act and authorized Treasury to provide loans, loan guarantees, and other investments to passenger air carriers and related businesses, cargo air carriers, and businesses critical to maintaining national security. Treasury made direct loans to 35 such businesses, providing them with liquidity to withstand losses incurred as a result of the coronavirus pandemic. As of January 1, 2025, nine loans with outstanding balances were in default.[2] The total outstanding loan amount for the loans in default is approximately $49.7 million.

### Audit of the Effects the Main Street Lending Program's Loan Losses Have on Treasury's Investment in the Program

SIGPR issued its final memorandum, which focuses on whether MSLP loan losses will prevent the Department of the Treasury from being reimbursed its entire $37.5 billion equity investment into the program. MSLP 5-year term loans do not become due until July 2025 through January 2026. Without extension to SIGPR's currently scheduled March 2025 statutory sunset date, it will not exist to definitively determine whether Treasury will recover all its investment into the program.

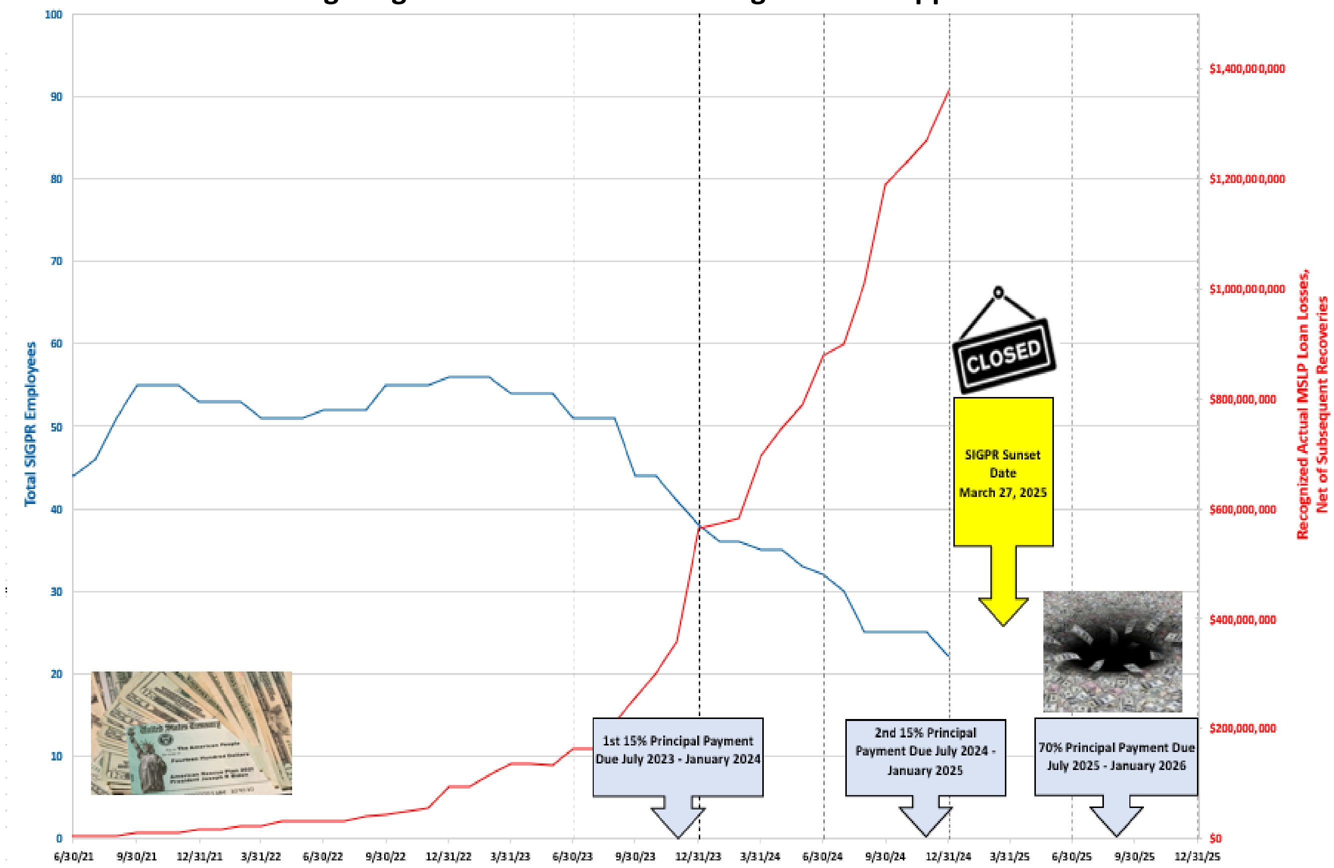
As of November 30, 2024, Treasury has been reimbursed all but $3.46 billion of its initial investment. However, MSLP loan losses continue to increase, and as of December 31, 2024, the total loss figure is approximately $1.36 billion. MSLP borrowers recently made their second 15 percent principal payments and are facing 70 percent principal balloon payments starting later this year as well as variable loan interest rates that have increased significantly since loan origination. These are contributing factors to

[1] *See* CARES Act § 4018(c)(1)

[2] Borrowers whose direct loans are currently in default are Aero Hydraulics, Inc.; Caribbean Sun Airlines, Inc.; Elite Airways, LLC; Island Wings, Inc.; Legacy Airways, LLC; Meridian Rapid Defense Group, LLC; oVio Technologies, Inc.; Timco Engine Center, Inc.; and Visual Semantics, Inc.

the MSLP's high loan loss allowance, which indicates that the program may experience approximately $624 million in additional loan losses by program's end. These factors, in addition to expected increases in program support costs over the next year and over $1 billion in interest Treasury has paid as part of its participation in the MSLP, cast doubt on whether Treasury will be made whole on its MSLP investment.

**Main Street Lending Program Loan Losses Increasing as SIGPR Approaches its Sunset**



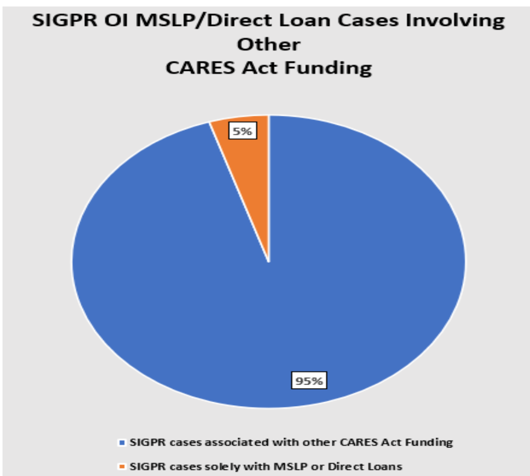

Source: SIGPR. Data is as of 12/31/2024.

# Investigations

The Office of Investigations (OI) conducts criminal and civil investigations regarding allegations of fraud, waste, abuse, or misconduct involving CARES Act funds and programs within SIGPR's jurisdiction. In addition, OI manages SIGPR's hotline, which serves as a primary avenue for reporting fraud, waste, abuse, or misconduct.

SIGPR's first special agent was not onboarded until late December 2020, six months after Brian Miller was appointed as the Special Inspector General, because of statutory authority challenges to hire special agents imposed by the Department of Treasury. Despite these challenges, OI was able to hire a highly skilled staff that has been very productive. Currently, as MSLP loan defaults rise at an alarming rate, SIGPR faces the reality of its sunset date in March 2025. To date, OI's successes include: 39 federal indictments, 27 criminal informations, 49 arrests, 30 guilty pleas, five sentencings, more than $138.7 million in court ordered restitution, over $11.4 million in seizure/forfeiture orders, a $350,000 civil settlement, over $36.8 million in recoveries, resulting in more than $187 million in total investigative outcomes. SIGPR's overall funding from inception (March 2020) to date was $62 million, bringing OI's return on investment to 300%.

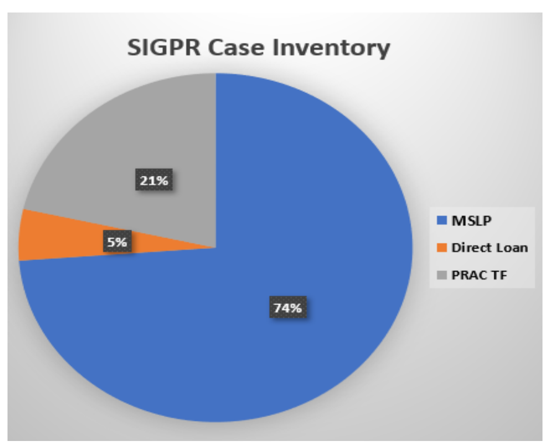
### Investigative Activities




OI routinely collaborates with the entire SIGPR team, including auditors, analysts, and attorneys to vet complaints, develop proactive initiatives, and pursue investigations. SIGPR's investigations are conducted in partnership with various U.S. Attorneys' Offices and the U.S. Department of Justice (DOJ). Additionally, OI continues its partnership-building efforts with other law enforcement agencies. OI participates in task forces and working groups throughout the federal law enforcement and Inspector General communities, including the Pandemic Response Accountability Committee's (PRAC) Fraud Task Force, the DOJ COVID-19 Fraud Enforcement Task Force, and the DOJ COVID-19 Fraud Enforcement Strike Forces.

### Current Reporting Period

During this reporting period, SIGPR continued its investigative and proactive efforts to uncover and vigorously pursue fraud and wrongdoing related to CARES Act funding under Title IV, Subtitle A. The following table highlights SIGPR's investigative activity as it relates to the various CARES Act programs.



**SIGPR Investigative Activity – October 1, 2024, through December 30, 2024**

| | |
|---|---|
| **Hotline Complaints** | |
| Hotline Complaints Received | 106 |
| Referrals to Other Agencies | 20 |
| **Preliminary Inquiries** | |
| Opened | 0 |
| Closed | 3 |
| Converted to Full Investigation | 1 |
| Ongoing | 4 |
| **Investigations*** | |
| Opened | 3 |
| Closed | 0 |
| Ongoing | 38 |
| **Criminal Actions †** | |
| Referrals to the Department of Justice | 1 |
| Referrals to State/Local Prosecuting Authorities | 0 |
| Indictments/Informations | 9 |
| Arrests/Summons | 3 |
| Convictions/Pleas | 12 |
| Sentencings | 1 |
| **Civil Actions †** | |
| Referrals to the Department of Justice | 0 |
| Civil Judgments/Settlements | 0 |
| **Other Enforcement Actions** | |
| IG Subpoenas Issued | 3 |
| Suspension/Debarment Recommendations | 0 |
| Administrative Suspension | 2 |
| Administrative Debarment | 0 |
| **Investigative Monetary Results †** | |
| Funds Seized/Forfeitures | $17,559,118 |
| Restitution Ordered | $109,654,891 |
| Fines and Penalties | 0 |
| Civil Judgments/Settlements | 0 |
| Recoveries | 0 |

* Includes all SIGPR program-related cases, including PRAC Fraud Task Force investigations and joint investigations with other agencies.

† Includes all SIGPR actions reported, including those resulting from PRAC Fraud Task Force investigations and joint investigations with other agencies.

## Casework Highlights

Throughout the first quarter of fiscal year 2025, OI continued to expand its investigative oversight work through SIGPR's collaborative and proactive efforts as exhibited below.

### South Florida Telecom Company and its CEO pled guilty for Defrauding Federal Government Programs

A Florida man and his company were arraigned in federal court in connection with a multi-year scheme to steal over $100 million from a celebrated federal program providing discounted cell phone service to people in need. Both were charged with conspiring to commit wire fraud and steal government money, as well as conspiring to defraud the United States. The individual was also charged with money laundering.

The defendant and his company allegedly schemed to defraud the FCC's Lifeline program. Lifeline makes basic communications services more affordable for low-income consumers. It provides subscribers a deep discount on qualifying monthly cellphone service, broadband Internet service, or bundled voice-broadband packages purchased from participating telecommunications providers. The discount helps ensure that low-income consumers can afford 21st century connectivity services and the access they provide to jobs, healthcare, and educational resources.

The man also allegedly defrauded the SBA Paycheck Protection Program (PPP) by making false statements about his business. The man, in his company's name, executed a fraudulent scheme to obtain, and keep, PPP proceeds. To further the scheme, he made false statements about his business, including a false claim that his business reimbursements substantially decreased because of the pandemic. The man spent PPP loan proceeds overseas, and on a Land Rover payment, his personal Amex card, jewelry, and personal property.

United States
Attorney's Office
Southern District of Florida

PRESS RELEASE

**Nationwide Telecommunications Provider and its CEO Plead Guilty to Massively Defrauding Federal Government Programs Meant to Aid the Needy**

Tuesday, October 15, 2024
Share
**For Immediate Release**
U.S. Attorney's Office, Southern District of Florida

MIAMI –Issa Asad, 51, of Southwest Ranches, Fla., and Q Link Wireless LLC, of Dania Beach, Fla., pleaded guilty today to conspiring to defraud and commit offenses against the United States in connection with a years-long scheme to steal over $100 million from a celebrated federal program providing discounted phone service to people in need. Asad, Q Link's CEO, also pleaded guilty to laundering money from a separate scheme to defraud a different federal program meant to aid individuals and businesses hurt by the Covid-19 pandemic.

Asad and Q Link each pleaded guilty to Count 1 of an Information, which charges them with conspiring to commit wire fraud and to steal government money, and also with conspiring to defraud the United States, in violation of Title 18, United States Code, Section 371. Asad pleaded guilty as well to Count 2 of the Information, which charges him with money laundering in violation of Title 18, United States Code, Section 1957. Both defendants also pleaded guilty to the Information's forfeiture allegations. U.S. District Judge Rodolfo A. Ruiz II accepted the guilty pleas and set the Defendants' sentencing hearings for Jan. 15, 2025, at 1:30 p.m.

Asad's plea agreement contains a joint recommendation that he serve the statutory maximum sentence of 5 years' imprisonment on Count 1. The statutory maximum sentence on Count 2 is 10 years' imprisonment. Asad's exact sentence will be determined by the Court after considering the U.S. Sentencing Guidelines and other statutory factors.

Asad and Q Link also agreed to pay jointly $109,637,057 in restitution to the Federal Communications Commission (FCC) no later than the time of their sentencing hearings. Asad separately agreed to pay $1,758,339.25 in restitution to the U.S. Small Business Administration (SBA), and to a forfeiture judgment against him of at least $17,484,118.00.

"Issa Asad and his company, Q Link Wireless, purposefully defrauded two critical federal programs helping individuals and businesses suffering financial hardship, unlawfully taking hundreds of millions of dollars for their own use and profit, while obstructing the United States' ability to help people who, unlike the Defendants, needed it," said U.S. Attorney Markenzy Lapointe for the Southern District of Florida. "The plea agreements in this case impose extraordinary and unprecedented financial penalties, as they should. They also reflect our Office's commitment to ensuring that individuals who orchestrate business scams are punished personally, not just corporations. That Asad cheated two different programs meant to help people in need makes this prosecution even more imperative. We will continue to investigate and prosecute vigorously all types of fraud, whether perpetrated by individuals or businesses, and seek justice for victims of these scams."

"Brazen fraud schemes that prey on vulnerable populations and target federal telephone and broadband subsidy programs, designed to ensure that low-income consumers can access critical telecommunications services, demand the most serious punishments like the ones included in today's plea agreement," said FCC Inspector General Fara Damelin. "This result was made possible by dedicated investigators and our investment in a robust data analytics capability. The FCC OIG is committed to using all our resources, and working with our outstanding law enforcement partners, to investigate and hold accountable those who abuse the FCC's public subsidy programs and to protect all those who rely on them to stay connected."

"Stealing over $100 million for programs meant to support people in times of need is a crime against the entire nation." said Juan A. Vargas, Inspector in Charge, U.S. Postal Inspection Service (USPIS), Miami Division. "Asad and Q Link's guilty pleas send a clear message: those who cheat the government for personal gain will be held accountable."

"This is precisely the type of conduct IRS Criminal Investigation, and our law enforcement partners are committed to deterring," said Kareem Carter, Executive Special Agent in Charge of the Internal Revenue Service - Criminal Investigation (CI), Washington, D.C. Field Office. "These crimes are far from victimless, as they financially harm taxpayers and erode public trust in our government. I want to

Southern District of Florida | Nationwide Telecommunications Provider and its CEO Plead Guilty to Massively Defrauding Federal Government Programs Meant to Aid the Needy | United States Department of Justice

# Co-Founder of Paycheck Protection Program Lender Service Provider Charged for COVID-19 Relief Fraud Scheme

Two co-founders of a PPP lender service provider were indicted and arrested, another associate pled guilty to related charges for their alleged participation in a scheme to obtain, through multiple fraudulent loan applications, COVID-19 relief money guaranteed by the SBA through the PPP under the CARES Act.

They allegedly submitted false and fraudulent PPP loan applications on behalf of themselves and their businesses, including by fabricating documents that they submitted in their loan applications to receive loan funds for which they were not eligible.


United States
Attorney's Office
Northern District of Texas

PRESS RELEASE

**Co-Founders of Paycheck Protection Program Lender Service Provider Charged for COVID-19 Relief Fraud Scheme**

Friday, November 22, 2024

Share

**For Immediate Release**

Office of Public Affairs

An indictment was unsealed yesterday in the Northern District of Texas charging two co-founders of Blueacorn, a lender service provider, in connection with a scheme to fraudulently obtain COVID-19 relief money guaranteed by the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

According to court documents, Nathan Reis, 45, and Stephanie Hockridge, 41, also known as Stephanie Reis, both of Puerto Rico and previously of Arizona, allegedly submitted false and fraudulent PPP loan applications on behalf of themselves and their businesses, including by fabricating documents that they submitted in their loan applications in order to receive loan funds for which they were not eligible.

The indictment also alleges that Reis and Hockridge, who are married, co-founded Blueacorn in April 2020, purportedly to assist small businesses and individuals in obtaining PPP loans. In order to obtain larger loans for certain PPP applicants, Reis and other co-conspirators allegedly fabricated documents, including payroll records, tax documentation, and bank statements. Reis and Hockridge allegedly charged borrowers illegal kickbacks based on a percentage of the funds received.

As part of the alleged scheme, Reis, Hockridge, and others expanded Blueacorn's operations through lender service provider agreements (LSPAs) with two lenders. Under the LSPAs, Blueacorn collected and reviewed PPP applications from potential borrowers on behalf of the lenders and worked with the lenders to submit applications to the SBA in exchange for a percentage of the fees that the SBA paid to the lenders for approved PPP loans. Blueacorn also had a program called "VIPPP" in which Hockridge and others offered a personalized service to help potential borrowers complete PPP loan applications. Reis and Hockridge allegedly recruited co-conspirators to work as VIPPP referral agents and coach borrowers on how to submit false PPP loan applications. In order to obtain a greater volume of kickbacks from borrowers and percentage of lender fees from the SBA, Reis, Hockridge, and their co-conspirators submitted PPP loan applications that they knew contained materially false information.

Reis and Hockridge are charged with one count of conspiracy to commit wire fraud and four counts of wire fraud. If convicted, they face a maximum penalty of 20 years in prison on each count.

Principal Deputy Assistant Attorney General Nicole M. Argentieri, head of the Justice Department's Criminal Division; U.S. Attorney Leigha Simonton for the Northern District of Texas; Assistant Director Chad Yarbrough of the FBI's Criminal Investigative Division; Special Agent in Charge Chris Altemus of the IRS Criminal Investigation (IRS-CI) Dallas Field Office; Special Inspector General for Pandemic Recovery (SIGPR) Brian Miller; Special Agent in Charge John Ellwanger of the Western Division, Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB-OIG); and Inspector General Hannibal "Mike" Ware of the Small Business Administration Office of Inspector General (SBA-OIG) made the announcement. FBI, IRS-CI, SIGPR, FRB-OIG, and SBA-OIG investigated the case.

Acting Assistant Chief Phillip Trout of the Criminal Division's Fraud Section, Trial Attorneys Elizabeth Carr and Ryan McLaren of the Criminal Division's Money Laundering and Asset Recovery Section (MLARS), and Assistant U.S. Attorney Matthew Weybrecht for the Northern District of Texas are prosecuting the case.

MLARS's Bank Integrity Unit investigates and prosecutes banks and other financial institutions, including their officers, managers, and employees, whose actions threaten the integrity of the individual institution or the wider financial system.

The Fraud Section leads the Criminal Division's prosecution of fraud schemes that exploit the PPP. Since the enactment of the CARES Act, the Fraud Section has prosecuted over 200 defendants in more than 130 criminal cases and has seized over $78 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds. More information can be found at www.justice.gov/criminal-fraud/ppp-fraud.

In May 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Justice Department in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The task force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by augmenting and incorporating existing coordination

They also purportedly assisted small businesses and individuals in obtaining PPP loans. In order to obtain larger loans for certain PPP applicants, they and other coconspirators fabricated documents, including payroll records, tax documentation, and bank statements. The scheme also charged borrowers kickbacks based on a percentage of the funds received, despite knowing that borrowers were prohibited from using PPP loan proceeds to make such payments.

As part of the scheme, they and others expanded the company's operations through lender service provider agreements (LSPAs) with two lenders. Under the LSPAs, their company collected and reviewed PPP applications from potential borrowers on behalf of the lenders and worked with the lenders to submit applications to the SBA in exchange for a percentage of the fees the SBA paid to the lenders for approved PPP loans. The two co-founders and their coconspirators submitted and caused to be submitted PPP loan applications that they knew contained materially false information to make more money.

As further alleged in the indictment, the two co-founders and their coconspirators also made money through their company program called "VIPPP" in which they had a personalized service to help potential borrowers complete PPP loan applications. They recruited coconspirators to work as VIPPP referral agents and coach borrowers on how to submit false PPP loan applications. In order to obtain a greater volume of kickbacks from borrowers and fees from the SBA, they and their coconspirators submitted PPP loan applications that they knew contained materially false information.

[Justice Department | Co-Founders of Paycheck Protection Program Lender Service Provider Charged for COVID-19 Relief Fraud Scheme]

## Two Individuals pled guilty in $53 Million Fraud Scheme involving Pandemic Relief Programs

Two individuals pled guilty for cheating the SBA PPP, a COVID-era financial program, and numerous financial institutions out of more than $53 million in loan proceeds.

In June/July 2023, 15 defendants were arrested in Texas, California, and Oklahoma by special agents of SIGPR, the Federal Deposit Insurance Corporation, Office of Inspector General (FDIC-OIG), and the FBI.

According to a series of indictments, several of the charged defendants purportedly operated a group of affiliated recycling companies. They allegedly submitted at least 29 PPP loan applications that falsified payroll expenses, altered both bank statements and Internal Revenue Service tax forms to falsely inflate business income. They then routed PPP loan funds through a series of bank accounts to create a false paper trail of payroll expenses.

At least two of the defendants also allegedly submitted false applications to financial institutions on behalf of their purported recycling companies to fraudulently obtain, in the aggregate, millions of dollars in business loan proceeds. And one defendant allegedly lied to the Federal Deposit Insurance Commission (FDIC) by stating that he did not know several of his other alleged coconspirators.

## Six Defendants Plead Guilty in Virginia to Federal Pandemic Unemployment Benefit Scheme

This quarter, 6 defendants pled guilty to fraud charges related to CARES Act funding. The defendants entered guilty pleas to one count of conspiring to defraud the United States in connection with emergency benefits.

In May 2024, 17 defendants were indicted and arrested for conspiring to defraud the United States, commit program fraud, and commit mail fraud in connection to a scheme involving the filing of fraudulent claims for pandemic unemployment benefits.

Between March 2020 and September 2021, these defendants conspired to file fraudulent claims and recertifications for pandemic unemployment benefits via the Virginia Employment Commission website while they were incarcerated in jails throughout the Western District of Virginia and, due to their incarceration status, were ineligible for pandemic unemployment benefits.

United States
Attorney's Office
Western District of Virginia

PRESS RELEASE

**Six More Defendants Plead Guilty in Federal Pandemic Unemployment Benefit Scheme**

Wednesday, October 16, 2024

**For Immediate Release**
U.S. Attorney's Office, Western District of Virginia

**Over $340,000 Paid to Ineligible Individuals**

ABINGDON, Va. – Six defendants indicted in May 2024 for conspiring to defraud the United States, to commit program fraud, and to commit mail fraud in connection to a scheme involving the filing of fraudulent claims for pandemic unemployment benefits, pled guilty yesterday in federal court.

Josef Ludwig Brown, 43, of Tazewell, Virginia; Crystal Samantha Shaw, 39, of Raven, Virginia; Jonathan Scott Webb, 40, of Raven, Virginia; Christopher Kirk Webb, 39, of Raven, Virginia; and Stephanie Amber Barton, 30, of Cedar Bluff, Virginia, all pled guilty to one count of conspiring to defraud the United States in connection with emergency benefits, while Haleigh McKenzie Wolfe, 30, of Cedar Bluff, Virginia, entered a guilty plea to defrauding the United States in connection with emergency benefits.

According to court documents, between March 2020 and September 2021, these co-defendants conspired with others to file fraudulent claims and recertifications for pandemic unemployment benefits via the Virginia Employment Commission website while they were incarcerated in jails throughout the Western District of Virginia. Due to their incarceration status, these defendants were ineligible for pandemic unemployment benefits. Brown, one of the lead defendants in this investigation, admitted he solicited other co-conspirators while he was incarcerated to obtain their personal identifying information to provide to Shaw, another lead defendant, for her use in filing fraudulent claims and recertifications for unemployment benefits. In total, among the 17 defendants charged in this conspiracy, the Virginia Employment Commission paid out over $340,000 in fraudulent pandemic relief benefits.

Earlier this year, Brian Edward Addair, Clinton Michael Altizer, Cara Camille Bailey, Jeramy Blake Farmer, Joseph Frederick Hass, Daniel Wayne Horton, Jessica Dawn Lester, and Terrance Brooks Vilacha pled guilty to related fraud charges.

United States Attorney Christopher R. Kavanaugh, Brian D. Miller, Special Inspector General for Pandemic Recovery, and Virginia Attorney General Jason Miyares made the announcement.

As part of the Pandemic Response Accountability Committee (PRAC) Task Force, this investigation was conducted by the Special Inspector General for Pandemic Recovery. The PRAC's 20-member Inspectors General identify major risks that cross program and agency boundaries to detect fraud, waste, abuse, and mismanagement in the more than $5 trillion in COVID-19 spending.

Agencies that assisted with this investigation include the Dickenson County Sheriff's Office, the Southwest Virginia Regional Jail Authority, the Federal Bureau of Investigation, the United States Department of Labor, and the Virginia Employment Commission.

Special Assistant U.S. Attorney M. Suzanne Kerney-Quillen, a Senior Assistant Attorney General with the Virginia Attorney General's Major Crimes and Emerging Threats Section, and Assistant U.S. Attorney Danielle Stone are prosecuting the case for the United States.

[Western District of Virginia | Six More Defendants Plead Guilty in Federal Pandemic Unemployment Benefit Scheme | United States Department of Justice]

## Suspension and Debarment Activity

Suspension or debarment of an organization or individual excludes that company or individual from doing business with the Federal Government. These exclusions are intended to ensure that only responsible companies or individuals participate in contracts and financial assistance awards with the Federal Government. A suspension temporarily disqualifies the entity; a debarment disqualifies the entity for a fixed period.

SIGPR has a suspension and debarment referral process when there are indicating acts, events, or conditions that could serve as the basis for suspension or debarment of a business or individual. This referral process is used for the purpose of protecting the interests of the government, and not for punishment. SIGPR's process involves sending a formal memorandum to Treasury's Suspension and Debarment Office (SDO) for consideration. Currently, SIGPR has forwarded 22 referrals to SDO, two 2 were suspended this quarter, while the remaining referrals are being considered for action.

### PRAC Fraud Task Force

In January 2021, the PRAC established a Fraud Task Force to serve as a resource for the Inspector General community by surging investigative resources into the areas of greatest need. The PRAC Task Force brings together agents from 16 Offices of Inspectors General to investigate fraud involving a variety of programs, including the PPP. Special agents who are detailed to the PRAC Task Force receive expanded authority to investigate pandemic fraud as well as tools and training to support their investigations. These special agents have partnered with prosecutors at DOJ's Fraud Section and at United States Attorneys' Offices across the country.

Due to the large scale of CARES Act related fraud, the PRAC extended its authority to SIGPR to investigate additional pandemic-related fraud through a Memorandum of Understanding. Currently, SIGPR has five special agents assigned to the PRAC Fraud Task Force on a part-time basis. These special agents are assigned CARES Act (PPP/EIDL/UI) related cases while continuing to work their SIGPR investigative caseloads (MSLP/Direct Loans). This initiative allows SIGPR to make a broader contribution to the IG community by assisting with a range of critical investigations that might otherwise remain unstaffed.

https://www.pandemicoversight.gov/

## Recognition of SIGPR's Casework

***26th Council of the Inspectors General on Integrity and Efficiency (CIGIE) Annual Awards Ceremony***

CIGIE hosted the Federal Inspector General community's 27th Annual Award Ceremony (CIGIE's YouTube Channel) on November 13, 2023, at the Department of the Interior, Yates Auditorium, in Washington, DC. The event was in celebration of the very best of work conducted by the dedicated men and women of the Inspector General community in all disciplines. An Award for


Excellence (team award) was presented for the Bull Run Capital Investments LLC investigation. The team was recognized for its outstanding collaboration by a multidisciplinary investigative team of a financial analyst, a paralegal specialist, investigators, and attorneys resulting in the prosecution of Bennie Magee and Michael Gilcher. This was a joint investigation involving the Criminal and Civil Assistant United States Attorneys from the Eastern District of Virginia, SIGPR, and the FBI.

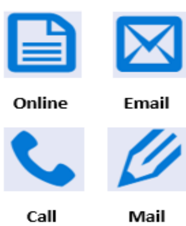
## PUBLIC LAW 117–348—JAN. 5, 2023 ''Trafficking Victims Prevention and Protection Reauthorization Act of 2022''

In compliance with the reporting requirements to Congress by this law, SIGPR had no reportable activity relating to complaints of human trafficking or any related investigations.

## EXECUTIVE ORDER 14074 - Advancing Effective, Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety - "No Knock Entries"

In compliance with the reporting requirements in this Executive Order, SIGPR had no reportable activity relating to no-knock entries.

## SIGPR Hotline Activity

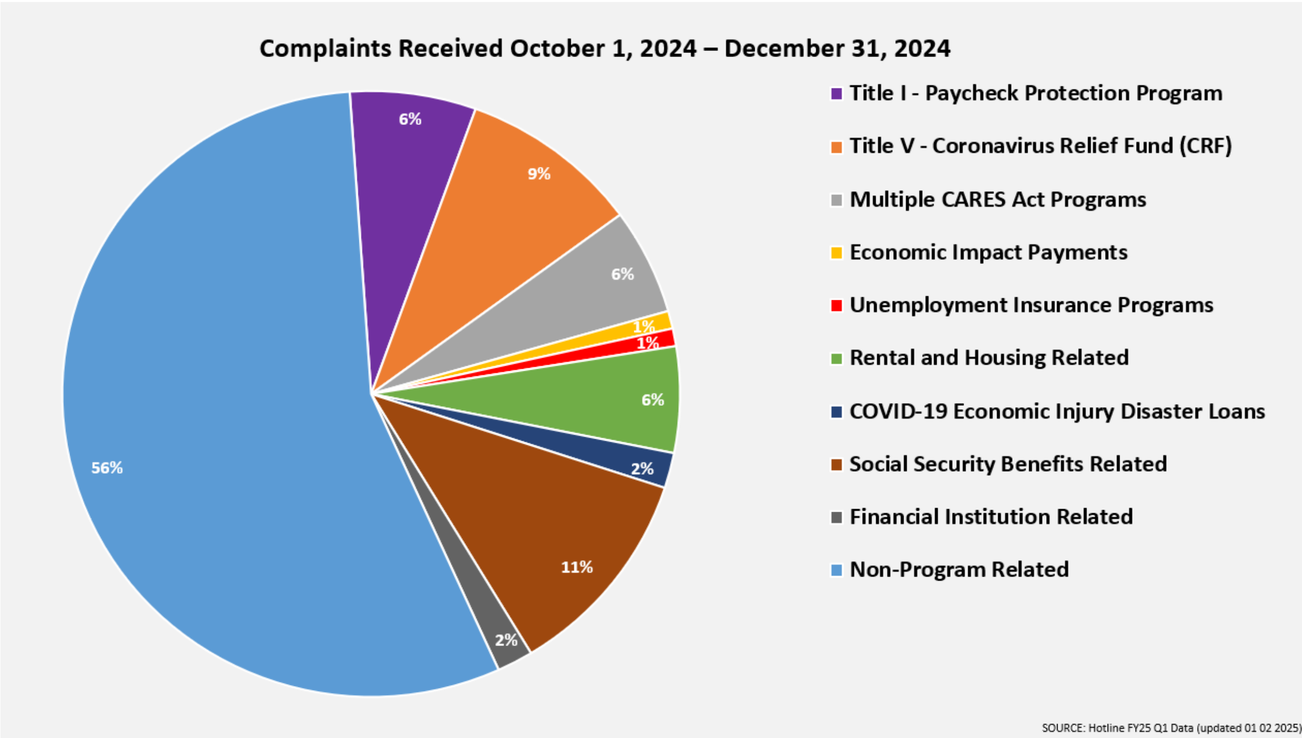



The SIGPR hotline accepts reports of potential fraud, waste, abuse, and mismanagement related to CARES Act funding, programs, and personnel. The hotline also accepts whistleblower complaints from federal employees, former federal employees, employment applicants, employees of contractors, subcontractors, grantees and subgrantees, and personal service contractors who wish to report fraud, waste, abuse, mismanagement, or reprisal actions under the jurisdiction of SIGPR.

During this reporting period, SIGPR received 106 hotline complaints, of which the majority pertained to matters outside SIGPR's jurisdiction, as indicated in the table and chart below.

**Complaints by Category**
**Received October 2024 through December 2024**

| Category | Total |
|---|---|
| Title I – Paycheck Protection Program | 7 |
| Title IV, Subtitle A — Loans and Investments | 0 |
| Title IV, Subtitle A — (13(3) Facilities (MSLP) | 0 |
| Title IV, Subtitle B — Payroll Support Program | 0 |
| Title V – Coronavirus Relief Fund | 10 |
| Multiple CARES Act Programs | 6 |
| Economic Impact Payments | 1 |
| Unemployment Insurance Programs | 1 |
| Rental and Housing Assistance Programs | 6 |
| Emergency Income Disaster Loans | 2 |
| Income Tax Related | 0 |
| Social Security Benefits | 12 |
| Financial Institution Related | 2 |
| Non-Program Related | 59 |
| **Grand Total** | **106** |


Complaints Received October 1, 2024 – December 31, 2024
Title I - Paycheck Protection Program
Title V - Coronavirus Relief Fund (CRF)
Multiple CARES Act Programs
Economic Impact Payments
Unemployment Insurance Programs
Rental and Housing Related
COVID-19 Economic Injury Disaster Loans
Social Security Benefits Related
Financial Institution Related
Non-Program Related
6%
9%
6%
1%
1%
6%
2%
11%
2%
56%
SOURCE: Hotline FY25 Q1 Data (updated 01 02 2025)

SECTION 2 FINDINGS AND DEVELOPMENTS

The CARES Act requires SIGPR to regularly report “a detailed statement of all loans, loan guarantees, other transactions, obligations, expenditures, and revenues associated with any program established by the Secretary of the Treasury under section 4003, as well as the information collected under subsection (c)(1).”[3]

Accordingly, below are the categories of loans and other investments made by Treasury under CARES Act section 4003,[4] including, where applicable and known, a list of the loans and investments made under each category and the eligible businesses to which loans were made.

## Direct Loans and Other Investments

### Introduction


CARES Act section 4003(a) authorized the Secretary of the Treasury “to make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities that do not, in the aggregate, exceed $500,000,000,000.” The CARES Act further divided these loans and investments into four categories. The first three, described in sections 4003(b)(1)–(3), cover loans and loan guarantees to passenger air carriers and related businesses ($25 billion), cargo air carriers ($4 billion),

[3] CARES Act § 4018(f)(1)(B)

[4] Treasury did not establish a program for “loan guarantees” under CARES Act section 4003.

and businesses critical to maintaining national security ($17 billion).[5] The fourth category, described in section 4003(b)(4), authorized the Secretary to invest in various liquidity programs established by the Board of Governors of the Federal Reserve System under section 13(3) of the Federal Reserve Act ($454 billion).

The Consolidated Appropriations Act, 2021, amended the CARES Act to rescind unobligated balances of funds ($429 billion) in these programs.[6] It also specified that after December 31, 2020, the Federal Reserve "shall not make any loan, purchase any obligation, asset, security, or other interest, or make any extension of credit" through the liquidity programs or facilities in which Treasury had invested CARES Act funds, except for facilities in the MSLP, that were authorized to purchase loans until January 8, 2021, for applications submitted by December 14, 2020.[7]

## Direct Loans

On March 30, 2020, Treasury first announced guidelines for businesses interested in applying for loans under CARES Act section 4003(b)(1)–(3).[8] Those guidelines incorporated several mandatory loan terms and conditions, with many designed to protect American taxpayers. A summary of these terms and conditions can be accessed in SIGPR's previous quarterly reports.

### Air Carrier Loan Program

CARES Act section 4003(b)(1)–(2) allocated $25 billion for loans and loan guarantees to passenger air carriers, aviation-maintenance facilities certified under 14 C.F.R. Part 145, and air-transportation ticket agents, as well as $4 billion for cargo air carriers.

### National Security Loan Program

CARES Act section 4003(b)(3) allocated $17 billion for loans and loan guarantees to "businesses critical to maintaining national security."

Outstanding and repaid loans as of this quarter under Treasury's Direct loan program are reported on Treasury's website.[9]

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[5] Treasury has posted on its website the contracts it has entered in connection with the administration of loans under section 4003(b)(1), (2), and (3). *See* U.S. Department of the Treasury, *Other Programs*, https://home.treasury.gov/data/other-programs

[6] *See* Consolidated Appropriations Act, 2021, Pub. L. 116-260, div. N §§ 1003, 1005

[7] *Id.* § 1005.

[8] U.S. Department of the Treasury, Procedures and Minimum Requirements for Loans to Air Carriers and Eligible Businesses and National Security Businesses under Division A, Title IV, Subtitle A of the Coronavirus Aid, Relief, and Economic Security Act (Mar. 30, 2020), https://home.treasury.gov/system/files/136/Procedures and Minimum Requirements for Loans.pdf.,

[9] See U.S. Department of the Treasury, Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses (Dec. 1, 2024) https://home.treasury.gov/system/files/136/4026b1CLoanReport12012024.pdf ; see also U.S. Department of the Treasury, Loans to Air Carriers, Eligible Businesses, and National Security Businesses, 4003 Loan Program | U.S. Department of the Treasury (last updated Jan. 21, 2021).

### Other Investments

CARES Act section 4003(b)(4) allocated at least $454 billion for "loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities" by "purchasing obligations or other interests" directly from the issuer or through secondary markets, and "making loans, including loans or other advances secured by collateral."[10]

The Federal Reserve established several liquidity programs (facilities) pursuant to section 13(3) of the Federal Reserve Act.[11] That provision, used extensively during the 2008 financial crisis and amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,[12] allows the Federal Reserve to lend money in "unusual and exigent circumstances" to participants in "any program or facility with broad-based eligibility" who are "unable to secure adequate credit accommodations from other banking institutions."[13] The Federal Reserve Board was required to consult with the Secretary of the Treasury prior to the Federal Reserve Board's 2015 issuance of its regulations governing emergency lending under section 13(3) of the Federal Reserve Act.[14] The Federal Reserve may not establish any emergency lending program under section 13(3) without prior approval of the Secretary of the Treasury.[15]

Of note, as of December 31, 2024, MS Facilities, LLC—a special-purpose vehicle (SPV) jointly formed by Treasury and the Federal Reserve Bank of Boston to operate the MSLP—has recognized approximately $1.36 billion in actual loan losses, net of subsequent recoveries.[16] More than $1 billion of these losses have occurred since the beginning of calendar year 2023. Nonetheless, the Federal Reserve Board reports that "the Board continues to expect that the MSLP will not result in losses to the Federal Reserve."[17]

In addition, an evaluation of loan participations purchased by the MS Facilities, LLC resulted in a reported loan loss allowance in the amount of $623 million.[18] The allowance for loan losses is estimated based upon MS Facilities, LLC's holdings as of September 30, 2024.[19]

These facilities have stopped extending loans or purchasing obligations. Additional details for the facilities

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[10] CARES Act § 4003(b)(4)(A)–(C).

[11] *See* 12 U.S.C. § 343(3).

[12] Pub. L. 111-203, 124 Stat. 1375.

[13] 12 U.S.C. § 343(3)(A); see also 12 C.F.R. § 201.4(d).

[14] 12 U.S.C. § 343(3)(B)(i).

[15] 12 U.S.C. § 343(3)(B)(iv).

[16] *See* Bd. of Governors of the Fed. Reserve Sys., Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act, 3 n.3. (Jan. 10, 2025) https://www.federalreserve.gov/publications/files/13-3-report-20250113.pdf

Beginning in February of 2024, the Board of Governors changed the name of the category "loan losses" to "credit losses" in its monthly report to Congress.

[17] *See id.*

[18] *See id.*

[19] *See id.*

are available on the Federal Reserve's website.[20] The Federal Reserve has indicated that because the MSLP ceased purchasing participations on January 8, 2021, it will not provide additional transaction-specific disclosures about the MSLP on a periodic basis going forward.

The following table summarizes the total amount of remaining CARES Act funds that Treasury invested in MS Facilities, LLC and other SPVs created in conjunction with other lending programs as of December 31, 2024.[21]

| Recipient | Treasury Investment Remaining as of December 31, 2024 |
|---|---|
| MS Facilities, LLC | $3,823,742,390.03 |
| TALF II, LLC | $0.00 |
| Corporate Credit Facilities, LLC | $0.00 |
| Municipal Liquidity Facility, LLC | $0.00 |

The SPVs have returned the following amounts to Treasury as of December 31, 2023.

| Recipient | Investment Returned to Treasury as of December 31, 2024 |
|---|---|
| MS Facilities, LLC | $34,039,336,592.89 |
| TALF II, LLC | $10,088,897,074.20 |
| Corporate Credit Facilities, LLC | $37,980,215,713.55 |
| Municipal Liquidity Facility, LLC | $17,836,181,319.51 |

[20] *See id.*

[21] Jason E. Morrow, Senior Counsel, Office of General Counsel, U.S. Department of the Treasury, response to Vincent Mulloy, Special Counsel, Office of General Counsel, SIGPR, Treasury (Jan. 28, 2025) (on file with SIGPR).

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