



Department of Justice

STATEMENT OF

**KEVIN CHAMBERS
DIRECTOR FOR COVID-19 FRAUD ENFORCEMENT**

BEFORE THE

**SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS
U.S. HOUSE OF REPRESENTATIVES**

AT A HEARING CONCERNING

**FRAUD COMMITTED AGAINST
PANDEMIC RELIEF PROGRAMS**

PRESENTED

JUNE 14, 2022

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Mr. Chairman, ranking member and members of the committee, my name is Kevin Chambers. I am an Associate Deputy Attorney General and, since March of this year I have been serving as the Department's Director of Covid-19 Fraud Enforcement. I would like to thank you for the opportunity to appear before the Committee on this important issue. This committee is appropriately focused on and concerned about waste, fraud and abuse arising from pandemic relief. Know that the Department fully shares this concern and is committed to doing all that we can, along with our agency partners, to identify and investigate potential fraud and, where appropriate, vigorously prosecute that fraud, bringing to bear all appropriate criminal and civil tools.

This is not a new commitment. The Department of Justice has been prosecuting pandemic-related fraud since COVID-19 arrived on our shores. In March 2020, the Attorney General directed all United States Attorneys' offices to prioritize the investigation and prosecution of Coronavirus-related fraud schemes. Indeed, I am proud to say that members of my leadership team are amongst the prosecutors and trial attorneys who have been working on these matters since the Department's very first enforcement action in March 2020, when the Department brought civil charges against fraudsters attempting to take advantage of a frightened public by selling bogus vaccine kits.

Since then, the women and men of the Department have continued to work tirelessly to enforce this directive. As of May 2022, U.S. Attorneys' Offices have criminally charged approximately 1,261 defendants and the Criminal Division's Fraud Section has criminally charged approximately 220 defendants in pandemic fraud related matters. These cases, most of which are still in progress have involved over \$1.1 billion in losses as of March 2022. Many more matters are in the investigative stage. Additionally, there are over 300 civil investigations into more than 2,300 individuals and entities for alleged misconduct in connection with pandemic fraud—the vast majority of these civil matters relate to the Small Business Administration Paycheck Protection Program (SBA PPP) fraud. As of March 2022, these cases involve over \$6 billion in pandemic relief loans. As with our criminal matters, our civil attorneys are tirelessly working on other not-yet-public matters not included in these totals.

Among the public cases are a few that I would like to highlight and which are demonstrative of the Department's fraud enforcement work.

In the Western District of Washington, prosecutors secured a guilty plea from a Nigerian citizen who used the stolen identities of more than 20,000 Americans to file for more than \$2 million in government benefits, including from multiple state unemployment insurance benefit systems during the pandemic. <https://www.justice.gov/usao-wdwa/pr/nigerian-citizen-pleads-guilty-covid-19-unemployment-fraud-washington-and-17-other>.

In the Eastern District of Michigan, two defendants were charged with filing at least 470 claims for fraudulent unemployment insurance benefits in 5 States. This activity is believed to have caused actual losses of over \$4 million and intended losses of over \$13 million. <https://www.justice.gov/usao-edmi/pr/two-defendants-charged-unemployment-insurance-benefit-fraud-combined-actual-losses>.

In the Central District of California, the Criminal Division's Fraud Section and the U.S. Attorney's Office convicted seven defendants of using dozens of fake and stolen, or synthetic identities to submit fraudulent applications for approximately 150 PPP and EIDL loans. Two defendants, including the lead defendant, fled post trial; he was sentenced in absentia to 17 years. <https://www.justice.gov/opa/pr/seven-members-los-angeles-based-fraud-ring-sentenced-multimillion-dollar-covid-19-relief>.

These are just a few examples. While we are proud of the work done so far, it is no time to pat ourselves on the back. Beginning in 2020 through the end of last year, the United States Government committed \$5 trillion dollars in financial relief for the American people. This unprecedented aid helped to make sure that small business owners could continue to pay their employees and, where workers had to be let go, it helped provide them with the funds they needed to cover daily expenses and take care of their families as the pandemic continued. It provided funds to health care providers which they were able to use to attempt to stay ahead of the pandemic and obtain the supplies needed to save lives.

However, as with any government relief program, there were those – here and abroad – who saw these pandemic relief programs as an opportunity for personal enrichment. They knowingly took advantage of the online systems that were set up to increase access to these programs. These thieves employed a number of schemes, some complex, to carry out their selfish ends.

Criminals have purchased stolen identities online and filed for unemployment insurance relief benefits, using bank accounts opened online to receive the funds and money mules to help transfer the benefits overseas. Criminals have created fictitious businesses and received funds in their names. Criminals have used COVID-19 ruses to trick unsuspecting citizens into clicking on links in emails that instead delivered malware onto their computers designed to steal their personal and financial information. Criminals have sold fraudulent COVID-19 cures online, preying on people's desperation early in the pandemic. Criminals have worked together online in loose networks, facilitated by encrypted messaging applications to coordinate the filing of fraudulent benefits, using the same stolen identities to file for SBA loans and unemployment

insurance benefits. Based on public assessments made by our colleagues in the Offices of Inspectors General, it is safe to say that the total amount of fraud, like the amount of relief provided to the American people, is unprecedented.

This is not imaginary money. Each dollar stolen from a relief package was a dollar stolen from the owner of a small restaurant who wanted nothing more than to keep her staff on the payroll, despite an empty restaurant. Each dollar stolen was a dollar that could have gone toward helping unemployed parents feed their children. Each dollar stolen was a dollar that could have been used to obtain protective gear, or COVID tests, or other scarce equipment. Instead of going to where the money was needed, these criminals used stolen pandemic relief money to purchase luxury cars and jewelry, fund lavish vacations, close on vacation homes, gamble at casinos, or sent the money to overseas bank accounts.

Some of these criminals took to social media to boast about their misconduct, brazenly flaunting the proceeds of their crimes and flouting the intended purpose of the government relief. Some of these criminals even posted about how others could similarly exploit vulnerabilities in federal relief programs. As maddening as each of these posts was, they also were of important evidentiary value. Each post and text formed a digital footprint, memorializing the crimes and leaving an evidentiary trail used to resolve the matter, whether through a civil settlement, negotiated guilty plea, or criminal conviction. This and other data were critical in bringing justice in these cases.

I focus on data because data is a critical part of our fraud enforcement. Indeed, as we enter the next phase of our effort to root out fraud we will start with the data. And because most of these pandemic relief funds were applied for via online applications, there is plenty of data. Our partners have received unemployment insurance data from all fifty states and relevant U.S. territories, and the SBA has millions of EIDL and PPP loan applications. For each potentially fraudulent application for relief, someone had to provide information. That information could have been a name, an address, an email or IP address, a bank account and countless other types of information. We have tens of millions of identifiers and data points that has been flagged by our agency partners as being connected to potential fraud. Of course, some of the data was fake, but even where that is the case, we have and will continue to use advanced analytical tools to identify patterns and trends that will lead us to those who put themselves above the safety and security of the American people.

This will be a tremendous undertaking, and we have identified skilled prosecutors across the Department of Justice who will lead the effort to prosecute these cases. We are also supported by investigators from across the federal government who have committed dedicated resources to assist in the investigations. I would like to thank DOL-OIG, DHS-OIG, FBI, HSI, IRS-CI, SBA-OIG, USPIS, and USSS for their support and partnership. Finally, dedicated analysts will pore through millions of pieces of data, identifying potential fraud and creating the leads that will lead to investigation and, ultimately, convictions.

We are in the process of establishing strike force teams that will focus upon large-scale pandemic-related fraud committed by organized criminal networks. The strike force teams will also combat fraud committed by overseas actors, who we believe have often stolen the identities

of American workers to further their criminal ends and who have victimized other Americans by tricking them into moving money from our shores to foreign countries. These strike force teams will supplement the incredibly hard work already underway throughout the Department. We will soon provide more specific information about the establishment of these teams.

Because of the unprecedented scope of this fraud, the enormous amount of data, and the years of work ahead, this effort will require additional resources. The President's 2022 Budget requested \$41.2 million for DOJ's COVID-19 fraud enforcement efforts. Unfortunately, that amount was not approved by Congress, and the President's 2023 Budget has re-requested the same amount. These resources will allow us to speed up our data analysis and identification of fraudulent schemes, increasing our ability to recover funds. Our experience so far shows a return on investment for COVID-19 fraud resources that far exceeds the expense. We ask for your continued support to properly staff this effort with the agents, analysts, and prosecutors needed to bring these criminals to justice and seize their ill-gotten gains.

Once again, thank you for your attention to this matter and for the invitation to meet with this committee.