



WRITTEN TESTIMONY

OF

Roy D. Dotson Jr.  
National Pandemic Fraud Recovery Coordinator  
United States Secret Service

BEFORE

United State House of Representatives Committee on Oversight and Reform,  
Select Subcommittee on the Coronavirus Crisis

ON

“Examining Federal Efforts to Prevent, Detect, and Prosecute  
Pandemic Relief Fraud to Safeguard Funds for All Eligible Americans”

Tuesday, June 14, 2022  
Washington, D.C.

## **Introduction**

Good morning, Chairman Clyburn, Ranking Member Scalise, and distinguished members of the Select Subcommittee. Thank you for the opportunity to appear before you today to discuss the ongoing efforts of the United States Secret Service to counter cyber-enabled financial crimes targeting the nation's financial infrastructure – more specifically, COVID-19 pandemic fraud. My name is Roy Dotson, and I am assigned to the Secret Service Office of Investigations as the National Pandemic Fraud Recovery Coordinator. In this role, I coordinate with financial institutions and money services businesses, United States Attorney's Offices, and other federal agencies on large-scale seizures of illicitly obtained pandemic relief funds. These funds originate with unemployment insurance, U.S. Small Business Administration (SBA) loan and grant programs, and other programs.

For more than 150 years, the Secret Service has conducted investigations to protect the American public, private companies, financial institutions, and critical infrastructure from criminal exploitation. We maintain extensive authorities, expertise, and capabilities to effectively safeguard financial and payment systems from criminal misuse, even as those illicit activities are increasingly transnational in nature.

As the Select Subcommittee is aware, the COVID-19 public health crisis presented an unprecedented opportunity for both organized criminal groups and individuals intent on taking advantage of these important resources. At the onset of the pandemic, fraud related to personal protective equipment (PPE) was the primary concern for law enforcement, including the Secret Service. The release of Federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent funding shifted our priorities to protecting assistance programs meant for those most in need. As U.S. government agencies and partners worked in tandem to provide stability and relief to the American economy and public, the Secret Service quickly identified schemes specific to pandemic relief funds and began investigating and mitigating instances of fraud and misuse of these funds.

The Secret Service's success in launching quick and efficient investigations was made possible by the critical partnerships maintained nationwide with federal, state, and local government entities, as well as private sector partners. The Secret Service mobilized our more than 160 offices and 44 Cyber Fraud Task Forces (CFTFs) to focus on investigations related to COVID-19 relief fraud.

In July 2020, the Secret Service partnered with the Department of Labor (DOL), Office of Inspector General (OIG), to publish our first joint advisory on pandemic fraud. This advisory was sent to nearly 30,000 financial institutions and outlined fraud indicators associated with pandemic related schemes. It further requested those in the financial sector to work with the Secret Service to identify suspected fraudulently obtained unemployment benefits. The Secret Service has subsequently collaborated with the SBA, OIG and the Pandemic Relief Accountability Committee (PRAC) to send out additional advisories as part of continued efforts to address fraud in these programs.

Countering this fraud has become a core focus of the Secret Service's investigative work, and I expect our investigative efforts to recover stolen assets and hold criminals accountable will continue for years. Today, we will review the landscape of pandemic relief fraud and how the Secret Service is taking action to ensure the public can rely on a secure financial infrastructure. I will take this opportunity to tell you what the Secret Service continues to do to deter pandemic fraud and how we are working with partners across the nation and around the globe.

It is important to note that pandemic relief fraud is not unique. It is, like most fraud, simply criminals exploiting an opportunity. Over the course of the past 26 months, the Secret Service has observed a clear

evolution of the types of frauds being perpetrated, and these schemes were not unfamiliar to the Secret Service. Phishing campaigns gave way to non-delivery or fraudulent goods and services, which evolved into more sophisticated cybercrimes such as ransomware attacks and the compromise of business e-mail accounts.

As the Federal Government began to dispense stimulus funds, criminals launched a new wave of schemes aimed at defrauding U.S. and state government agencies, financial institutions, businesses, and even individuals. Their goal was to cheat these groups out of taxpayer dollars intended to support our fellow citizens, businesses, and communities in need.

In one instance, the Secret Service successfully interdicted such efforts through an investigation into a Michigan unemployment insurance fraud scheme. The subject of this investigation was a State of Michigan Unemployment Insurance Agency contract employee hired as an unemployment insurance examiner. The investigation revealed that the subject worked with outside actors who entered numerous false claims into the State of Michigan's Unemployment Insurance Agency system, some of which were filed using stolen identities. Once the claims were filed, the subject then released payment on the claims in exchange for bribes. The subject's insider access resulted in the fraudulent release of payment on more than 700 claims and the disbursement of more than \$3.7 million of federal and state funds intended for unemployment assistance during the pandemic. This joint Secret Service investigation with the DOL-OIG, Federal Bureau of Investigation (FBI), Internal Revenue Service Criminal Investigation (IRS-CI), the United States Postal Inspection Service, the Unemployment Insurance Agency, and the Michigan Department of Labor and Economic Opportunity, also determined that if every fraudulent claim released by the subject had been disbursed in full, the resulting loss of federal and state funds would have exceeded \$12 million. In October 2021, the subject of this investigation was sentenced for her role in this multimillion-dollar fraud scheme and ultimately sentenced to 58 months in prison and ordered to pay restitution of almost \$3.8 million.

This is just one example of the excellent work being conducted by the agency and our partners to deter and combat fraud. I am pleased to report that the Secret Service continues to see tremendous success emerge from our investigative efforts. To date, we have initiated almost 1,000 criminal investigations into pandemic relief fraud and seized more than \$1 billion. While an immediate investigative goal of the Secret Service is to disrupt and deter criminal activity that could hinder an effective response to the pandemic, the Secret Service will remain focused on also ensuring that those who have criminally exploited this crisis are arrested and successfully prosecuted. Further, the Secret Service will continue to assist organizations at risk of crime, to include recovering any funds stolen from Americans.

The investigative work accomplished by the Secret Service has consistently been made possible by the shared expertise of exceptionally strong partnerships across both the public and private sectors. The Secret Service never operates alone. We work with a range of government and industry partners in executing our mission. In particular, the Department of the Treasury; the Financial Crimes Enforcement Network (FinCEN); IRS-CI; various OIG agencies, including the SBA, the Treasury Inspector General for Tax Administration (TIGTA), the DOL and the Federal Deposit Insurance Corporation; and the PRAC are all critical partners in safeguarding the integrity of U.S. financial systems. To effectively coordinate across the whole of the U.S. government, the Secret Service is also actively engaging with the Department of Justice's COVID-19 Task Forces, Deputy Attorney General's Task Force, the FBI, Homeland Security Investigations, the Cybersecurity and Infrastructure Security Agency, and other agencies at the state and local levels, both in the United States and abroad.

Secret Service partnerships on state and local levels are further enhanced through our National Computer Forensics Institute (NCFI), which has trained almost 18,000 state, local, tribal, and territorial (SLTT) partners hailing from more than 2,500 agencies throughout all 50 states and five U.S. territories since 2008. The instruction provided to our SLTT partners provides a national standard of training to investigators,

prosecutors, and judges on the methods for investigating cybercrimes, conducting computer and mobile device forensic examinations, and the prosecutorial and judicial challenges presented by digital evidence. NCFI training, both in-person and virtual, has disseminated important information across the country to our network of CFTF partners. Those receiving NCFI training have become integral in assisting the Secret Service in countering COVID-19 fraud.

The Secret Service has also dramatically expanded our outreach to industry, particularly America's financial institutions, which are responsible for distributing much of the pandemic relief funds to the public. In coordination with the financial institutions, we have expanded our information sharing to rapidly detect fraud, freeze assets, and return money to government agencies and others who have been defrauded. This cooperation and our joint efforts are essential in lawfully halting fraudulent activity or seizing funds, given the ability of the financial institutions to intercede quickly once criminal activity is identified.

## **Conclusion**

Chairman Clyburn, Ranking Member Scalise, and distinguished members of the Select Subcommittee, thank you for holding this hearing. I am honored to represent the dedicated professionals of the Secret Service who work tirelessly on behalf of the American people to maintain our standing as one of the world's preeminent law enforcement organizations.

As part of the Department of Homeland Security, the Secret Service will continue to confront evolving challenges across a threat landscape targeting our financial critical infrastructure. With the continued support of Congress, I am confident the Secret Service will remain prepared to address the high tempo demands of our mission.

Thank you for the opportunity to appear before you to discuss the Secret Service's ongoing efforts to counter COVID-19 pandemic related fraud. I hope my testimony here today is helpful and I welcome your partnership and counsel moving forward. I look forward to taking your questions.