



Audit of the Management and Coordination of
Pandemic-Related Fraud Allegations and Referrals
Between the Criminal Division and
Executive Office for U.S. Attorneys

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Objective

The objective of this audit was to examine the Criminal Division's (CRM) and the Executive Office for U.S. Attorneys' (EOUSA) management and coordination of allegations and referrals of pandemic-related frauds. The audit scope includes activity from March 2020, when these components began planning and issuing guidance at the start of the COVID-19 pandemic, through actions these components have taken as of January 2022.

Results in Brief

Congress has authorized more than \$5 trillion in COVID-19 relief. Despite standing controls, the sheer magnitude of funding provided an opportunity for wrongdoers to exploit a national emergency to obtain relief funds. CRM and U.S. Attorneys' Offices (USAOs), supported by EOUSA, prosecute federal program fraud related to the pandemic and the number of such cases continues to increase. With multiple types of pandemic-related fraud and referral processes, efficient management of referred matters is essential to promote the integrity of the relief programs and deter their misuse. While CRM and EOUSA have provided guidance, training, and policies to their prosecutors, they can better leverage the limited resources available to address fraud by enhancing the tracking, management, and notification of fraud referrals and initiated cases. We also identified successful prosecutorial practices employed by various USAOs, which, once shared by EOUSA across the districts, could further improve the Department of Justice's (DOJ) response to pandemic-related fraud.

Recommendations

Our report contains four recommendations for EOUSA and two recommendations for CRM. We requested draft report responses from EOUSA and CRM, which are incorporated at Appendices 4 and 5, respectively. Appendix 6 provides our analysis of those responses.

Audit Results

After the declaration of COVID-19 as a pandemic in March 2020, Congress enacted several laws that made trillions of dollars quickly available to, among others, individuals and small businesses adversely affected by the pandemic. However, the availability of these funds created a target-rich environment for wrongdoers to exploit. The Department identified fraudulent relief claims as an immediate priority to address. Payment Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and Unemployment Insurance (UI) frauds are the programs that have been most targeted by fraud schemes.

In March 2020, then Attorney General William P. Barr directed all USAOs to prioritize prosecuting COVID-19 pandemic crimes. Subsequent actions by Attorney General Merrick Garland have included: (1) convening, in May 2021, the DOJ COVID-19 Fraud Enforcement Task Force to enhance coordination efforts and share information and insights pertaining to pandemic-related fraud and (2) appointing a national Director for COVID-19 Fraud Enforcement in March 2022 to lead DOJ's high-profile criminal and civil pandemic-related fraud enforcement efforts.

Communication and Collaboration Can Be Strengthened for the Different Types of Frauds and Referrals

DOJ entities that did not participate in coordinating bodies and groups designed to prevent and detect fraud were unaware of activities or information shared within them, potentially resulting in missed information that could assist in pandemic fraud cases. Additionally, communication regarding matters across different COVID-19 relief programs can be strengthened to minimize duplicative efforts in investigating and prosecuting cases.

Expanded Coordinator Guidance Can Produce a More Cohesive Response to Pandemic Fraud

An important part in guiding efforts to address COVID fraud is the USAO district-level COVID Coordinator. However, COVID Coordinators lack comprehensive guidance on the roles, responsibilities, and practices of this position. Considering that the circumstances and specifics of pandemic fraud have continuously evolved since the start of the pandemic, refreshed guidance, training, and tools will facilitate information sharing and promote a more organized, cohesive response to pandemic fraud matters.

Accurate Case Reporting is Essential for Informed Decision-making

EOUSA has taken action to effectuate tracking, reporting, and sharing of pandemic-related matters. However, data in USAOs' case management system sometimes does not reconcile with internal EOUSA tracking. Accurate information and tracking will allow EOUSA to better monitor efforts to address pandemic-related fraud.

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Introduction

As of January 2022, Congress has authorized more than \$5 trillion in COVID-19 (pandemic) relief funds across several federal programs. Despite controls over these programs, the sheer magnitude of available dollars—coupled with the stated need to provide quick relief to mitigate the pandemic’s economic impact—created an opportunity for wrongdoers to exploit an ongoing national emergency to obtain relief funds fraudulently.

Efficient management of suspect fraud matters referred for investigation and prosecution is essential to promote the integrity of relief funds programs and deter misuse of the funds.¹ While many federal agencies investigate allegations of pandemic-related fraud, within the Department of Justice (DOJ), the Criminal Division (CRM) and the 94 U.S. Attorney Offices (USAOs), supported by the Executive Office for U.S. Attorneys (EOUSA), are responsible for receiving referrals from investigators of suspected and substantiated allegations of pandemic-related fraud and determining whether these matters should be prosecuted. The National Center for Disaster Fraud (NCDF) serves as the DOJ’s designated contact to receive complaints of pandemic-related fraud and distribute such complaints to appropriate investigative and prosecutorial agencies.

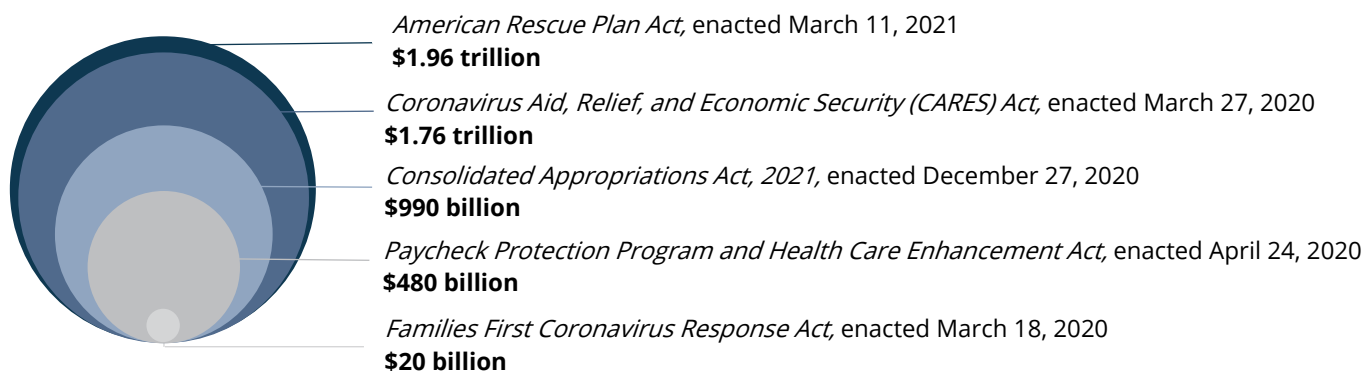
Overview of Federal COVID-19 Relief Programs and Fraud Risk

Congress has enacted a series of COVID-19 relief acts to provide economic relief to individuals, small businesses, state, local, and tribal governments, and industry. The funding supporting these acts totaled over \$5.2 trillion. Figure 1 compares the size of spending of the major COVID-19 relief acts.

¹ For the purposes of this report, we define an allegation as a suspected instance of pandemic-related fraud, including both active investigations and opened cases that have not yet been resolved through a plea, conviction, or acquittal. We define a referral as a suspected instance of pandemic-related fraud that has been passed from one investigative or prosecutorial body to another.

Figure 1

Overview of COVID-19 Relief Funding









Source: Pandemic Response Accountability Committee (PRAC) [spending analysis](#) of Pub. L. Nos. 116-127, 116-136, 116-139, 116-260, and Pub. L. No. 117-2.

The major COVID-19 relief acts included provisions that established, or otherwise supplemented, programs focused on providing relief to individuals and enterprises most affected by the pandemic. Individuals, gangs, and organized criminal rings and syndicates located domestically and abroad have targeted these programs sporadically and systematically to obtain funds fraudulently. Because each of these programs channeled funds to those claiming assistance in different ways, each program presents different risks for fraud. Table 1 overviews the major programs established or supported by the COVID-19 relief acts and the associated risk of fraud for each program.

Table 1

Major COVID-19 Relief Programs and Associated Fraud Risks

| COVID-19 Relief Program and Summary | Funds (\$B) | Associated Fraud Risks |
|---|--------------------|---|
|  Economic Impact Payments (EIP) to qualified individuals | \$817 ^a | As EIPs are based largely on tax returns, the overall risk of fraud is lower than other COVID relief programs. Yet, fraudsters have committed identity and mail fraud to intercept EIPs intended for others. |
|  Economic Injury Disaster Loan (EIDL) program provides emergency funding to small businesses and nonprofit organizations claiming substantial economic damage. | \$378 ^a | As the program funds grants to small business, agricultural, and non-profit entities to help overcome disaster effects, fraudsters have targeted EIDL funds by applying for advances and loans on behalf of ineligible newly-created, shell, or non-existent businesses, and diverting the funds for illegal purposes. Fraudsters also have used stolen identity information to fraudulently obtain EIDL funds. |
|  Pandemic Unemployment Assistance (PUA) enhanced the amount and duration of federal unemployment insurance (UI). | \$860 | International organized criminal groups have targeted PUA funds by using stolen identities to file for UI benefits. Domestic fraudsters, ranging from identity thieves to prison inmates, have also committed UI fraud using real and fabricated identities. The Department of Labor Office of the Inspector General states the PUA posed significant challenges as states determined applicant eligibility. Moreover, the PUA program's reliance on claimant self-certifications rendered its benefits susceptible to improper payments and fraud. |
|  Paycheck Protection Program (PPP) financed forgivable business loans to retain employees. | \$812 | Individual business owners have inflated payroll expenses to obtain unqualified larger loans and falsely claimed that newly created businesses existed as of the eligibility date. Fraudsters have used stolen identity information, revived dormant corporations, and purchased shell companies with no actual costs to apply for loans and falsely claim significant payroll. Organized criminal networks submitted identical loan applications under the names of different companies. According to DOJ, most charged defendants have misappropriated loan proceeds to buy prohibited items such as houses, cars, jewelry, and other luxury items. |
|  Other healthcare funding, such as Hospital Provider Grants administered by the U.S. Department of Health and Human Services. | \$147 ^b | Various healthcare fraud schemes can result in false billings and other profits. These include misusing patient information and medical samples to submit claims to Medicare for unrelated, medically unnecessary, and far more expensive treatments; submitting fraudulent claims to Medicare for counterfeit telemedicine encounters; and misusing the Provider Relief Fund, which supports providers who diagnose, test, or care for individuals for COVID-19 and have attributable healthcare related expenses and lost revenues. |
|  Other aid to states, municipalities, and larger industries. | \$829 ^a | In the form of: (1) grants and loans to state and local governments and larger business, such as airlines and those deemed essential for national security and (2) loans and other support for credit-market liquidity. Large corporations and governmental entities employ existing controls and oversight to mitigate the potential for fraud. As such, these programs generally present a lower risk of fraud compared to programs that fund individual and small business support. |

^a Estimated, as of March 2022.

^b Amount includes direct funds obligated for provider grants but not pandemic healthcare funds including research support, testing measures, or medical coverage.

Source: OIG analysis

In addition to the program-specific frauds described in Table 1, other major forms of fraud connected to the pandemic and its impacts include:

- **Hoarding and Price Gouging.** A March 2020 Executive Order (EO) pursuant to Section 102 of the *Defense Production Act* prohibited the hoarding of designated items.² The EO authorized the Secretary of the U.S. Department of Health and Human Services (HHS) to designate particular items, such as scarce health care and medical items, as protected under the statute. Once an item was designated, it became a crime under Section 102 for any person to accumulate that item either: (1) in excess of his or her reasonable needs or (2) for the purpose of selling it in excess of prevailing market prices. Recognizing that hoarding vital medical items would make it harder for healthcare providers and first responders to respond to COVID-19, then Attorney General Barr established a task force to investigate and prosecute hoarding and price gouging activities that inhibited “the government, health care professionals, and the public from implementing critical measures to save lives and mitigate the spread of the virus.”³
- **Consumer Fraud.** This may include fraudulently representing cures, treatments, and/or vaccines that are effective against COVID-19. Additionally, perpetrators may represent personal protective equipment as more highly effective or of a higher medical standard than in actuality, or market fraudulent proof of vaccination documentation.

DOJ Components Charged with Prosecuting Pandemic-Related Fraud Cases

In March 2020, shortly after the COVID-19 pandemic had been declared a nationwide emergency, DOJ leadership announced that there were already “allegations of a wide array of fraudulent and otherwise illegal schemes in exploiting the national emergency caused by COVID-19.” The passage of subsequent COVID relief acts, and the large sums of funds the relief bills provided, created increased opportunities for wrongdoers to obtain economic relief funds fraudulently.

DOJ established its COVID-19 Fraud Enforcement Task Force in May 2021 to marshal DOJ resources to address pandemic related fraud in partnership with agencies across government. The Fraud Enforcement Task Force’s stated objectives were to: (1) work closely with interagency partners to share information and insights gained from prior enforcement experience, (2) help agencies tasked with administering these significant relief programs increase their fraud prevention efforts by providing any appropriate information law enforcement learns about fraud trends and illicit tactics, and (3) bolster efforts to investigate and prosecute the most culpable domestic and international criminals, prevent the exploitation of government assistance for personal and financial gain, and recover stolen funds.

² See [Executive Order 13910](#). Designated items included N-95 and other filtering facepiece respirators, personal protective equipment, and ventilators. For a complete list of protected equipment, see HHS’ [Notice of Designation of Scarce Materials or Threatened Materials Subject to COVID-19 Hoarding Prevention Measures Under Executive Order 13910 and Section 102 of the Defense Production Act of 1950](#).

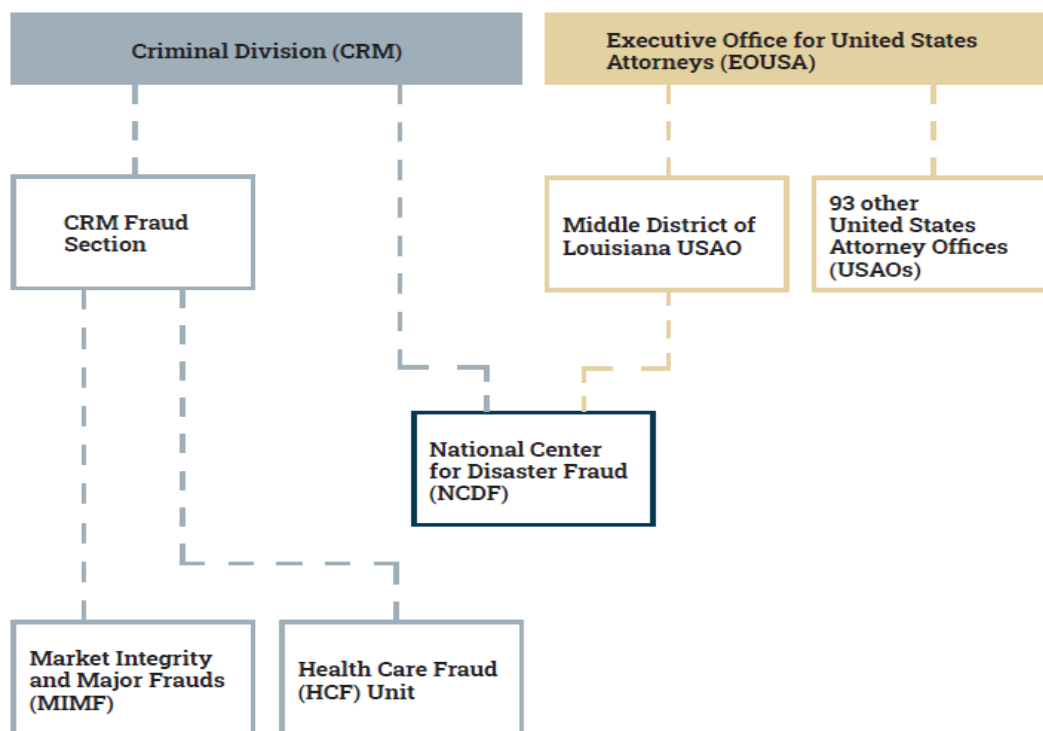
³ See Attorney General Memorandum [“Department of Justice COVID-19 Hoarding and Price Gouging Task Force” \(March 24, 2020\)](#).

In March 2022, Attorney General Garland appointed Associate Deputy Attorney General Kevin Chambers to serve as the Director for COVID-19 Fraud Enforcement. Director Chambers stated that this office will work directly with CRM and USAOs on pandemic-related matters. With a focus on large-scale criminal enterprises and foreign actors, this office is convening strike teams composed of analysts and data scientists to review data, agents to investigate the cases, and prosecutors and trial attorneys to bring charges and try the cases.

Following the inception of the office of the Director for COVID-19 Fraud Enforcement, CRM and the USAOs maintain their roles in investigating and prosecuting pandemic-related fraud matters. Figure 2 shows the entities within CRM and EOUSA that have played important roles in supporting DOJ's overall pandemic-related fraud interdiction and prosecutorial efforts.

Figure 2

Entities Charged with Prosecuting Pandemic-Related Fraud



Source: OIG analysis

Because the NCDF is located at the campus of Louisiana State University (LSU), its day-to-day operations are administered by the USAO for the Middle District of Louisiana.

Executive Office for U.S. Attorneys

EOUSA provides executive and administrative support to USAOs.⁴ Such support has included legal education, administrative oversight, technical support, and the creation of uniform policies across the various USAOs.

Within EOUSA, a White-Collar Crime Coordinator (WCC), a detailee position for an Assistant U.S. Attorney (AUSA), assists the office in communicating and interfacing with the USAO districts on white-collar crime matters. In March 2020, the Attorney General directed all USAOs to prioritize prosecuting COVID-19 crimes, to include fraud on pandemic relief funds. Each USAO has designated an attorney as a COVID Coordinator to serve as the point person to gather information on and prosecute (or assist prosecuting) pandemic fraud cases.

Criminal Division

CRM develops, enforces, and supervises the application of all federal criminal laws except those specifically assigned to other divisions. U.S. Attorneys and CRM have the responsibility for overseeing criminal matters as well as certain civil litigation. CRM may partner with USAOs in the prosecution of various cases. In addition to its direct litigation responsibilities, CRM formulates and implements criminal enforcement policy and provides advice and assistance on criminal matters.

Fraud Section

The CRM Fraud Section (FRD) investigates and prosecutes complex white-collar crime cases throughout the country and complements the efforts of USAOs. CRM FRD helps develop DOJ policy; implement enforcement initiatives; and advise DOJ leadership on legislation, crime prevention, and public education matters. CRM FRD also stewards frequent interagency coordination and multi-district investigations and international enforcement efforts. Through this function, CRM FRD participates in numerous regional, national, and international working groups and provides training, advice, and other assistance to prosecutors, regulators, law enforcement, and the private sector. Within CRM FRD, the Market Integrity and Major Frauds (MIMF) and Health Care Fraud (HCF) Units are responsible for the majority of pandemic-related prosecutions.

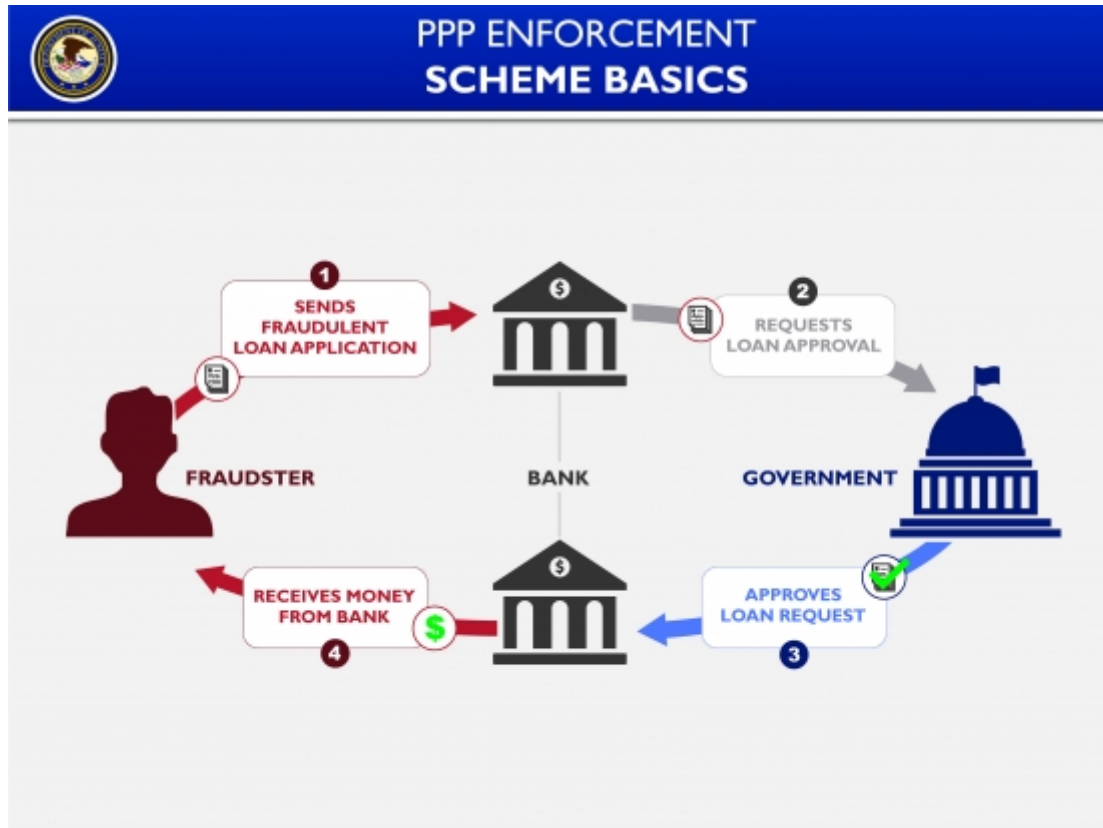
The MIMF Unit prosecutes complex and sophisticated securities, commodities, and other financial fraud cases, to include involving the financial services industry, consumer and regulatory fraud, fraud affecting financial institutions, and government procurement fraud. The MIMF Unit also leads CRM FRD's efforts to combat fraud involving the PPP and EIDL programs.⁵ Figure 3 below shows the manner in which a wrongdoer might fraudulently acquire a PPP loan.

⁴ While there are 94 USAO districts, there are 93 U.S. Attorneys as the Districts of Guam and the Northern Mariana Islands share one U.S. Attorney.

⁵ CRM FRD also utilizes a forensic accounting firm to identify suspected instances of fraud.

Figure 3

PPP Loan Process



Source: Criminal Division, Fraud Section [webpage](#)

The HCF Unit focuses solely on prosecuting complex health care fraud matters and cases involving the illegal prescription, distribution, and diversion of opioids. The HCF Unit's core mission is to protect the public from fraud, waste, and abuse, and to detect, limit, and deter fraud and illegal prescription, distribution, and diversion offenses resulting in patient harm. To combat health care fraud, the HCF Unit employs a Strike Force Model to prosecute health care fraud and illegal prescription opioid cases across the United States.⁶

National Center for Disaster Fraud

On March 19, 2020, the Deputy Attorney General (DAG) charged the NCDF to receive COVID-19-related complaints from the public. Established in 2005, the NCDF partners with various law enforcement and

⁶ According to CRM, the HCF Strike Force Model consists of interagency teams made up of investigators and prosecutors that focus on the worst offenders engaged in fraudulent activities in the highest intensity regions. The Strike Force uses data analysis techniques to identify abnormal billing levels in health care fraud "hot spots"—cities with high levels of billing fraud—combined with traditional investigative techniques to target suspicious billing patterns, emerging schemes, and fraudulent practices that migrate from one locality to another.

regulatory agencies to form a national coordinating entity within CRM to improve and further the detection, prevention, investigation, and prosecution of fraud related to natural and man-made disasters, and to advocate for the victims of such fraud.

The NCDF is located at the campus of LSU. While the day-to-day operations are administered by the USAO for the Middle District of Louisiana and an AUSA within that office, NCDF workers include LSU students and contractors who receive fraud allegations through the fraud complaint hotline and route allegations, via CRM, to the appropriate investigative or prosecutorial entity.

OIG Audit Approach

Considering CRM and USAOs' shared responsibility for prosecuting pandemic recovery fraud, and EOUSA's oversight and support of USAOs, the objective of this audit was to examine CRM's and EOUSA's management and coordination of allegations and referrals of pandemic-related frauds. The audit scope includes activity from March 2020, when these components began planning and issuing guidance at the start of the COVID-19 pandemic, through actions these components have taken as of January 2022.

To accomplish this objective, we interviewed representatives from CRM, including staff within FRD's MIMF Unit, the HCF Unit, and the NCDF; and EOUSA, including detailees serving as WCCs. These personnel played key roles in setting the stage for how the DOJ responded to the pandemic and collaborated with DOJ-led national coordinating bodies, such as the National Unemployment Insurance Fraud Task Force and the National Hoarding and Price Gouging Task Force. To assess how pandemic-related fraud matters affected the portfolio of prosecutorial components, we analyzed case information from CRM and EOUSA for Fiscal Year (FY) 2018 through FY 2021.

We selected seven USAO districts based on their geographic location, size, and caseloads to assess the: (1) impact of pandemic-related fraud across USAOs; (2) guidance and support received from EOUSA; and (3) collaborative capacity with various investigative and prosecutorial bodies to address pandemic-related fraud. We interviewed staff including line AUSAs, USAO COVID Coordinators, Section Chiefs, and an Acting U.S. Attorney, and discussed how they implemented district-specific and component-level guidance to address the pandemic-related fraud cases. We also spoke with Federal Bureau of Investigation (FBI) officials to gather information on investigations and referrals within DOJ and representatives from the Civil Division to gain context of civil actions it has brought related to the pandemic. To gather information and context regarding pandemic-related fraud investigations across the federal government, as well as how DOJ prosecutorial entities have collaborated on such matters, we spoke with Small Business Administration (SBA) Office of the Inspector General (OIG) officials (in view of SBA OIG's jurisdiction over EIDL and PPP), and U.S. Department of Labor (DOL) OIG officials because of DOL OIG's role in addressing UI fraud. Additionally, we spoke with representatives from other OIGs from the PRAC to gather information regarding the scope and impact of pandemic-related response across the federal oversight community. Appendix 1 contains further details on our audit objectives, scope, and methodology.

Audit Results

Since March 2020, EOUSA and CRM have provided guidance to USAOs and CRM Division employees to prioritize, detect, investigate, and prosecute allegations of pandemic-related fraud. However, enhanced tracking of fraud cases, as well as acquiring and leveraging accurate data across DOJ entities handling such cases, would improve the management of pandemic fraud cases. Additionally, EOUSA guidance for managing pandemic-related fraud cases can be expanded to implement a more uniform and collaborative response to the influx of pandemic-related fraud across the country. Finally, improved communication regarding matters under investigation and initiatives among multi-component and multi-jurisdictional coordinating bodies and task forces can better inform investigative and prosecutorial strategies and efforts.

Appendix 2 details various practices and initiatives employed by various DOJ prosecution teams to address pandemic-related fraud that we found could be leveraged more broadly.

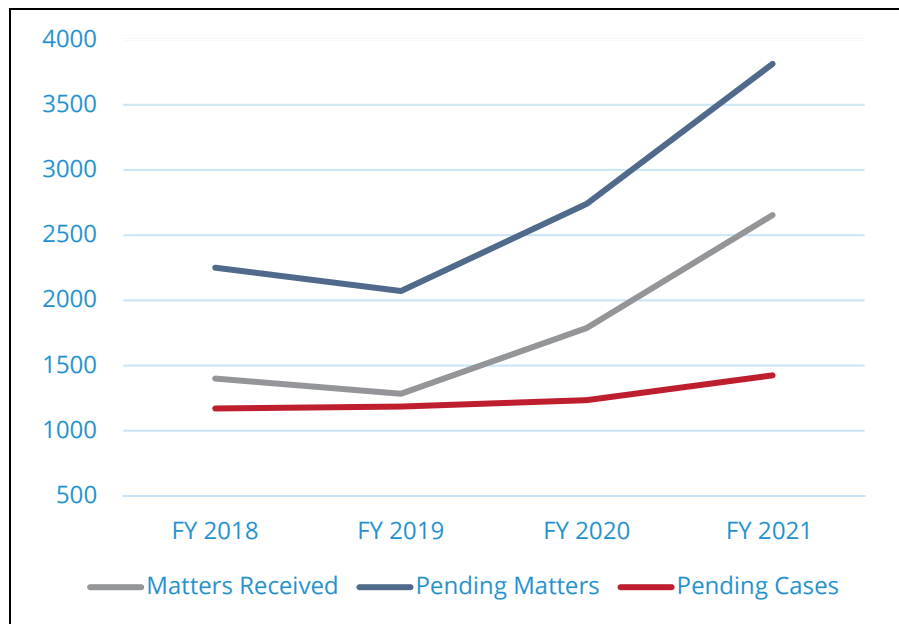
EOUSA and CRM Have Relied on Existing Budgetary Resources to Address Rising Criminal Federal Program Fraud Matters and Cases

CRM and EOUSA have recorded a significant increase in the number of pandemic-related fraud allegations and referrals, resulting in a rising number of cases and prosecutions. The number of opened cases logged by the CRM's MIMF Unit was, overall, 57 percent higher in FY 2020 and FY 2021 combined compared to the preceding 2 years before the pandemic. EOUSA informed us, and individual USAOs confirmed, that PPP, EIDL, and UI fraud represented most of the pandemic-related matters received by their offices. Similarly, as shown by Figure 4, USAO criminal matters and pending criminal cases for federal program fraud, specifically, have collectively risen 60 percent as measured by the number of defendants between FY 2018 and FY 2021.⁷

⁷ Matters are instances of suspected fraud that have not yet been opened as a case for prosecution. Since the pandemic was not declared until March 2020, CRM and USAO caseloads and NCDF allegation figures include matters that are not exclusive to pandemic relief. For example, USAOs generally handle matters and cases pertaining to federal program fraud as a subset of white-collar crime. While the overall number of criminal white-collar crime matters that USAOs have received has stayed comparatively consistent with pre-pandemic 2018 levels, the total number of pending white-collar crime matters have increased 20 percent and the total number of open white-collar crime cases have increased by 11 percent.

Figure 4

**USAO Criminal Federal Program Fraud Matters and Cases by Defendant
FY 2018 to FY 2021**



Note: “Matters received” are those referred to a USAO during a fiscal year. “Pending matters” are those that have been received by a USAO, but no decision has been made on opening a case or declining the matter as of the end of the fiscal year. “Pending cases” are cases in which action has been filed, but the cases have not yet been resolved through trial, plea, or dismissal as of the end of the fiscal year.

Source: EOUSA Case Management System

The USAOs we interviewed also stated that the pandemic affected USAO and court operations, which contributed to an increased number of pending fraud cases.⁸ Many USAOs further reported that this increased caseload has strained investigative agencies, stating that some were “overwhelmed” and could only investigate so many cases to present for prosecution. Several interviewees reported believing that the sheer volume of pandemic relief funding without stringent front-end controls not only exacerbated a pronounced rise in federal program fraud referrals but also left them employing a “pay and chase” model to pursue those who criminally obtained funds after the fact.

⁸ For example, USAO interviewees stated: (1) courts suspended normal trial and jury calendars, which disrupted communication between prosecution and defense teams and resulted in a backlog of cases and matters in federal court; (2) health hazards facing investigators delayed the gathering of evidence needed for prosecution; and (3) challenges in addressing unanticipated IT equipment requirements for remote work resulted in prosecutors being unable to work cases until they acquired functional equipment.

Additionally, some staff stated their belief that the heavy increase in pandemic fraud-related matters is negatively impacting their ability to address other prosecutorial priorities. Many staff who reported consistent caseloads were line-level AUSA prosecutors, while those responsible for collecting and assigning matters reported larger increases.

Without receiving additional appropriated resources to address pandemic-related fraud specifically, EOUSA and CRM officials have emphasized leveraging existing resources to address the rising caseload in this area. In particular, CRM officials stated that they secured 8 attorney positions dedicated to addressing pandemic-related health care fraud with other funds. Additionally, EOUSA has applied available Assets Forfeiture Fund monies to hire 12 term AUSAs to prosecute UI fraud. EOUSA allocated these full-time equivalents (FTEs) based on: (1) recorded caseloads from FY 2018 to FY 2020, (2) the percentage of AUSAs dedicated to white-collar crime during the same time period, (3) Bureau of Labor Statistics data on the unemployment rate, (4) the prevalence of UI fraud according to DOL OIG estimates, as well as (5) USAO narrative submissions detailing the nature of UI fraud and law enforcement resources dedicated to combatting such fraud within the district.

Of the USAOs we spoke to, one reported that it had applied for and received a term AUSA position to handle UI matters, while two others reported that they had requested a term AUSA but were not awarded a position. We did not identify any issues with the methods EOUSA employed to allocate additional resources; however, several officials in USAOs that did not receive a term AUSA position expressed their belief that their district needed additional resources to respond effectively to the influx of pandemic-related matters. Moreover, USAO staff reported that addressing pandemic-related fraud will be an ongoing challenge and is expected to grow as attorneys devote more time to cases as they proceed to trial.

Further, some districts reported having more difficulty managing heightened impacts than other districts.⁹ As some districts are simply more densely populated, or the opportunity for fraud is greater when compared to other districts, this is to be expected. In conversations with the OIG, EOUSA emphasized that it (1) routinely requested district-specific data from any district that sought to obtain additional resources, and (2) compared each competing district's need for resources contained within such data. Further, EOUSA stated that it planned to continue this practice for any future pandemic-related funds.

USAOs and CRM Can Further Strengthen Federal Fraud Referral Support

Several federal agencies, including federal Inspectors General and the PRAC, are charged with investigating pandemic-related fraud, some of which may involve complex fraud schemes committed across multiple states by individuals and organizations, including some foreign enterprises.¹⁰ This section outlines how CRM and USAOs become aware of fraud activity and specific issues relating to how CRM and EOUSA work together to identify and share matters involving pandemic-related fraud for prosecution. We offer recommendations that help enhance the close collaboration and detailed communication between CRM, EOUSA, and other agencies to ensure that matters are efficiently and expediently addressed.

⁹ Our interview sample generally mirrors [a DOJ OIG nationwide survey](#) of DOJ litigating attorneys. Within the survey, 43 percent of attorneys reported an increase in workload since the pandemic began, while 52 percent reported their workload has stayed the same. The survey received over 4,000 responses.

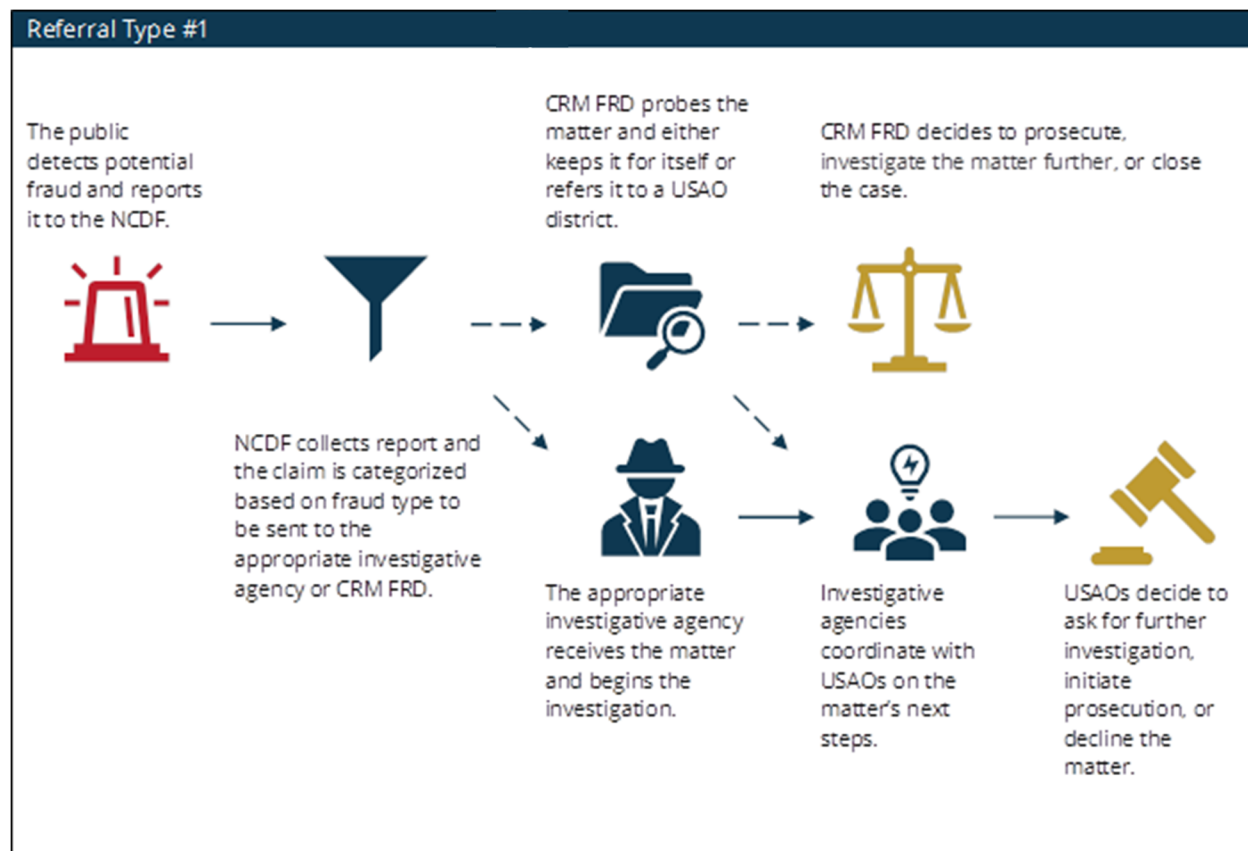
¹⁰ Established in March 2020 by the CARES Act, the PRAC is a committee within the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The PRAC's mission is to promote transparency and provide Congress and the public with objective, reliable information about the \$5 trillion in pandemic relief; work with Inspectors General to develop recommendations for program improvements; refer matters for criminal investigations; and identify misspent funds for recovery.

Primary Methods by which USAOs and CRM Have Received COVID-19 Fraud Referrals

Interviews with EOUSA, USAO, and CRM officials identified three primary ways in which these DOJ components have coordinated and received notices of pandemic fraud for criminal prosecution.¹¹ The first method relies on public notification of fraud to the NCDF, as shown in Figure 5 below.

Figure 5

Public Referral of Pandemic Fraud



Source: OIG Analysis

As shown in Figure 5, someone with knowledge of potential COVID-19 fraud reports the matter to the NCDF either through its web-based intake form or through the Disaster Fraud Hotline. The NCDF collects the reported information and categorizes the claim based on fraud type. It then utilizes the CRM Guidance for COVID-19 Referrals and its own Jurisdictional Investigative Guidelines to send the allegation to the

¹¹ Several federal entities collect and investigate pandemic-related fraud and thus may receive fraud notices in a variety of ways. While we found the methods detailed in this report to be most relevant to EOUSA, USAOs, and CRM at the time of our review, federal agencies charged with pandemic relief oversight can receive notices of fraud via Inspector General hotline complaint lines, results of data analytics from other agencies, law enforcement informants and cooperating defendants, public reports, whistleblower complaints, and referrals from non-federal investigative and prosecutorial entities.

appropriate investigative or prosecutorial agencies for action.¹² CRM FRD may either keep a referred matter for further action or pass it to a USAO district. Investigative agencies will probe referred matters and coordinate with the appropriate USAO district for further action. The USAO, assisted by findings from an investigative agency, will decide to ask for further investigation, initiate prosecution, or decline the matter.¹³

DOJ has consistently publicized NCDF's role as the designated intake center of all pandemic-related fraud allegations and complaints. Allegations and complaints received by the NCDF have risen 45 percent from 2018 through September 2021. Additionally, complaints received by the NCDF during the 2 years of the pandemic have been considerably higher than the preceding years. Due to the unprecedented national effect of the pandemic, as opposed to a more regional or local impact of typical natural disasters, the NCDF expanded how it processed allegations to effectuate the sharing of pandemic-related information and trends. At the onset of the pandemic, an NCDF official manually reviewed all incoming allegations, updated a spreadsheet that tracked the classification of COVID-specific items and the number of referrals per agency, and kept a log of newly received allegations. As the number of complaints received rose during the course of the pandemic, this NCDF official sent out a daily email with the number of new and total allegations, as well as weekly detailed reports, to various agencies including EOUSA, CRM FRD, and USAO pandemic-related taskforces.¹⁴ The NCDF also interacts with EOUSA's WCC to provide information on high profile cases or emerging trends, such as (1) fraudsters focusing on certain states' unemployment insurance systems resulting in the proliferation of associated fraud matters and (2) individuals establishing fake businesses to receive relief funds and then assisting others in the same task to receive a commission of the subsequent fraudulently obtained relief funds, which is then forwarded to USAO COVID Coordinators.

¹² Appropriate NCDF complaints are also input into various investigatory repositories, including the FBI's Internet Crime Complaint Center (IC3) portal and the Federal Trade Commission Sentinel Network.

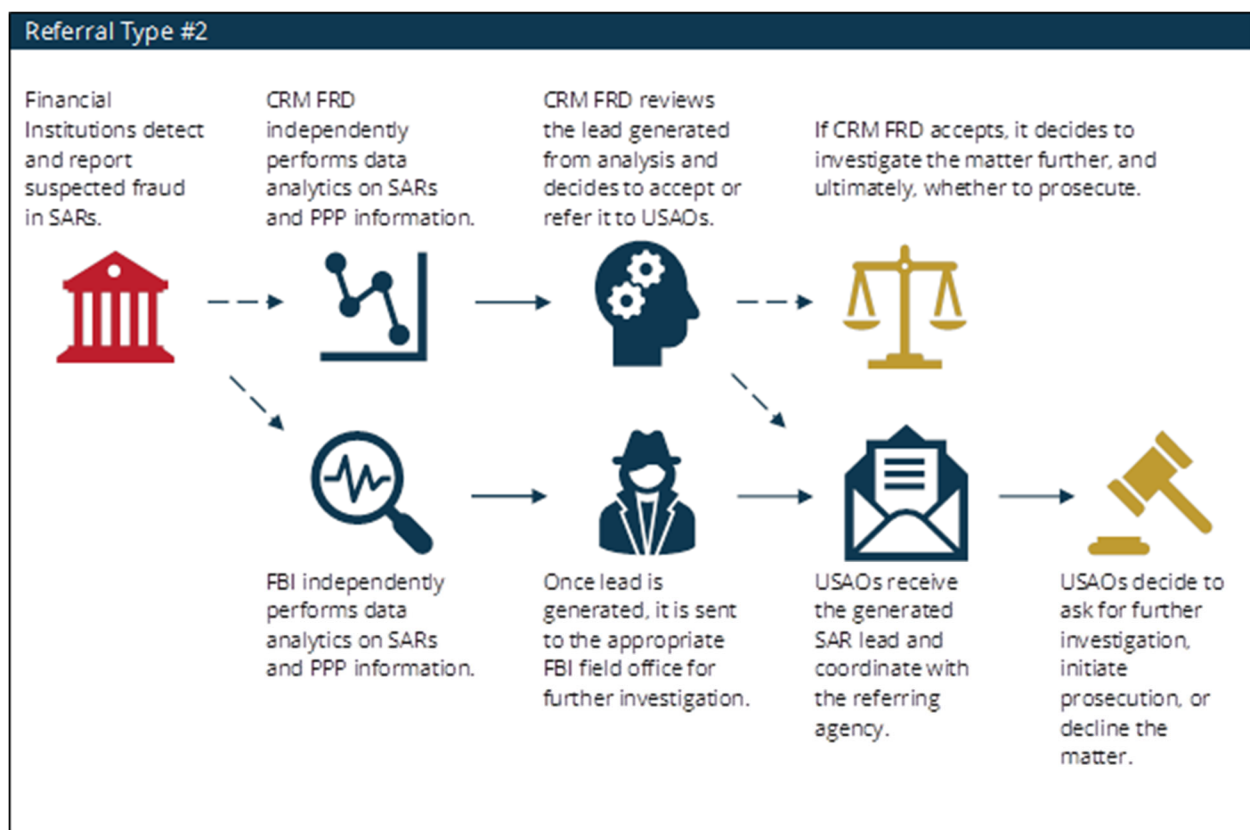
¹³ After the referrals are sent to agencies, the NCDF is no longer informed about the lead or notified whether a case was opened or declined. A relevant official explained agencies would contact the NCDF if additional information was needed.

¹⁴ Initially, the NCDF sent pandemic activity reports to the Office of the Deputy Attorney General but transitioned to sending information to EOUSA and CRM officials as pandemic-specific duties and responsibilities were formalized.

Financial institutions also monitor bank activity and PPP and EIDL applications and report suspected fraud through Suspicious Activity Reports (SARs). As shown in Figure 6, financial institutions route SARs to federal law enforcement, and both the FBI and CRM FRD review SARs and PPP data. CRM FRD will perform data analysis to generate suspected instances of PPP fraud, and then keep the matter for itself or refer the matter to a USAO district. Meanwhile, the FBI sends leads that it generates based on SARs to the appropriate FBI field office for investigation. Once completed, the FBI field office will refer the matter to USAOs. Once CRM FRD and/or the USAO receive the matter, they will decide whether to ask for further investigation, initiate prosecution, or decline the matter.

Figure 6

Fraud Reporting Through Data Analytics



Source: OIG Analysis

A third type of referral process begins with the detection and report of suspected fraud from the administrating federal agency to its respective OIG or another federal investigative agency, shown in Figure 7. Once the receiving agency OIG or investigative agency probes the matter, if investigators determine there is a potential criminal violation, it is referred to the appropriate USAO, which then decides to ask for further investigation, initiate prosecution, or decline the matter.

Figure 7

Administrative Detection of Fraud



Source: OIG Analysis

Enhancing Coordination Across DOJ Would More Efficiently Address Pandemic-Related Fraud Matters

During the pandemic, DOJ created or participated in at least four national coordinating groups to share open pandemic-related cases, current trends, and deconfliction.¹⁵ USAO and other assigned DOJ employees support these task forces in addition to their normal duties. DOJ also implemented measures for nationally coordinated efforts to seize and forfeit fraudulently obtained funds, and released guidance instructing USAOs and CRM to collaborate on certain pandemic-related fraud cases.

¹⁵ See Appendix 3 for descriptions of each coordinating body.

Pandemic-Related Information Flow from EOUSA

USAOs were aware of information and updates regarding national coordinating bodies if they participated within a group, and USAOs that do not participate within the various national task forces mentioned that they are unaware of task force activities or information shared within them. As of our audit, EOUSA does not distribute potential updates or findings shared within coordinating bodies to USAOs. Thus, there is potential for USAOs to miss out on crucial information that may assist in pandemic fraud cases.

Interviewees identified initial trainings, as well as the initiatives of the National Unemployment Insurance Fraud Task Force (see Appendix 3), as particularly useful and as such, information that would be beneficial for all prosecutors engaged in addressing pandemic-related fraud. Additionally, while most AUSA staff did not identify any issues with EOUSA communications, some mentioned specific issues, such as some information being sent to USAO Section Chiefs as opposed to designated USAO COVID Coordinators, which hindered the proper processing and dispersal of information. To ensure a proper information flow regarding important pandemic-related developments and updates, we recommend EOUSA implement a system to ensure regular and uniform communication for pandemic-related updates, to include informing USAO districts on information shared within national coordinating bodies.

CRM PPP Data Analysis Coordination

Within DOJ, the CRM MIMF Unit and the FBI generate leads by performing data analytics on PPP-related data and SARs. Initially, the MIMF Unit worked with the FBI to coordinate with the SBA OIG to access and utilize data to identify PPP-related fraud. In this collaboration, CRM served as the central prosecutorial hub and discussed coordinating efforts of national trends and DOJ priorities with the SBA OIG and the FBI. To assist the detection of pandemic-related fraud, CRM FRD signed a memorandum of understanding with the SBA to access loan data.

Using this SBA PPP data, the MIMF Unit generates, reviews, and decides to accept leads for themselves or pass the leads to the appropriate USAO district. The MIMF Unit either investigates data leads internally, or it sends the allegation to the COVID Coordinator in each USAO for further investigation, prosecution, or declination within the district.

The FBI also performs data analytics on suspected fraud and cross references data to create referrals that it sends to the appropriate FBI field offices to investigate. There is thus potential for the MIMF Unit and the FBI and its field offices to be investigating the same matters before they are referred to USAO districts. MIMF Unit attorneys often initiate cases themselves, which may necessitate deconfliction among attorneys from different offices before traditional deconfliction with investigative agencies. When USAOs receive leads originating from the same data sources by the MIMF Unit and FBI without prior deconfliction, this provides a risk of engaging limited DOJ component resources in duplicative efforts. Some individuals raised the concern that other agencies may be investigating a particular matter when CRM forwarded the matter to a USAO, and others noted that deconfliction has always been difficult and the influx of pandemic-related matters only exacerbated this concern. We recommend CRM assess ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads.

Coordination and Collaboration Involving PPP and UI Fraud

At the beginning of the pandemic, then Attorney General Barr asked that USAOs consult with CRM FRD, the Civil Division's Consumer Protection Branch, and the Antitrust Division's Criminal Program for additional guidance on how to detect, investigate, and prosecute pandemic-related schemes. In June 2020, the Office of the Deputy Attorney General (ODAG) further directed USAOs and CRM FRD to coordinate on PPP matters. The guidance stipulated that: (1) USAOs should promptly notify, consult, and, as appropriate, partner with CRM FRD upon initiating a criminal investigation concerning corporate relief fraud involving PPP, and (2) conversely, CRM FRD will promptly notify the USAO of any existing overlap with pre-existing investigations conducted by other USAOs or DOJ components. CRM FRD officials stated they work with USAOs on a large number of PPP cases, such as aiding with court appearances due to pandemic travel restrictions. CRM FRD, EOUSA, and USAO representatives reported no concerns associated with PPP-matter coordination.

However, pandemic-related fraud often involves wide-ranging schemes, resulting in crossover between PPP and UI cases with the same perpetrators. Federal criminal investigators stated to us that there was "most definitely" crossover between PPP and UI fraud cases because both programs present robust exploitative opportunities. The UI exploitation degree of difficulty is dependent on each state's respective UI requirements, which fraudsters can recognize and target certain states for fraud. We found USAOs and CRM FRD coordination involve PPP cases, but not UI matters which may have crossover with CRM FRD's PPP-led cases. The coordination of USAOs and CRM FRD could be better implemented to utilize limited resources while referrals and caseloads are increasing. We recommend that CRM work with EOUSA to implement methods to share pandemic fraud case information, particularly regarding PPP-related matters, for reference in possible overlap with USAO-led UI matters.

Formalized COVID Coordinator Responsibilities Will Help Ensure a Comprehensive COVID-19 Fraud Response

An important part in guiding USAO's efforts to address pandemic fraud is the district-level USAO COVID Coordinator.¹⁶ Many of the COVID Coordinators we talked to stated that they assumed the role's responsibilities in addition to their usual work. In addition to prosecuting cases, some COVID Coordinators serve as points of contacts regarding pandemic fraud matters with the public and other USAO COVID Coordinators and served within interagency task forces and working groups.

The initial ODAG guidance instructing USAOs to appoint COVID Coordinators designated the role as serving as legal counsel for matters relating to the pandemic and prosecuting, or assisting in the prosecution of, pandemic-related cases. Many USAO COVID Coordinators have reportedly been Section Chiefs of

¹⁶ Similarly, as most pandemic-related fraud constituted white-collar crime, EOUSA's WCC assumed additional responsibilities to coordinate on certain pandemic-related fraud matters and communicate issues pertaining to them. We were informed the EOUSA WCC helped distribute trainings, legal guidance, and updated policies and procedures related to the pandemic. The EOUSA WCC also would help support USAOs when pandemic-related fraud matters arose by collecting case data and responding to requests for information from other DOJ components, media, and Congress. EOUSA is not necessarily involved in identifying leads or cases, as an information sharing and coordinating entity it is responsible for providing events, training, and guidance on legal issues, as well as ensuring USAOs have adequate resources so that instances of pandemic-related fraud can be efficiently prosecuted.

White-Collar or Financial Crime Units, and our interviews at various USAOs confirmed that COVID Coordinators were generally Section Chiefs or senior AUSAs within Financial Crime Units.

However, due to USAO staff reassignments, many COVID Coordinators have not served in the role for the duration of the pandemic. Comprehensive policies and guidance would help ensure that newly designated COVID Coordinators understand their responsibilities and function from the outset. Besides initial guidance offered by the ODAG for USAO COVID Coordinators, we did not identify other guidance on this position's roles, responsibilities, and best practices even though the circumstances and specifics of fraud associated with the pandemic have evolved, and will keep evolving considering the need to coordinate with the new Director for COVID-19 Fraud Enforcement.

We interviewed officials at seven USAOs to ascertain how each district used and leveraged its COVID Coordinator position. In each, we found that COVID Coordinators performed specific duties that they believed best fit their district's needs. We agree that USAOs should be able to implement unique approaches to address the specific circumstances of pandemic-related fraud within their districts. Yet, as the COVID Coordinator role evolves, the needs of the position will require additional support.

For example, we did not identify training plans or other regular means to ensure that USAO COVID Coordinators acquire the skills and knowledge to oversee and manage their district's pandemic-related portfolio effectively. Rigorous, formalized training for new and experienced USAO COVID Coordinators may help alleviate knowledge loss and ensure they are aware of imminent and pressing pandemic-related matters facing their district. Additionally, formalized guidance within this training outlining Coordinator's expected duties, as well as available contacts, tools, and resources, will both minimize disorganization during transitions and help create a uniform response to COVID-related fraud across USAO districts. Providing this resource will help ensure that the expertise and practices of previous USAO COVID Coordinators is available to new COVID Coordinators, enhancing a district's overall response to pandemic-related fraud. A viable training program would also catalyze close cooperation across USAO districts and investigative agencies. Trainings for new and existing COVID Coordinators would provide important opportunities for others in the role to share how they gathered information within their districts and help the overall COVID Coordinator program by developing a comprehensive approach to assess each district's risk for and level of pandemic fraud activity.

Some USAO staff reported that pandemic-related fraud cases were nuanced in various ways that caused confusion when investigating and prosecuting cases. For example, we were informed anecdotally that questions regarding the permissibility of PPP funds and the eligibility of EIDL recipients have arisen during the course of prosecutions. Other USAO officials also noted that inconsistent or unclear charging guidance has complicated charges brought to trial. We were informed that EOUSA recently created a centralized submission portal where AUSAs may provide specific questions involving pandemic-related cases. However, many interviewees also spoke of COVID Coordinators as valuable resources in themselves that could help resolve issues and confusion. Refreshed guidance, training, and tools will benefit the USAO district overall and mitigate questions that USAO districts reported encountering related to pandemic-related fraud matters. As the specific circumstances and operations vary by district, USAOs may implement non-standard and customized best practices to fit their specific needs. Successful and innovative approaches and techniques, however, need to be shared among COVID Coordinators. This will help DOJ ensure that individual USAO approaches accentuate a cohesive and coordinated response to the evolving, nation-wide challenges presented by pandemic fraud. Therefore, we recommend that EOUSA continue to enhance its

USAO COVID Coordinator guidance by: (1) developing formal position descriptions for this function; and (2) implementing methods to identify and share best practices, updated guidance, and evolving challenges regarding COVID Coordinator duties across different USAO districts. Such efforts may include surveying USAO COVID Coordinators to ascertain best practices and programming formal training sessions in which newly appointed COVID Coordinators receive experiential feedback and guidance from legacy COVID Coordinators.

EOUSA Can Utilize COVID Coordinators to Comprehensively Track Cases to be Better Apprised of Pandemic-Related Fraud and its Impacts

Several USAO COVID Coordinators stated that they track and monitor active pandemic-related matters in their respective districts. However, there is no formal guidance that coordinators should be apprised of and monitor all pandemic-related investigative or litigation activity within their districts.

The amount of time devoted to a matter dictates whether it will be tracked in the case management system. Under EOUSA standard procedures, USAOs only track time spent on matters for which it devotes an hour or longer. A USAO can sometimes readily determine that a presented case is not suitable for prosecution when, for example, the required dollar threshold for a certain type of case has not been met. In these instances, USAOs may decide within an hour to decline to pursue the case and are not required to track the declination in the case management system. These declinations thus may go unrecorded and unreported. However, once a record is entered in the case management system (and if the USAO recorded it as a pandemic-related matter), the system requires that the disposition of the matter be recorded, whether that is a case opened for prosecution or formally declined. Typically, a formal declination requires multiple steps, proper approval from supervising officials, and a notice to whomever provided the referral. Some referring investigative agencies also require a formal declination and will, therefore, maintain some form of record of the decision from the USAO.

Inconsistent tracking results in USAOs, in particular their respective COVID Coordinators (1) not being properly apprised of pandemic-related matters for COVID planning purposes and (2) missing a key data point to assess COVID-related impacts on workloads and prosecutions. Consistently tracking all pandemic-related matters will better inform districts and the federal government at large of the proper allocation and use of relief funds. As districts' COVID Coordinators serve as legal counsel for all pandemic-related matters, they would be better informed of the universe of pandemic-related fraud activity within their district by tracking both accepted and declined matters. Such information could also be provided to other investigative, prosecutorial, and national coordinating agencies, which would allow them to better identify overarching trends or cross-jurisdictional schemes that some pandemic fraud cases present. For example, offenders stealing limited sums from multiple geographic locations may be able to avoid detection and prosecution if their actions do not meet certain criteria. Additionally, the information will provide greater insights into potential fraud related to the pandemic recovery as a whole, which will enhance the district COVID Coordinator's effectiveness.¹⁷ We recommend that EOUSA assess and implement methods that provide COVID Coordinators with access to pandemic-related activity occurring in their respective district, such as declined matters that are not otherwise reported. In developing these

¹⁷ We were also informed from an investigative agency that USAOs can often serve as a deconfliction point for matters and cases, as there are a multitude of agencies responsible for investigating pandemic-related fraud, and USAOs can serve as a central point to determine if one agency has initiated investigative efforts on a particular matter.

practices, EOUSA should survey COVID Coordinators about the information they most require to fulfil their roles and responsibilities and how district-level information can best be obtained and shared with them.

EOUSA and USAO Case Management Reporting Requires Ongoing Review to Ensure Accuracy

Early in the pandemic, EOUSA created a new national initiative code for categorizing and tracking pandemic-related fraud schemes for USAOs to use when entering matters and cases into the case management system. In its memo to USAOs announcing the new national initiative code, EOUSA stated that proper use of the code was critical so that USAO “efforts will be included in EOUSA’s reporting on this Departmental priority.” In addition to the new code, EOUSA facilitated the creation of a portal for USAOs to report charged pandemic-related fraud cases to assist responding to requests for information from various stakeholders, including the Attorney General, Deputy Attorney General, and Congress.

To effectuate tracking, reporting, and sharing of pandemic-related matters, EOUSA informed us that it:

- Dispatched reminders to USAOs to utilize the new initiative code, and we confirmed additional guidance utilized to prioritize the new national initiative code,
- Assigned an EOUSA WCC, in a term or temporary position, to reconcile USAO data and work with the Data Management team to ensure data integrity, and that matters may be retroactively designated as COVID-related as long as it occurs within the fiscal year that the matter was recorded, and
- Planned to ensure USAO accurately recorded matters by the end of the fiscal year.

However, EOUSA officials stated that they suspect that USAOs may be collectively underreporting pandemic-related matters, as data in the case management system sometimes does not reconcile with internal EOUSA tracking. Additionally, one USAO official stated that some USAO districts do not add appropriate case information, such as designating it as pandemic-related, thus complicating case tracking and deconfliction among districts. A stopgap measure to require that USAOs designate pandemic-related case information in the case management system would reduce the risk of inconsistent tracking and reporting across districts, enhance transparency, and facilitate accurate case information sharing.¹⁸

¹⁸ The OIG has previously identified similar concerns with EOUSA and USAO data tracking processes and case information data integrity, which we believe underscores the need for EOUSA to take proactive effort to address pandemic-related cases. In DOJ OIG, [Audit of Resource Management of United States Attorneys’ Offices](#) Audit Report 09-03 (November 2008), we identified that EOUSA did not maintain reliable and specific data necessary to make fully informed resource allocation decisions and report accurate statistical data to others, such as DOJ leadership and Congress. In DOJ OIG, [Follow-Up Audit of the Department of Justice’s Internal Controls Over Reporting of Terrorism-Related Statistics: The Executive Office for United States Attorneys](#) Audit Report 13-34 (September 2013), we reported that EOUSA’s implementation of revised procedures did not enable it to report certain statistics accurately. In DOJ OIG, [Audit of the Department of Justice’s Efforts to Address Mortgage Fraud](#) Audit Report 14-12 (March 2014), we found that EOUSA’s case management system did not allow for a complete or reliable assessment of DOJ’s mortgage fraud efforts because of underreporting and misclassification of mortgage fraud cases.

Complete and accurate information and tracking will allow EOUSA to monitor efforts and better address pandemic-related fraud. In its guidance, EOUSA stresses that public reporting of pandemic-related fraud enforcement work will amplify the accompanying deterrent effect. However, when USAOs do not leverage, in the most effective manner, existing tools readily available to them to record and help inform cross-district and intergovernmental agencies of matter-specific information, gaps in information sharing invariably increase. Additionally, proper data tracking will better inform EOUSA for planning and resourcing purposes.

At the conclusion of our audit, EOUSA reported that it was continuing to provide guidance to USAO personnel responsible for designating and tracking pandemic-related cases. We recommend that EOUSA: (1) assess the status of USAO compliance with pandemic-related case designation requirements and (2) provide USAOs training and best practices regarding the designation of pandemic-related fraud matters within the case management system. Considering the prior challenges that EOUSA has experienced with regard to data collection and reporting, action that EOUSA undertakes to address this recommendation should incorporate fully the corrective action it had taken to address previously reported data accuracy and integrity issues.

Conclusion and Recommendations

DOJ litigating components have encountered a pronounced increase in federal program fraud matters and cases. With multiple types of fraud and referral processes, efficient management and close collaboration concerning matters is essential to promoting the integrity and proper use of relief funds.

CRM and EOUSA have taken steps to handle the influx of pandemic-related matters. EOUSA has assigned its WCC additional pandemic-related duties and facilitated the appointment and direction of USAO COVID Coordinators to assist in the management of pandemic-related cases. CRM has proactively performed data analytics to detect suspected fraud and coordinated on PPP matters with the various USAOs. Additionally, the NCDF has collaborated and communicated on emerging issues and trends related to the pandemic. Audited components have also participated in DOJ-led task forces and coordinating bodies to promote a unified pandemic response.

However, components can take additional actions to ensure that limited resources are maximized to address fraud matters efficiently as they continue to rise due to the pandemic. This includes enhancing tracking of fraud allegations, expanding guidance on managing pandemic-related fraud cases, and improving communication for both matters under investigation and information shared in coordinating bodies.

We recommend that EOUSA:

1. Implement a system to ensure regular and uniform communication for pandemic-related updates, to include informing USAO districts on information shared within national coordinating bodies.
2. Continue to enhance its USAO COVID Coordinator guidance by: (1) developing formal position descriptions for this function; and (2) implementing methods to identify and share best practices, updated guidance, and evolving challenges regarding COVID Coordinator duties across different USAO districts.
3. Assess and implement methods that provide COVID Coordinators with access to pandemic-related activity occurring in their respective district, such as declined matters that are not otherwise reported.
4. (1) Assess the status of USAO compliance with pandemic-related case designation requirements and (2) provide USAOs training and best practices regarding the designation of pandemic-related fraud matters within the case management system.

We recommend that CRM:

5. Assess ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads.

6. Work with EOUSA to implement methods to share pandemic fraud case information, particularly regarding PPP-related matters, for reference in possible overlap with USAO-led UI matters.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objective of this audit was to examine the Criminal Division's (CRM) and the Executive Office for United States Attorneys' (EOUSA) management and coordination of allegations and referrals of pandemic-related frauds.

Scope and Methodology

The audit scope includes activity from March 2020, when these components began planning and issuing guidance at the start of the pandemic, through actions these components have taken as of January 2022. To accomplish this objective, we interviewed representatives from CRM, including staff within the CRM Fraud Section's (FRD) Market Integrity and Major Frauds (MIMF) Unit, the Health Care Fraud (HCF) Unit, and the National Center for Disaster Fraud (NCDF); and EOUSA, including detailees serving as White-Collar Crime Coordinators (WCC). These personnel played key roles in setting the stage for how the Department of Justice (DOJ) responded to the pandemic and collaborated with DOJ-led national coordinating bodies, such as the National Unemployment Insurance Fraud Task Force and the National Hoarding and Price Gouging Task Force.

To assess how pandemic-related fraud matters affected the portfolio of prosecutorial components, we analyzed case information from CRM and EOUSA for Fiscal Year (FY) 2018 through FY 2021. We selected seven United States Attorney Office (USAO) districts based on their geographic location, size, and caseloads to assess the: (1) impact of pandemic-related fraud across USAOs; (2) guidance and support received from EOUSA; and (3) collaborative capacity with various investigative and prosecutorial bodies to address pandemic-related fraud. We interviewed staff including line Assistant United States Attorneys (AUSA), USAO COVID Coordinators, Section Chiefs, and an Acting U.S. Attorney, and discussed how they implemented district-specific and component-level guidance to address the pandemic-related fraud cases. We also spoke with Federal Bureau of Investigation (FBI) officials to gather information on investigations and referrals within DOJ and representatives from the Civil Division to gain context of civil actions it has brought related to the pandemic.

To gather information and context regarding pandemic-related fraud investigations across the federal government, as well as how DOJ prosecutorial entities have collaborated on such matters, we spoke with Small Business Administration (SBA) Office of the Inspector General (OIG) officials (in view of SBA OIG's jurisdiction over Economic Injury Disaster Loans (EIDL) and the Payment Protection Program (PPP)), and U.S. Department of Labor (DOL) OIG officials because of DOL OIG's role in addressing Unemployment Insurance (UI) fraud. Due to the nature and frequency of frauds committed against these programs, as well as EOUSA's classification of such, we use the term federal program fraud to describe these pandemic-related fraud instances. Additionally, we spoke with representatives from other OIGs from the Pandemic Responsibility Accountability Committee (PRAC) to gather information regarding the scope and impact of pandemic-related response across the federal oversight community. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner.

Statement on Compliance with Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of EOUSA and CRM to provide assurance on its internal control structure as a whole. EOUSA and CRM management is responsible for the establishment and maintenance of internal controls in accordance with GAO-17-704G, Standards for Internal Control in the Federal Government. Because we do not express an opinion on EOUSA's and CRM's internal control structure as a whole, we offer this statement solely for the information and use of EOUSA and CRM.¹⁹

Our audit examined EOUSA's and CRM's controls for managing pandemic-related fraud matters, and communicating those matters to relevant outside parties, when appropriate. We reviewed both written guidance and management's responsibilities for such issues. We also examined staff knowledge and adherence to guidance.

The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Computer-Processed Data

During our audit, we obtained information from EOUSA's and USAO's, CRM's, and NCDF's case management system. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources. We assessed the reliability of the case management system data by: (1) reviewing existing information about the data and the system that produced it and (2) interviewing auditee officials knowledgeable about the data. We determined that the data is sufficiently reliable for comparing total matters and cases recorded by USAOs across fiscal years for the purposes of accomplishing our objective.

¹⁹ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Pandemic-Related Fraud Best Practices

Our audit identified various practices and approaches employed by individual USAOs that could be adopted more broadly to respond to pandemic-related fraud:

1. Several USAOs outlined strategies to distribute workloads and triage cases better. Strategies included using existing paralegals and in-house investigators to vet referrals before assigning matters to AUSAs and assigning smaller cases to other criminal prosecution units to alleviate caseload pressures on the Economic Crime units.
2. In addition to serving as coordinators within their respective district office, several USAO COVID Coordinators stated they served as designated points of contacts with external investigative law enforcement agencies. This function allowed these coordinators to better communicate with investigative agencies, collect referrals, and distribute information to the appropriate AUSAs.
3. Besides serving in federal task forces, several USAO COVID Coordinators stated that they started and/or participated on state and local task forces to deconflict cases and share COVID fraud trends. points of contacts from the USAOs on federal and local task forces can thus facilitate the sharing of information and cases between federal and non-federal investigative agencies.
4. In addition to EOUSA pandemic-related trainings, one USAO district spoke of hosting inter-office “brown bag” presentations to better share pandemic-related information within the office.

Audited components also identified strategies that proved valuable for advancing pandemic-related fraud investigations and prosecutions:

1. CRM used SBA data to identify when different loan applications shared similar characteristics and other patterns indicative of fraud. The data also identified banks to obtain loan records from such entities to expedite the investigative process. A case that was identified from such effort included *United States v. Dinesh Sah*, in which the defendant submitted 15 fraudulent PPP loans to obtain \$17 million in relief funds. The defendant was sentenced to 11 years in prison for money laundering and wire fraud offenses.
2. The Northern District of Georgia crosschecked defendant information on pretrial and supervised release with public PPP loan data to commence and advance several investigations involving fraudulent PPP loans.
3. While investigating and prosecuting cases involving PPP and EIDL, the District of Arizona encountered several examples of one individual filing a false loan and then assisting others in filing similar false loans. This demonstrated that multiple fraud targets may be associated with the same initial subject.
4. The Eastern District of Texas’s intelligence analyst, who is responsible for collecting, reviewing, and analyzing forensic financial information, helped the district execute a seizure warrant on a bank account containing the proceeds of a fraudulent EIDL loan. The Northern District of Georgia also used a forensic auditor to identify fraud targets across the district by reviewing SAR, SBA, and other financial information.

APPENDIX 3: DOJ Coordinating Task Forces

During the pandemic, the DOJ has created or participated in coordinating bodies to effectuate the sharing of pandemic-related case trends and investigative or prosecutorial initiatives. A description of the groups and their roles is outlined below.

- USAO's Hoarding and Price Gouging Task Force was created to address COVID-19-related market manipulation, hoarding, and price gouging.
- The National Unemployment Insurance Task Force is responsible for investigating numerous fraud schemes targeting the UI programs of state workforce agencies, which distribute additional Pandemic Unemployment Assistance funds provided under the *CARES Act* and the *American Rescue Plan Act*. On April 5, 2021, EOUSA issued a memo announcing the appointment of a National Unemployment Insurance Fraud Task Force Forfeiture Coordinator to assist in the recovery of funds.²⁰
- The EIDL Fraud Task Force is comprised of personnel from five federal law enforcement agencies and prosecutors who work together to identify both individual wrongdoers and networks of fraudsters for allegedly fraudulent loans.
- The DOJ-wide COVID-19 Fraud Enforcement Task Force, convened by the Deputy Attorney General, is an interagency working group that seeks to (1) identify cross-governmental resources, investigative techniques, and information for uncovering fraud schemes and the actors who perpetrate them; (2) harness what the DOJ has learned about COVID-19 related and other types of fraud from past efforts; and (3) deter, detect, and disrupt future fraud wherever it occurs.²¹ As of June 2022, this task force will be chaired by a Civil Division official working with the Office of the Director for COVID-19 Fraud Enforcement.

The various task forces can be seen below in Figure 8.

²⁰ A DOJ official informed us that agencies may keep a portion of seized funds from asset forfeiture.

²¹ See [Attorney General Announces Task Force to Combat COVID-19 Fraud](#).

Figure 8

DOJ – Led Task Forces and Coordinating Bodies



Source: DOJ OIG Analysis and Interviews

Appendix 4: The Executive Office for U.S. Attorneys' Response to the Draft Audit Report



U.S. Department of Justice

Executive Office for United States Attorneys


Office of the Director

Room 2261, RFK Main Justice Building (202) 252-1000
950 Pennsylvania Avenue, NW
Washington, DC 20530

MEMORANDUM

DATE: August 31, 2022

TO: Jason R. Malmstrom
Assistant Inspector General for Audit
Office of the Inspector General

FROM: 
Monty Wilkinson
Director

SUBJECT: Response to the Inspector General's Final Draft Report for the Audit of the
Management and Coordination of Pandemic-Related Fraud Allegations and Referrals Between the Criminal Division and Executive Office for U.S. Attorneys

The Executive Office for United States Attorneys (EOUSA) appreciates the opportunity to review the Office of the Inspector General's final draft report titled, *Management and Coordination of Pandemic-Related Fraud Allegations and Referrals Between the Criminal Division and Executive Office for U.S. Attorneys* and provides the following comments in response to the four recommendations directed to EOUSA.

Recommendation No. 1: Implement a system to ensure regular and uniform communication for pandemic-related updates, to include informing USAO districts on information shared within national coordinating bodies.

EOUSA's Response: EOUSA concurs with this recommendation. EOUSA will continue to communicate regularly with USAO COVID Fraud Coordinators (CFCs) and others in the USAO community to provide legal and practical updates on the investigation and prosecution of COVID fraud. At a minimum, EOUSA will provide quarterly updates to

the USAOs, which will include information from national coordinating bodies as appropriate.

All materials sent to the CFCs will also be posted on Legal Programs' COVID Fraud website, which is accessible to all USAOs and is organized by category (i.e., policies, guidance, go-bys, trainings).

Recommendation No. 2: Continue to enhance its USAO COVID Coordinator guidance by: (1) developing formal position descriptions for this function; and (2) implementing methods to identify and share best practices, updated guidance, and evolving challenges regarding COVID Coordinator duties across different USAO districts.

EOUSA's Response: EOUSA concurs with this recommendation. In addition to the CFC duties identified in the Deputy Attorney General's March 19 memorandum, EOUSA will describe in more detail the CFC's roles and responsibilities, which can serve as a baseline for a Coordinator's performance workplan. EOUSA will disseminate this information to all USAOs and post it on USAnet. EOUSA will also continue to include in its regular communications with CFCs information on best practices, updated guidance, and evolving challenges regarding CFC duties across different districts. EOUSA will also share such information with new CFCs during orientation.

Recommendation No. 3: Assess and implement methods that provide COVID Coordinators with access to pandemic-related activity occurring in their respective district, such as declined matters that are not otherwise reported.

EOUSA's Response: EOUSA concurs with this recommendation. EOUSA will continue its frequent communication with CFCs and assess how they may better use and share district-specific data, including declined matters that are not otherwise reported, to enhance their awareness of COVID fraud activity in their districts. EOUSA will send its recommendations for increased information sharing to all USAOs.

Recommendation No. 4: (1) Assess the status of USAO compliance with pandemic-related case designation requirements and (2) provide USAOs training and best practices regarding the designation of pandemic-related fraud matters within the case management system.

EOUSA's Response: EOUSA concurs with this recommendation. In March 2020, EOUSA created and announced the "Coronavirus Fraud" national initiative code for tracking criminal COVID fraud cases in CaseView. In May 2021, EOUSA sent a memorandum to all USAOs reminding them how to properly designate criminal COVID fraud cases in CaseView using the national initiative code. Additionally, a short video on how to use national initiative codes in CaseView is available online to all USAO personnel.

In addition to the above-described efforts, EOUSA will assess the USAOs' use of the Coronavirus Fraud national initiative code and provide districts with additional training and best practices regarding the designation of pandemic-related fraud matters within the case management system.

If you have any questions or concerns regarding the above responses, please contact Jenna Taylor, EOUSA's Audit Liaison, at USAEO-EOUSAAuditLiai@usa.doj.gov or 202-252-5547.

Appendix 5: The Criminal Division's Response to the Draft Audit Report



U.S. Department of Justice

Criminal Division

Office of the Assistant Attorney General

Washington, D.C. 20530

September 2, 2022

MEMORANDUM

TO: Jason Malmstrom
Assistant Inspector General for Audit
Office of Inspector General

FROM: Kenneth A. Polite, Jr.
Assistant Attorney General

SUBJECT: Response to Draft Audit Report: Management and Coordination of
Pandemic-Related Fraud Allegations and Referrals Between the Criminal
Division and Executive Office for U.S. Attorneys

KENNETH POLITE



Digitally signed by
KENNETH POLITE
Date: 2022.09.02 14:55:10

This is in response to correspondence from the Office of Inspector General (OIG) requesting comment on the recommendations associated with the subject draft audit report. The Criminal Division (CRM) appreciates the opportunity to review the report and concurs with the recommendations therein. Actions planned by CRM with respect to OIG's recommendations are outlined in the attached response.

Should you have any questions or concerns regarding this response, please contact Debie Frary, Audit Liaison, at 202-305-4967.

Attachment

Attachment

Recommendations 1-4. These recommendations are for the Executive Office for U.S. Attorneys and they will respond separately.

Recommendation 5. Assess ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads.

CRM Response: CRM concurs with this recommendation and will work towards fully addressing it. Since the field work of this audit was completed, CRM has developed additional ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads and continues to assess what else can be done in this area to improve. This includes regular communication with those handling COVID fraud cases.

Recommendation 6. Work with EOUSA to implement methods to share pandemic fraud case information, particularly regarding PPP-related matters, for reference in possible overlap with USAO-led UI matters.

CRM Response: CRM concurs with this recommendation and will work towards fully addressing it. Since the field work of this audit was completed, CRM has continued to work closely with EOUSA to identify and implement methods to share pandemic fraud case information. This includes regular communication including UI leads and UI cases that could have exposure in other areas.

Appendix 6: The Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The Office of the Inspector General (OIG) provided a draft of this audit report to the Executive Office for U.S. Attorneys (EOUSA) and the Criminal Division (CRM). EOUSA's response is incorporated in Appendix 4 and CRM's response is incorporated in Appendix 5 of this final report. In response to our draft audit report, EOUSA concurred with our recommendations. Similarly, CRM concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for EOUSA:

- 1. Implement a system to ensure regular and uniform communication for pandemic-related updates, to include informing USAO districts on information shared within national coordinating bodies.**

Resolved. EOUSA concurred with our recommendation. EOUSA stated in its response that it will continue to communicate regularly with USAO COVID Coordinators and others in the United States Attorney Office (USAO) community to provide legal and practical updates on the investigation and prosecution of COVID fraud. EOUSA continued that it will provide quarterly updates to the USAOs, which will include information from national coordinating bodies as appropriate, and all materials sent to USAO COVID Coordinators will also be posted on Legal Programs' COVID Fraud website.

This recommendation can be closed when EOUSA provides evidence that it has built on existing communication with USAO districts to provide frequent and standardized legal and practical updates on the investigation and prosecution of COVID fraud, including, but not limited to, information shared within the national coordinating bodies.

- 2. Continue to enhance its USAO COVID Coordinator guidance by: (1) developing formal position descriptions for this function; and (2) implementing methods to identify and share best practices, updated guidance, and evolving challenges regarding COVID Coordinator duties across different USAO districts.**

Resolved. EOUSA concurred with our recommendation. EOUSA stated in its response that it will describe in more detail the USAO COVID Coordinator's roles and responsibilities, which can serve as a baseline for a Coordinator's performance workplan and will disseminate this information to all USAOs and post it on USAnet. EOUSA also stated it will continue to include in its regular communications with USAO COVID Coordinators information on best practices, updated guidance, and evolving challenges regarding USAO COVID Coordinator duties across different districts, and such information will be shared with new USAO COVID Coordinators during orientation.

This recommendation can be closed when EOUSA provides evidence that the USAO COVID Coordinator's roles and responsibilities are: (1) clearly defined and fulfilled by experienced candidates; and (2) disseminated to all USAOs and posted on USAnet. Additionally, EOUSA needs to

provide evidence of sustained communication with USAO COVID Coordinators on best practices, updated guidance, and evolving challenges regarding USAO COVID Coordinator duties across different districts, and how such information will be shared with new USAO COVID Coordinators during orientation.

3. Assess and implement methods that provide COVID Coordinators with access to pandemic-related activity occurring in their respective district, such as declined matters that are not otherwise reported.

Resolved. EOUSA concurred with our recommendation. EOUSA stated in its response that it will continue its communication with USAO COVID Coordinators and assess how they may better use and share district-specific data, including declined matters that are not otherwise reported, to enhance their awareness of COVID fraud activity in their districts. EOUSA also stated it will send its recommendations for increased information sharing to all USAOs.

This recommendation can be closed when EOUSA provides evidence that it has built on existing communication with USAO COVID Coordinators to assess how they may better use and share district-specific data including declined matters that are not otherwise reported, to enhance their awareness of COVID fraud activity in their districts. Additionally, EOUSA needs to provide evidence that it has implemented and distributed such methods to USAO districts.

4. (1) Assess the status of USAO compliance with pandemic-related case designation requirements and (2) provide USAOs training and best practices regarding the designation of pandemic-related fraud matters within the case management system.

Resolved. EOUSA concurred with our recommendation. EOUSA stated in its response that it will assess the USAOs' use of the Coronavirus Fraud national initiative code and provide districts with additional training and best practices regarding the designation of pandemic-related fraud matters within the case management system.

This recommendation can be closed when EOUSA provides evidence of: (1) the assessment of USAOs' compliance with pandemic-related case designation requirements; and (2) training and best practices implemented regarding the designation of pandemic-related fraud matters within the case management system to USAO districts.

Recommendations for CRM:

5. Assess ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads.

Resolved. CRM concurred with our recommendation. CRM stated in its response that it will work towards fully addressing the recommendation, and that it has developed additional ways to coordinate and externally deconflict investigative efforts pertaining to PPP data analytics leads and continues to assess what else can be done in this area to improve. This includes regular

communication with those handling COVID fraud cases.

This recommendation can be closed when CRM demonstrates that it has implemented methods to sustain sharing and deconflicting data analytics case leads with those handling COVID fraud cases.

6. Work with EOUSA to implement methods to share pandemic fraud case information, particularly regarding PPP-related matters, for reference in possible overlap with USAO-led UI matters.

Resolved. CRM concurred with our recommendation. CRM stated in its response that it will work towards fully addressing the recommendation and has continued to work closely with EOUSA to identify and implement methods to share pandemic fraud case information. This includes regular communication including unemployment insurance fraud (UI) leads and UI cases that could have exposure in other areas.

This recommendation can be closed when CRM demonstrates that it has implemented methods to identify and communicate pandemic-related case information that overlaps with other cases to relevant stakeholders.