

# INTEREST

INVESTIGATIONS MAGAZINE 2023



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Consumer Financial Protection Bureau



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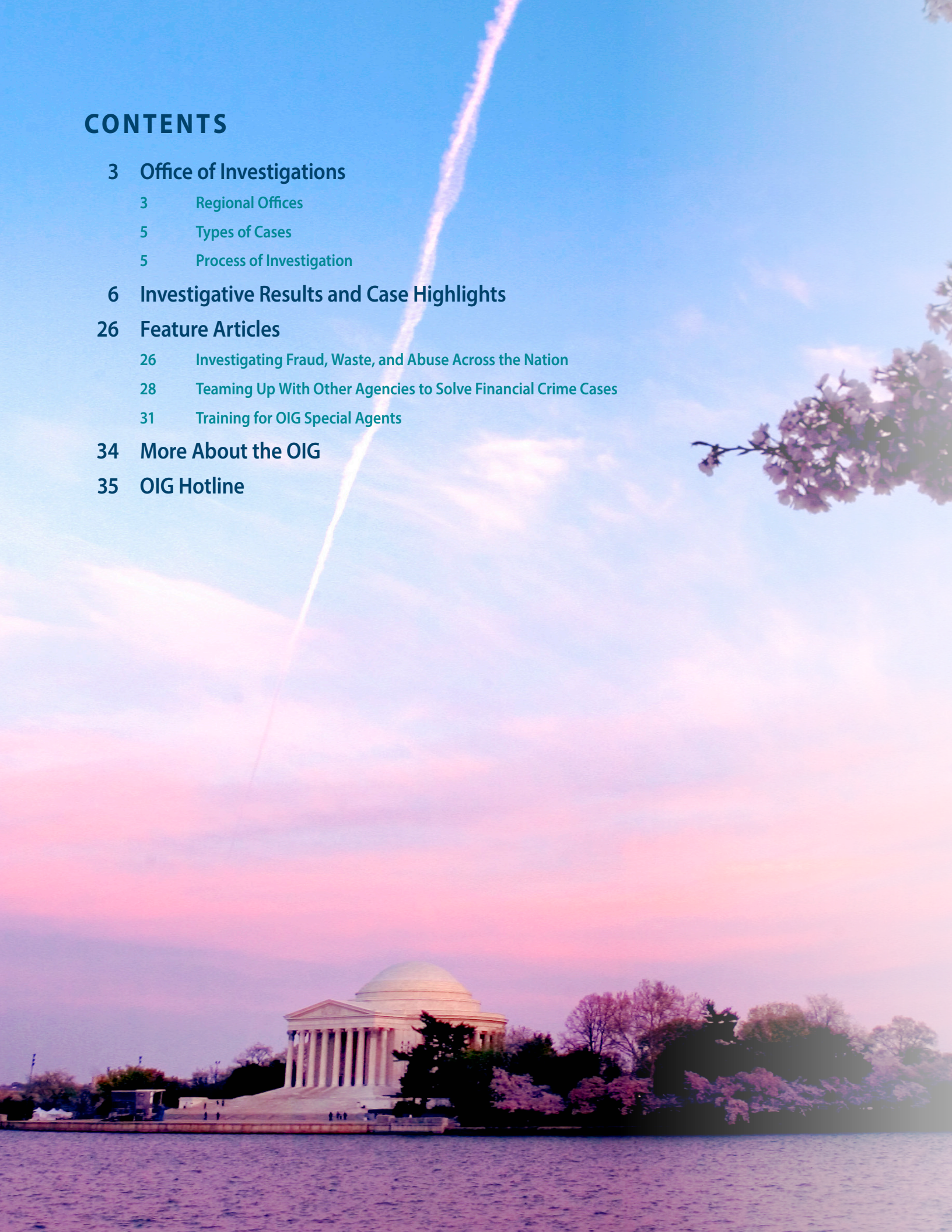
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## OFFICE OF INVESTIGATIONS

Our investigative team includes about 30 federal agents, forensic analysts, technical specialists, and support staff with a broad range of experience. Our agents are law enforcement officers with authority granted by the U.S. attorney general to carry firearms, make arrests, and execute warrants for search and seizure.

We routinely partner with other federal law enforcement agencies, U.S. attorney's offices throughout the country, and state and local law enforcement, adding value to complex investigations by virtue of our specialized knowledge and experience.

### Regional Offices

Our regional offices are Chicago (Midwestern Region); Miami (Southeastern Region); New York City (Northeastern Region); San Francisco (Western Region); and Headquarters/Washington, DC (Mid-Atlantic Region).

The regional offices partner with the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service (IRS) Criminal Investigation (CI), the Federal Deposit Insurance Corporation (FDIC) OIG, the U.S. Small Business Administration (SBA) OIG, the Special Inspector General for Pandemic Recovery, and other federal law enforcement, using their extensive specialized expertise in white-collar financial fraud to develop cases prosecuted by U.S. attorney's offices across the nation. When appropriate, our agents also work with state and local law enforcement and other governmental organizations. We conduct outreach with the supervision, legal, and enforcement groups at the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, including the 12 Federal Reserve Banks that supervise financial institutions under delegated authority from the Board and regional CFPB supervision staff.

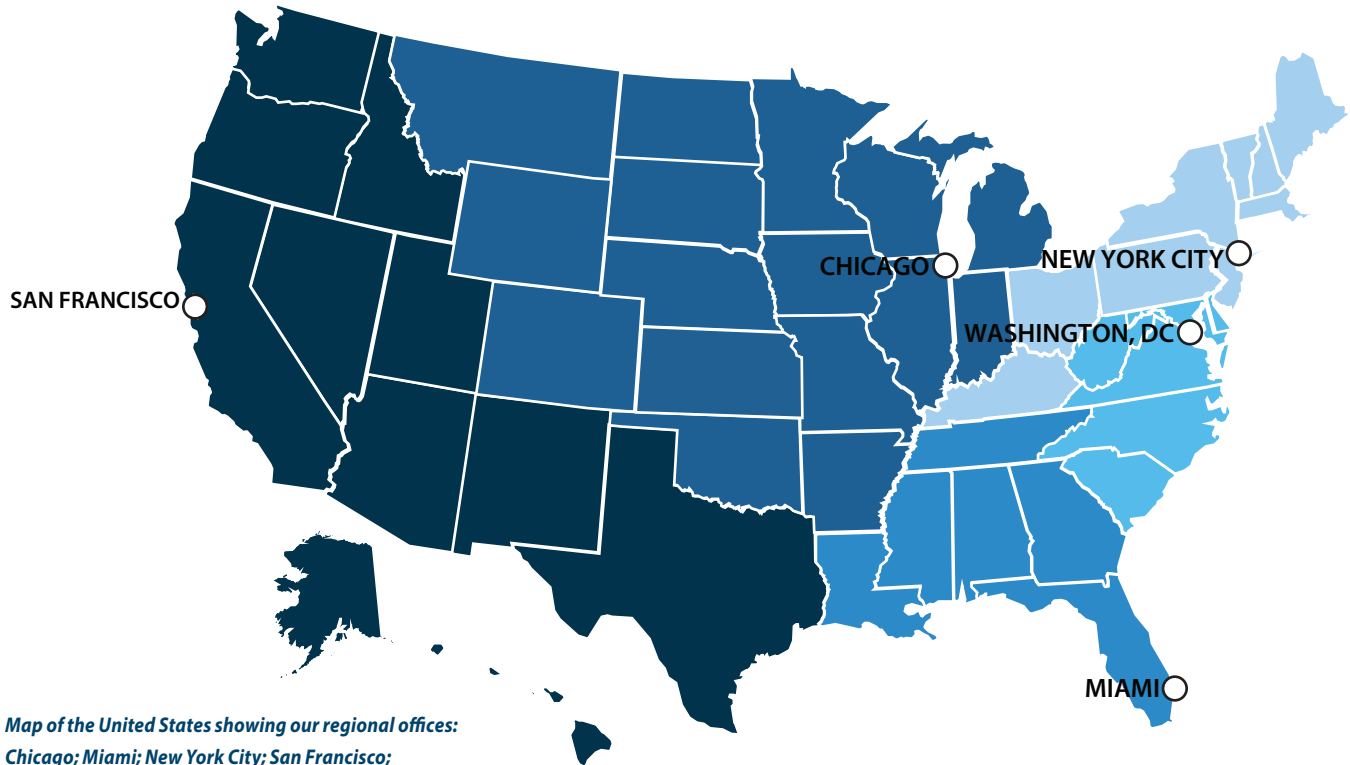
Headquarters Operations is part of the Headquarters/Washington, DC, regional office.

Headquarters Operations oversees all regional offices and provides operational and administrative support. Headquarters Operations comprises the Special Investigations Unit (SIU), the Electronic Crimes Unit (ECU), the OIG Hotline, and the Investigative and Administrative Support team.

### Special Investigations Unit

The SIU performs a large percentage of the investigative work at the Headquarters/Washington, DC, regional office. The SIU is a dedicated team of agents with extensive experience working cases that pose a reputational risk to the Board or the CFPB, such as leaks of confidential information or employee misconduct. The SIU regularly updates the inspector general and, when appropriate, top Board and CFPB officials on important developments.

The SIU's work is fast paced and a critical part of meeting our mission to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse in the programs and operations of the Board and the CFPB.



## Electronic Crimes Unit

The ECU serves as the digital forensic investigative unit of the OIG. The ECU is responsible for providing detailed, complex analysis of electronic data associated with OIG investigations. The ECU uses specialized computer hardware and software to help agents find key data, sift through metadata, break encryption, and crack passwords. Our agents have discovered crucial evidence that has been used to help prosecute individuals who have committed crimes related to the programs and operations of the Board and the CFPB. Not all the work is conducted in the lab. ECU agents can also execute search and seizure of computer evidence, write warrant applications for data, and provide onsite support to help bring equipment back to the lab so that they can recover evidence.

The ECU participates in the FBI's Cyber Task Force and the U.S. Secret Service's Cybercrimes Task Force and adheres to computer forensic quality assurance standards as directed by the Council of the Inspectors General on Integrity and Efficiency.

## Hotline

The OIG Hotline helps people report fraud, waste, abuse, and mismanagement related to the programs or operations of the Board and the CFPB. Hotline staff can be reached by phone, [web form](#), fax, or mail. We review all incoming hotline submissions, research and analyze the issues raised, and determine how best to address the submissions.

## Investigative and Administrative Support

The Investigative and Administrative Support function conducts financial analysis and policy development and review; handles budgeting and procurement; coordinates firearms training, defensive tactics training, and other training; handles internal and external peer reviews, Freedom of Information Act inquiries, and congressional inquiries; manages and administers the investigative case management system; and delivers statistical reporting to Congress, the U.S. Department of Justice (DOJ), the U.S. attorney general, and the Council of the Inspectors General on Integrity and Efficiency.



## Types of Cases

### Criminal cases

Criminal cases are potential violations of law for which the penalties may include fines or incarceration—for example, a bank executive who obstructs the examination process or falsifies data or other information.

### Administrative cases

Administrative cases typically involve agency employees whose potential misconduct may have violated a federal regulation or agency policy and who may incur penalties involving administrative discipline. An example would be an employee who uses their government travel card in a manner that violates agency policy.

### Civil cases

Civil cases generally involve potential violations of law for which the federal government's remedies include the ability to recover monetary damages from the wrongdoer—for example, a contractor who submits a false claim, such as billing an agency for work that was never performed.

The OIG does not investigate violations of banking or consumer financial regulations. These matters are program operating responsibilities of the Board and the CFPB.

## Process of Investigation



### Complaint evaluation

Incoming complaints initially undergo a limited evaluation to identify whether the potential violation is within our jurisdiction (typically 30 days).



### Preliminary investigation

A preliminary investigation is a deeper evaluation of allegations of potential criminal activity during which ambiguous or incomplete information is clarified (typically 180 days). All lawful investigative methods may be used in a preliminary investigation except for electronic surveillance, physical searches, and acquisition of foreign intelligence information.



### Full investigation

A full investigation is undertaken when an articulable, factual basis has been established that reasonably indicates that a federal crime may have been committed. All lawful investigative methods may be used in a full investigation.

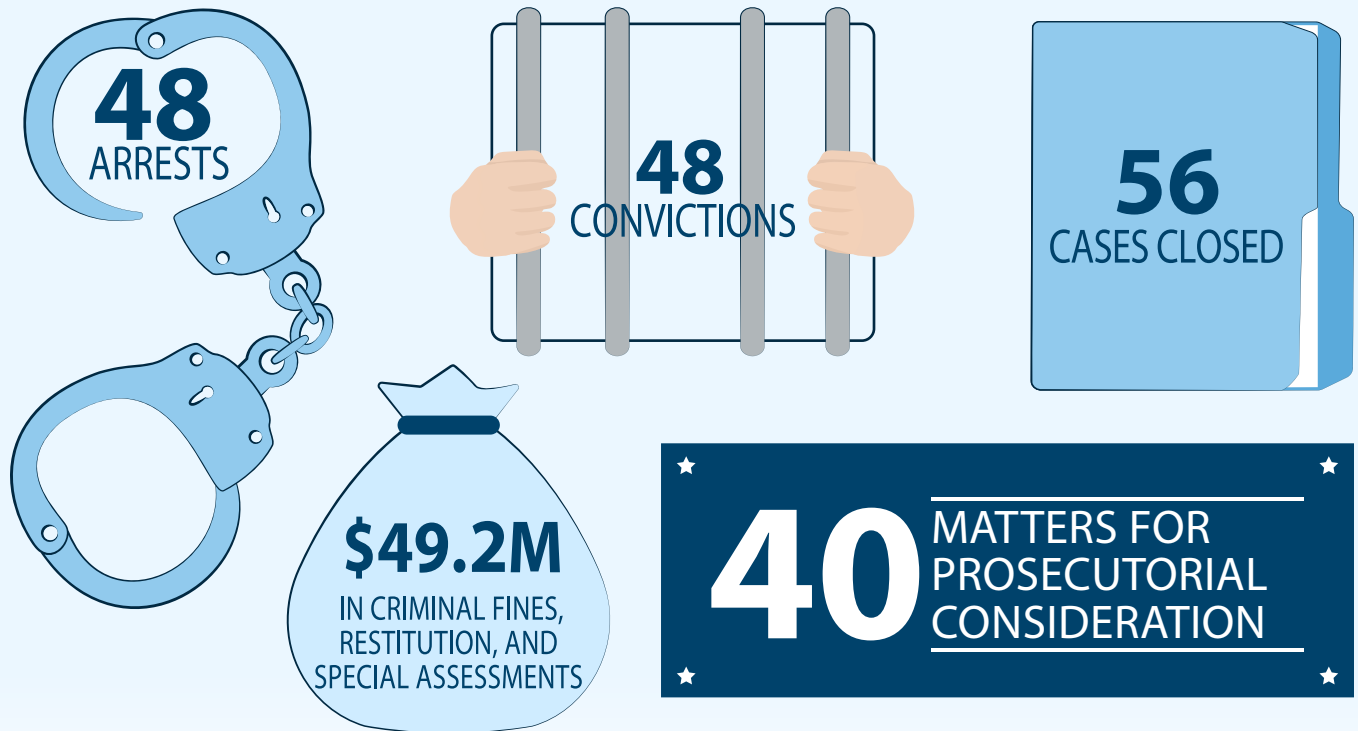


### Prosecution or administrative action

Prosecution involves formal charges by the U.S. Attorney's Office that may lead to an indictment, trial, conviction, or guilty plea; administrative action may lead to oral or written reprimands, suspension, debarment, or termination.

# INVESTIGATIVE RESULTS AND CASE HIGHLIGHTS

## OCTOBER 1, 2021–SEPTEMBER 30, 2022



### OWNER OF MASSACHUSETTS TECH SERVICES COMPANY SENTENCED TO PRISON FOR \$13 MILLION PPP FRAUD

“ Buoi devised a scheme to obtain PPP funds by repeatedly filing false and fraudulent loan applications. . . . **Buoi obtained a \$2 million PPP loan.**

Elijah Majak Buoi, owner of information technology (IT) services company Sosuda Tech, was sentenced in connection with filing fraudulent Paycheck Protection Program (PPP) loan applications seeking more than \$13 million. Buoi was sentenced to 39 months in prison and 3 years of supervised release, and he was ordered to pay restitution of \$2 million and forfeiture of \$2 million.

” Buoi devised a scheme to obtain PPP funds by repeatedly filing false and fraudulent loan applications in which he systematically used false tax documents and payroll processing records until he was ultimately awarded a loan. As a result of his scheme, Buoi obtained a \$2 million PPP loan. The government recovered about \$1.97 million of the loan funds.

This case was investigated by our office, the FBI, the FDIC OIG, and the IRS CI. It was prosecuted by the U.S. Attorney’s Office for the District of Massachusetts and the DOJ Criminal Division.



## CEO OF CALIFORNIA COMPANY PLEADED GUILTY TO \$21 MILLION CRYPTOCURRENCY FRAUD

“ [Stollery] touted TBIS as a cryptocurrency investment opportunity, **luring investors . . . through a series of false and misleading statements . . . [and] commingled the ICO investors’ funds with his personal funds.** ”

Michael Alan Stollery, of California, chief executive officer (CEO) of TBIS, pleaded guilty for his role in a cryptocurrency fraud scheme involving TBIS’s initial coin offering (ICO), which raised about \$21 million from investors in the United States and overseas.

Stollery was the CEO and founder of TBIS, a purported cryptocurrency investment platform. He touted TBIS as a cryptocurrency investment opportunity, luring investors to purchase BARs, the cryptocurrency token or coin offered by TBIS’s ICO, through a series of false and misleading statements. Although he was required to do so, Stollery did not register the ICO with the U.S. Securities and Exchange Commission, nor did he have a valid exemption from the commission’s registration requirements. To entice investors, Stollery falsified aspects of TBIS’s white papers, which purportedly offered investors and prospective investors an explanation of the cryptocurrency investment offering, including the purpose and technology behind the offering, how the offering

was different from other cryptocurrency opportunities, and the prospects for the offering’s profitability. Stollery also planted fake client testimonials on TBIS’s website and falsely claimed that he had business relationships with the Federal Reserve and dozens of prominent companies to create the false appearance of legitimacy. Stollery further admitted that he did not use the invested money as promised but instead commingled the ICO investors’ funds with his personal funds, using at least a portion of the offering proceeds for expenses unrelated to TBIS, such as credit card debt and bills for his Hawaii condominium.

This case was investigated by our office and the FBI. It is being prosecuted by the DOJ Criminal Division.

## MISSOURI BUSINESS OWNER INDICTED FOR \$27.1 MILLION BANK AND PPP FRAUD

“ Rather than use the proceeds for payroll and other business expenses as required, **Keilholz paid down debts . . . and funneled \$325,000 to his wife, a Missouri state government employee.** ”

Tod Ray Keilholz, of Missouri, was charged in a 52-count indictment for a \$27.1 million bank fraud scheme that included over \$12.4 million in PPP loans. The charges include multiple counts of bank fraud, making false statements to a financial institution, making false statements to the SBA, money laundering, and aggravated identity theft. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the indictment, Keilholz was the sole owner of TRK Construction, TRK Valpo, TL Builders, and Project Design. In multiple PPP loan applications, he allegedly made false claims and used bogus documents to inflate the incomes of his businesses and to claim payrolls for employees who did not exist or no longer worked for him. He received over \$12.4 million in PPP loans as a result of his scheme. His subsequent PPP loan applications,

for potentially more than \$13 million, were denied. Rather than use the proceeds for payroll and other business expenses as required, Keilholz paid down debts—including an unrelated bank loan and line of credit totaling \$3.5 million that he also allegedly obtained through fraud—and funneled \$325,000 to his wife, a Missouri state government employee.

This case is being investigated by our office, the FBI, the IRS CI, the SBA OIG, and the U.S. Treasury Inspector General for Tax Administration (TIGTA). It is being prosecuted by the U.S. Attorney’s Office for the Western District of Missouri.

## NEW YORK–FLORIDA RESIDENT SENTENCED TO PRISON FOR \$6.8 MILLION PPP FRAUD

“Blotnick submitted 21 fraudulent PPP loan applications. . . . [T]he lenders provided his purported business with about \$4.6 million in PPP loans. Blotnick then transferred most of the funds to brokerage accounts and lost more than \$3 million in stock trades.”

Gregory J. Blotnick, a dual New York and Florida resident, was sentenced to 51 months in prison for his role in a scheme to fraudulently obtain over \$6.8 million in PPP loans. He was also sentenced to 2 years of supervised release and ordered to pay restitution of \$4,577,631.

From April 2020 through March 2021, Blotnick submitted 21 fraudulent PPP loan applications to 13 lenders on behalf of 9 purported businesses that he controlled. He falsified various pieces of information to the lenders, including the number of employees, federal tax returns, and payroll documentation. Based on these misrepresentations, the lenders provided his purported business with about \$4.6 million in PPP loans. Blotnick then transferred most of the funds to brokerage accounts and lost more than \$3 million in stock trades.

This case was investigated by our office, the FDIC OIG, the Federal Housing Finance Agency (FHFA) OIG, the IRS CI, and the U.S. Social Security Administration (SSA) OIG. It was prosecuted by the U.S. Attorney’s Office for the District of New Jersey.

*External hard drives can contain key pieces of evidence.*





## THREE CHARGED WITH FINANCIAL CRIMES WHILE EMPLOYED AT NORTH DAKOTA BANKS

“Brady Torgerson **engaged in a scheme to defraud both financial institutions** by issuing bank funds to individuals not entitled to the funds, failing to register banking transactions, creating fraudulent loan obligations, and taking actions to conceal his activities.

”

Brady Torgerson was charged with bank fraud, misapplication of bank funds, making false entries in bank records, and aggravated identity theft while employed at two North Dakota financial institutions. Brent Torgerson and Kelly Huffman were each charged with misapplication of bank funds while employed at the North Dakota financial institutions. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Brady Torgerson engaged in a scheme to defraud both financial institutions by issuing bank funds to individuals not entitled to the funds, failing to register banking transactions, creating fraudulent loan obligations, and taking actions to conceal his activities. Brent Torgerson, Brady's father, misapplied bank funds by issuing a \$724,558 cashier's check to his son without obtaining promissory notes and other necessary financial paperwork. Huffman misapplied bank funds by unlawfully issuing a \$125,649 check advance at Brady Torgerson's request.

This case was investigated by our office, the FDIC OIG, and the FHFA OIG. It is being prosecuted by the U.S. Attorney's Office for the District of North Dakota.

## OKLAHOMA BUSINESS OWNER PLEADED GUILTY IN MSLP FRAUD

“Jill Nicole Ford pleaded guilty to **bank fraud and money laundering related to a loan obtained through the MSLP.**

”

Jill Nicole Ford pleaded guilty to bank fraud and money laundering related to a loan obtained through the Main Street Lending Program (MSLP). Ford agreed to pay \$252,143 in restitution and a \$200 special assessment. Ford also faces up to 30 years in prison and a \$1 million fine for the bank fraud charge and up to 10 years in prison and a \$250,000 fine for the money laundering charge, which may be followed by up to 5 years of supervised release.

Ford claimed that the MSLP loan she obtained for her business, Oliver & Olivia Apparel, Inc., would be used for working capital and employee payroll. Instead, Ford laundered the loan proceeds by using them to pay for construction of her personal home. She also used the funds to purchase a luxury SUV for personal use.

This case was investigated by our office, the FBI, the IRS CI, the SBA OIG, the Special Inspector General for Pandemic Recovery, and the U.S. Secret Service. It is being prosecuted by the U.S. Attorney's Office for the Western District of Oklahoma.

## FLORIDA RESIDENT CHARGED IN \$6 MILLION PPP FRAUD

“Ferguson caused the preparation and **submission of fraudulent PPP loan applications**. . . . [He] maintained a spreadsheet showing the **submission of apparent PPP loans totaling over \$6 million**. ”

Ego Ferguson, of Florida, was charged by indictment with wire fraud and engaging in financial transactions in criminally derived property in connection with a \$6 million PPP fraud scheme. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations in the indictment, Ferguson caused the preparation and submission of fraudulent PPP loan applications on behalf of various companies. The applications contained falsely certified numbers of employees and employee payrolls. Ferguson also provided fraudulent IRS forms indicating that the companies paid employee wages and taxes, when in fact the companies had not. Ferguson charged a fee of 20 percent for these loans and maintained a spreadsheet showing the submission of apparent PPP loans totaling over \$6 million.

This case is being investigated by our office, the FDIC OIG, the IRS CI, and the U.S. Postal Inspection Service (USPIS). It is being prosecuted by the U.S. Attorney's Office for the Southern District of Florida.

## OKLAHOMA RESIDENT SENTENCED TO PRISON FOR \$5.4 MILLION PPP FRAUD

“Ojo and the Etuks **created 12 fictitious businesses** to fraudulently apply for duplicative PPP loans. . . . [They] ultimately **received \$995,385** from the banks. ”

Olusola Ojo, of Oklahoma, was sentenced to 48 months in prison, followed by 5 years of supervised release, and ordered to pay \$150,000 in restitution and a \$400 special assessment. Ojo was previously found guilty of one count of bank fraud conspiracy, two counts of bank fraud, and one count of aggravated identity theft. His coconspirators, spouses Ibanga and Teosha Etuk, were sentenced to prison.

Ojo and the Etuks created 12 fictitious businesses to fraudulently apply for duplicative PPP loans from multiple banks. To support their applications, the trio falsified payroll spending, employee counts, taxes paid, ownership details, and the coconspirators' relationships with one another. They conspired to obtain \$5.4 million in loans and ultimately received \$995,385 from the banks.

This case was investigated by our office, the FBI, and the SBA OIG. It was prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.



## CALIFORNIA BUSINESS OWNER SENTENCED TO PRISON FOR EMBEZZLING \$4.8 MILLION AND FOR PPP FRAUD

“Co embezzled about \$4.8 million from his former employer . . . [and] defrauded federally insured financial institutions. . . . [T]he financial institutions suffered a total loss of \$530,552.”

Kevin Lee Co, of California, was sentenced to 10 years in prison after pleading guilty to wire fraud, money laundering, and submitting false statements to a financial institution.

Co embezzled about \$4.8 million from his former employer and used the money to purchase, among other things, luxury cars, home furniture, and season tickets to professional football and basketball games, and spent \$1 million on the online video game *Game of War*. While out of custody and awaiting sentencing on those charges, Co defrauded federally insured financial institutions by submitting false statements to qualify for PPP loans for his company, Apollo HP. Co failed to disclose his pending criminal charges and guilty pleas as required, and two banks approved loans for his company. As a result, the financial institutions suffered a total loss of \$530,552.

This case was investigated by our office, the FBI, and the IRS CI. It was prosecuted by the U.S. Attorney's Office for the Eastern District of California.

## OKLAHOMA COUPLE PLEADED GUILTY TO \$2.7 MILLION PPP FRAUD

“[T]he couple fraudulently applied for six PPP loans totaling more than \$2.7 million. . . . [A] total of \$742,927 in proceeds [was] illegally obtained by the defendants.”

Spouses William Mark Sullivan and Michelle Cadman-Sullivan, of Oklahoma, each pleaded guilty to conspiracy to commit bank fraud after attempting to obtain a \$2.7 million PPP loan. Their plea agreements call for the defendants to pay restitution of \$114,282 to Arvest Bank in Tulsa, Oklahoma, and \$628,645 to The Exchange Bank in Skiatook, Oklahoma, for a total of \$742,927 in proceeds illegally obtained by the defendants. The couple was previously indicted and charged with bank fraud conspiracy.

In addition, Cadman-Sullivan was charged with four counts of aggravated identity theft. According to the allegations, the couple fraudulently applied for six PPP loans totaling more than \$2.7 million at Arvest Bank and The Exchange Bank. They created bogus businesses—Oklahoma Paving, U.S. Central Construction, USA-1 Construction, and Oklahoma Energy—and

falsified employee counts and payroll expenses on their loan applications. They also failed to disclose to the banks that they were submitting duplicative and overlapping applications. The couple admitted to transferring the \$742,927 in funds they received to various bank accounts and using the funds for personal expenses.

This case was investigated by our office and the SBA OIG. It is being prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.

## OWNER OF MASSACHUSETTS COMPANY AGREED TO PLEAD GUILTY TO \$2.5 MILLION PPP FRAUD

“Santana allegedly falsely claimed to have 154 employees and an average monthly payroll of \$1 million. . . . [A] bank issued Santana’s company a \$2.5 million loan.”

Vinicius Santana, a Florida resident and owner of Massachusetts-based painting company Complete Home Care, has been charged with and has agreed to plead guilty to filing fraudulent applications to obtain \$2.5 million in PPP loan funds.

According to the charging document, Santana submitted four PPP loan applications on behalf of his painting business. The first three applications, in which Santana allegedly listed five employees and an average monthly payroll between \$10,000 and \$18,000, were denied. In the fourth application, Santana allegedly falsely claimed to have 154 employees and an average monthly payroll of \$1 million. The fourth application was approved, and a bank issued Santana’s company a \$2.5 million loan. After receiving the funds, Santana allegedly misused the loan proceeds to buy cars and invest in cryptocurrency.

This case was investigated by our office, the FBI, the FDIC OIG, and the USPI. It is being prosecuted by the U.S. Attorney’s Office for the District of Massachusetts.

## NEW JERSEY BUSINESS OWNER ADMITS TO \$1.8 MILLION PPP FRAUD

“Malanga fraudulently submitted at least three PPP loan applications to three lenders on behalf of three business entities. . . . [He] diverted some of the proceeds from the loans to fund a business that did not receive PPP loan funds.”

Rocco A. Malanga, a businessman formerly of New Jersey, pleaded guilty to one count of bank fraud and one count of money laundering and admitted to fraudulently obtaining nearly \$1.8 million in federal PPP loans.

Malanga fraudulently submitted at least three PPP loan applications to three lenders on behalf of three business entities. In the applications, he fabricated the number of individuals employed by each business entity as well as average monthly payrolls. Malanga then diverted some of the proceeds from the loans to fund a business that did not receive PPP loan funds.

This case was investigated by our office, the FDIC OIG, the IRS CI, and the SSA OIG. It is being prosecuted by the U.S. Attorney’s Office for the District of New Jersey and the DOJ Criminal Division.

## PENNSYLVANIA RESIDENT CHARGED IN \$1.7 MILLION PPP FRAUD

“[Young] received over \$230,000 in PPP loans for businesses he controlled and received a percentage of loan proceeds for his help in submitting fraudulent applications on behalf of others.”

Darryl Duanne Young, of Pennsylvania, was charged for his role in a scheme to fraudulently obtain over \$1.7 million in federal PPP loans for himself and others. Specifically, he was charged with one count of conspiracy to commit bank fraud, four counts of bank fraud, and two counts of money laundering. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to court documents, Young submitted and directed others to submit fraudulent PPP loan applications, supported by falsified tax documents and bank statements, to a victim lender. He received over \$230,000 in PPP loans for businesses he controlled and received a percentage of loan proceeds for his help in submitting fraudulent applications on behalf of others.

This case is being investigated by our office, the FDIC OIG, the FHFA OIG, Homeland Security Investigations, the IRS CI, the SSA OIG, and the USPI. It is being prosecuted by the U.S. Attorney’s Office for the District of New Jersey.



## NEVADA FELON PLEADED GUILTY TO UNLAWFUL POSSESSION OF AMMUNITION AND PPP FRAUD

“Robinson fraudulently submitted a PPP loan application to a lender to obtain about \$20,833.”

Jonathan Millard Robinson, of Nevada, pleaded guilty to unlawful possession of ammunition and fraudulently submitting a PPP loan application. Robinson, who was already on supervised release, admitted that he was previously convicted in North Carolina of conspiracy to distribute cocaine base and distributing cocaine. Both convictions are felonies that prohibit him by law from possessing ammunition.

Robinson fraudulently submitted a PPP loan application to a lender to obtain about \$20,833. In the application, Robinson falsely stated that he was the proprietor of a company, which did not in fact exist; reported false revenue derived from the fake company; and falsely denied that he was serving parole or probation for a prior felony conviction.

This case was investigated our office; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the FBI; the IRS CI; the Las Vegas Metropolitan Police Department; and the SBA OIG. It is being prosecuted by the U.S. Attorney's Office for the District of Nevada.

## FORMER BANK EMPLOYEE PLEADED GUILTY TO EMBEZZLEMENT IN OKLAHOMA

“Masters admitted that . . . she manipulated cash currency straps and removed \$20 bills from them or replaced the \$20 bills with \$1 bills with the intent to steal money.”

Mary Jayne Masters, a former employee of an Arvest Bank branch in Oklahoma, pleaded guilty to one count of bank theft for her role in embezzling \$13,450 from the state member bank. Masters admitted that on more than 20 occasions, she manipulated cash currency straps and removed \$20 bills from them or replaced the \$20 bills with \$1 bills with the intent to steal money that was in the care, custody, and control of Arvest Bank.

The thefts were discovered after Arvest Bank deposited the cash straps in question with a Reserve Bank. This case was investigated by our office. It is being prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.

## FORMER BANK TELLER IN ARKANSAS SENTENCED TO PRISON FOR EMBEZZLING FUNDS FROM AN ELDERLY CUSTOMER'S ACCOUNT

“Brown engaged in 11 fraudulent cash withdrawals from the elderly victim's account.”

Arkansas resident Rashaud Brown, a former bank teller, was sentenced to 4 weekends in jail followed by 3 years of supervised release. He was also ordered to pay \$2,000 in restitution and a \$100 special assessment. Brown previously pleaded guilty to one count of bank fraud for his role in embezzling funds from an elderly customer's account while Brown was employed at Arvest Bank, a state member bank. As part of the plea agreement, Brown is prohibited from working in the

banking industry. Brown engaged in 11 fraudulent cash withdrawals from the elderly victim's account. He used his position at the bank to create a trail of false entries in an attempt to cover up his fraudulent activity.

This case was investigated by our office. It was prosecuted by the U.S. Attorney's Office for the Eastern District of Arkansas.

## FLORIDA MAN CHARGED IN \$1.6 MILLION EIDL AND PPP FRAUD

“Awad engaged in a **scheme to illegally obtain the loans**. . . . Awad **transferred the loan proceeds** to various bank accounts he controlled, **withdrawing significant amounts in cash and transferring at least \$760,000 to banks based in Egypt**.

”

Mohamed A. Awad, of Florida, was charged with two counts of wire fraud for his role in a scheme to fraudulently obtain over \$1.6 million in Economic Injury Disaster Loan (EIDL) and PPP loans. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to court documents, Awad engaged in a scheme to illegally obtain the loans through numerous misrepresentations to lenders. He submitted fraudulent loan applications with fabricated employee numbers, bogus tax documents, and other misrepresented company information. Awad transferred the loan proceeds to various bank accounts he controlled, withdrawing significant amounts in cash and transferring at least \$760,000 to banks based in Egypt.

This case is being investigated by our office, the FBI, the FDIC OIG, the IRS CI, the USPIS, and the SSA OIG. It is being prosecuted by the U.S. Attorney's Office for the District of New Jersey.

## CALIFORNIA COUPLE CHARGED IN \$1.4 MILLION PPP FRAUD

“As a result of the false and fraudulent applications, the Mazzeis **received \$1,365,000 in PPP loan funds**, which they then used for personal purposes.

”

Spouses Christopher A. Mazzei and Erin V. Mazzei, of California, were charged by a federal grand jury with a four-count indictment that included wire fraud, money laundering, and conspiracy in connection with a \$1.4 million PPP fraud scheme. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

The indictment alleges that the Mazzeis submitted applications for PPP funds to a Hawaii financial institution and two other financial institutions on behalf of three purported businesses, each time using interstate wires. For each application, the Mazzeis allegedly created false IRS tax returns and payroll records, which

they presented as authentic and submitted to the banks to support their loan applications. As a result of the false and fraudulent applications, the Mazzeis received \$1,365,000 in PPP loan funds, which they then used for personal purposes, including purchasing multiple SUVs and a home in Hawaii, among other things.

This case is being investigated by our office, the FDIC OIG, and the IRS CI. It is being prosecuted by the U.S. Attorney's Office for the District of Hawaii.

## KENTUCKY BUSINESSOWNER SENTENCED TO PRISON FOR \$1.3 MILLION PPP FRAUD

“Blankenship then submitted four PPP loan applications through two Kentucky banks and, as a result, **fraudulently obtained over \$1.3 million in loans.**”

Randall “Rocky” Blankenship Jr., owner of several Kentucky business entities, was sentenced to 42 months in federal prison after pleading guilty to conspiracy to commit wire fraud to obtain PPP loans under false pretenses. Upon his release from prison, he will be under the supervision of the U.S. Probation Office for 3 years. He also agreed to pay restitution of \$1,323,829 and a \$30,000 fine.

Blankenship, with the help of a certified public accountant, created fake tax documents and payroll records indicating that his businesses—Blankenship RV Finance Solutions, RSGG Properties, RSGG Holdings, and RSGG Investments—had hundreds of thousands of dollars in quarterly payroll expenses. In reality, none of the entities had any payroll expenses. Blankenship then submitted four PPP loan applications through two Kentucky banks and, as a result, fraudulently obtained over \$1.3 million in loans. Blankenship used some of the funds for his recreational vehicle business (which had already received a PPP loan and was ineligible for additional loans at the time) and for his personal use, including paying off casino debt and purchasing real estate.

This case was investigated by our office, the FBI, and the FDIC OIG. It was prosecuted by the U.S. Attorney’s Office for the Eastern District of Kentucky.

## FORMER EXECUTIVE VICE PRESIDENT PLEADED GUILTY TO CONSPIRACY TO DEFRAUD FIRST NBC BANK IN LOUISIANA

“Calloway and other bank officers **conspired to conceal the financial condition of a borrower . . . [and] also concealed the fact that they made loans to the borrower. . . .** Calloway and others were **able to hide their scheme and keep lending to the borrower** despite the borrower’s inability to pay his loans.”

Robert B. Calloway pleaded guilty to conspiracy to defraud New Orleans–based First NBC Bank, where he worked as executive vice president. The bank, which failed in April 2017, was a subsidiary of First NBC Bank Holding Company, a Board-supervised bank holding company.

According to court documents, Calloway and other bank officers conspired to conceal the financial condition of a borrower from the bank’s board of directors, auditors, and examiners. The coconspirators falsely stated in loan documents that the borrower was able to pay his loans with cash generated by his businesses, hiding the fact that the borrower was only making his existing loan payments by getting new loans from the bank. Calloway and others also concealed the fact that they made loans to the borrower to keep him and his companies off month-end reports that went to the bank’s board, auditors, and examiners. These month-end reports listed borrowers who were not paying their loans or whose accounts were overdrawn. By keeping the borrower and his entities off those reports, Calloway and others were able to hide their scheme and keep lending to the borrower despite the borrower’s inability to pay his loans. Calloway also completed loan review forms that went to external auditors in which he omitted material information about the borrower and his inability to pay his loans.

This case was investigated by our office, the FBI, and the FDIC OIG. It is being prosecuted by the U.S. Attorney’s Office for the Eastern District of Louisiana.



## FORMER CHIEF CREDIT OFFICER PLEADED GUILTY TO CONSPIRACY TO DEFRAUD FIRST NBC BANK IN LOUISIANA

“Burnell conspired with other First NBC Bank officers to **defraud the bank by concealing material information about borrowers.**”

William J. Burnell pleaded guilty to conspiracy to defraud New Orleans-based First NBC Bank, where he worked as chief credit officer. The bank, which failed in April 2017, was a subsidiary of First NBC Bank Holding Company, a Board-supervised bank holding company.

According to court documents, Burnell was responsible for compiling month-end reports listing overdrawn borrowers and past-due loans. Burnell was also responsible for approving credit risk ratings before the bank decided to lend to its customers. As chief credit officer, Burnell was relied on by the bank's board of directors, external auditors, and federal and state regulators to inform them about problems with the bank's asset quality, including

its loans. Nevertheless, Burnell conspired with other First NBC Bank officers to defraud the bank by concealing material information about borrowers.

This case was investigated by our office, the FBI, and the FDIC OIG. It is being prosecuted by the U.S. Attorney's Office for the Eastern District of Louisiana.

*Surveillance plays a role in many investigations.*



## OKLAHOMA RESIDENTS SENTENCED FOR PPP FRAUD

“Aleta Necole Thomas was sentenced . . . for her role in leading two others in a **scheme to apply for almost \$800,000 in PPP loans**. . . . Thomas **submitted false statements and reports** to Cross River Bank when she applied for a PPP loan.

”

Aleta Necole Thomas was sentenced to 30 months in federal prison, followed by 5 years of supervised release, for her role in leading two others in a scheme to apply for almost \$800,000 in PPP loans. Katrina West and Pepper Jones were each sentenced to 2 years' probation. The three will pay restitution of \$774,753.50. The government previously seized about \$210,991 from bank accounts held by Thomas pursuant to federal seizure warrants, which will go toward restitution. Thomas previously pleaded guilty to two counts of making false statements to a financial institution; West and Jones each pleaded guilty to one count of making a false statement.

Thomas submitted false statements and reports to Cross River Bank when she applied for a PPP loan. She submitted a borrower application form falsely stating that Coming Correct Community Ministry had an average monthly payroll of \$35,000. She further claimed she had 26 employees, for whom she paid payroll taxes, or independent contractors and submitted additional false documentation,

including IRS forms. In addition, Thomas submitted false statements and reports to First Electronic Bank in applying for a PPP loan in which she made similar claims.

This case was investigated by our office, the FBI, the SBA OIG, and TIGTA. It was prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.

## CEO OF PPP LENDER MBE CAPITAL PARTNERS CHARGED IN NEW YORK IN NEARLY \$1 BILLION PPP LOAN AND LENDER FRAUD

“Martinez **obtained about \$932 million in capital and issued \$823 million in PPP loans** to about 36,600 businesses. Those **loans earned Martinez over \$71 million in lender fees**.

”

Rafael Martinez, CEO and primary owner of MBE Capital Partners, was charged with numerous counts for his alleged role in a PPP fraud scheme. Martinez was charged with one count of bank fraud, two counts of wire fraud, one count of making false statements to a bank, one count of making false statements, one count of making false statements to the SBA, and one count of aggravated identity theft. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Martinez used false representations and documents to fraudulently obtain the SBA's approval for his company, MBE Capital Partners LLC, to be a nonbank PPP lender. After MBE was approved, Martinez obtained about \$932 million in capital and issued \$823 million in PPP loans to about 36,600 businesses. Those loans earned Martinez over \$71 million in lender fees. In addition, Martinez schemed to obtain

a PPP loan of over \$283,000 for MBE through false statements about employees and wages using the forged signature of MBE's tax preparer. Martinez spent the proceeds from his criminal conduct on, among other things, a \$10 million villa in the Dominican Republic; a \$3.5 million mansion in New Jersey; a chartered jet service; and several luxury vehicles, including a Bentley, a BMW, a Ferrari, a Mercedes-Benz, and a Porsche.

The case was investigated by our office, the IRS CI, and the SBA OIG. It is being prosecuted by the U.S. Attorney's Office for the Southern District of New York.

## NEVADA FELON SENTENCED TO PRISON FOR UNLAWFUL POSSESSION OF A STOLEN FIREARM AND FOR EIDL AND PPP FRAUD

“While on both supervised release and pretrial release, Nelson **submitted at least three EIDL applications to the SBA for about \$30,000 and at least one PPP loan application for \$20,833.**”

Darnele Javoris Nelson, also known as Ricky Ellis and Gamarmaurice Newson, of Nevada, was sentenced to 4 years in prison followed by 3 years of supervised release after pleading guilty to one count of felon in possession of a firearm and one count of wire fraud for submitting fraudulent EIDL and PPP loan applications.

Nelson has prior felony convictions for robbery and vehicular manslaughter in California, felony assault with a deadly weapon in California, and possession of 15 or more unauthorized access devices in New York. He is prohibited by law from possessing a firearm. In 2019, he was a passenger in a car in which police found a stolen, loaded semiautomatic handgun with an extended magazine. While on both supervised

release and pretrial release, Nelson submitted at least three EIDL applications to the SBA for about \$30,000 and at least one PPP loan application for \$20,833.

In all four applications, Nelson falsely stated that he was the proprietor of several fictitious companies; he reported false revenues and numbers of employees and stated that he was not facing felony charges or serving parole or probation for a felony conviction.

This case was investigated by our office; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the FBI; the IRS CI; the Las Vegas Metropolitan Police Department; and the SBA OIG. It was prosecuted by the U.S. Attorney's Office for the District of Nevada.

## OKLAHOMA RESIDENT PLEADED GUILTY TO PPP FRAUD

“Pinkney **admitted to submitting two fraudulent PPP loan applications.** . . . She then **received about \$41,666** . . . [and] later submitted false and fraudulent loan forgiveness applications to the SBA, and the **loans were forgiven.**”

Ladawn Pinkney, of Oklahoma, pleaded guilty to one count of wire fraud for her role in a PPP fraud scheme. Pinkney was previously indicted by a grand jury in the Northern District of Oklahoma and charged with four counts of wire fraud.

Pinkney admitted to submitting two fraudulent PPP loan applications to Fountainhead SBF containing false representations that she owned an established business. She then received about \$41,666, which she deposited into her own bank account; she did not use the funds for the purposes represented in the PPP loan applications. Pinkney later submitted false and fraudulent loan forgiveness applications to the SBA, and the loans were forgiven.

This case was investigated by our office. It is being prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.



## FORMER LOUISIANA ASSISTANT DISTRICT ATTORNEY AND TWO ASSOCIATES INDICTED FOR DEFRAUDING FIRST NBC BANK

“In total, Diaz, Jenevein, and Grelle executed 17 round-trip transactions that defrauded First NBC Bank of \$345,841.”

Glenn E. Diaz, former St. Bernard Parish assistant district attorney, and two associates, Peter J. Jenevein and Mark S. Grelle, were indicted for bank fraud, conspiracy to commit bank fraud, and money laundering related to their alleged defrauding of First NBC Bank, the New Orleans-based bank that failed in April 2017. The bank was a subsidiary of First NBC Bank Holding Company, a Board-supervised bank holding company. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the 19-count indictment, from at least April 2016 through December 20, 2016, Diaz, Jenevein, and Grelle conspired to defraud First NBC Bank through a series of false invoices for work purportedly done at a Florida warehouse owned by Diaz. Diaz, a customer of First NBC Bank, had been overdrawing his checking account for purported business expenses but was instead depositing these overdrafts into his personal account at another bank. After First NBC Bank officers began requiring Diaz to prove that the funds were used for business expenses, Diaz had Jenevein provide invoices for work performed by Grelle's company, Grelle Underground Services LLC. Bank officers approved the overdrafts based on these invoices. However, after Diaz wrote the check to Grelle's company, Grelle would then write a check back to Diaz. Diaz would then deposit the money into his personal account and use it for personal and business expenditures unrelated to the Florida warehouse project. In total, Diaz, Jenevein, and Grelle executed 17 round-trip transactions that defrauded First NBC Bank of \$345,841.

This case is being investigated by our office, the FBI, and the FDIC OIG. It is being prosecuted by the U.S. Attorney's Office for the Eastern District of Louisiana.

## MASSACHUSETTS RESIDENT CHARGED IN \$1.5 MILLION EIDL AND PPP FRAUD

“Mendes submitted or caused to be submitted multiple fraudulent EIDL and PPP loan applications on behalf of various entities. . . . Mendes and others received over \$1.5 million in EIDL and PPP funds.”

Joao Mendes, of Massachusetts, pleaded guilty to one count of wire fraud in connection with a scheme to submit false applications to obtain over \$1.5 million in EIDL and PPP loans. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the charging documents, Mendes submitted or caused to be submitted multiple fraudulent EIDL and PPP loan applications on behalf of various entities. The fraudulent PPP loan applications misrepresented the number of employees and the average monthly payroll expenses of Mendes's various businesses. He also allegedly submitted false tax records in support of his loan applications. As a result of the fraudulent applications, Mendes and others received over \$1.5 million in EIDL and PPP funds. Once Mendes received the funds, he spent them for his personal benefit, including purchasing cryptocurrency; transferred funds to other accounts he controlled; and transferred funds to other individuals.

The case is being investigated by our office, the FBI, the FDIC OIG, the FHFA OIG, the IRS CI, the SBA OIG, TIGTA, and the USPIS. It is being prosecuted by the U.S. Attorney's Office for the District of Massachusetts and the DOJ Criminal Division.

## FORMER BANK EXECUTIVES PLEADED GUILTY IN IOWA, SENTENCED TO PRISON, FOR FRAUD THAT CAUSED OVER \$4.5 MILLION IN FEDERAL LOSSES

“In all, they attempted to obtain guarantees on over \$14 million in loans, **were successful in obtaining guarantees on over \$9 million in loans, and caused the SBA losses of over \$4.5 million.**”

Larry Henson, Andrew Erpelding, and Susan McLaughlin, former executives of now-defunct Valley Bank in Moline, Illinois, and Michael Slater, former president of Iowa-based lending service provider Vital Financial Services, pleaded guilty to conspiracy to commit wire fraud affecting a financial institution for their roles in a scheme to defraud the SBA in connection with its programs to guarantee loans made to small businesses. Henson was sentenced to 9 months in prison followed by 5 years of supervised release. Henson was also ordered to pay \$4.5 million in restitution and a \$100 special assessment. Erpelding, McLaughlin, and Slater face maximum penalties of 30 years in prison.

The four coconspirators fraudulently obtained loan guarantees from the SBA on behalf of Valley Bank borrowers despite knowing that the loans did not meet SBA guidelines and requirements. They did so in part by altering loan payment histories, renaming businesses, and hiding previous loan defaults. When the fraudulently guaranteed loans defaulted, the coconspirators caused the submission of reimbursement requests to the SBA to purchase the defaulted loans from investors and lending institutions, thereby shifting the majority of losses to the SBA. In all, they attempted to obtain guarantees on over \$14 million in loans, were successful in obtaining guarantees on over \$9 million in loans, and caused the SBA losses of over \$4.5 million.

This case was investigated by our office, the FBI, the FDIC OIG, the FHFA OIG, and the SBA OIG. It is being prosecuted by the DOJ Criminal Division and the U.S. Attorney's Office for the Southern District of Iowa.

## OKLAHOMA RESIDENT SENTENCED TO PRISON FOR FRAUDULENTLY APPLYING FOR PPP LOANS

“James **received \$125,900** from Regent Bank as a result of the scheme.”

Adam Winston James of Oklahoma was sentenced to 2 years in prison followed by 1 year of supervised release for aggravated identity theft in a scheme to defraud Regent Bank when applying for a PPP loan.

He was also ordered to pay \$25,906 in restitution and a \$100 special assessment. James applied for a PPP loan on behalf of Velocity Innovations LLC, a company he claimed to own and operate. As part of the application, he used the identities of at least seven people without their knowledge, fraudulently claiming that those individuals were employees of Velocity Innovations LLC. James received \$125,900 from Regent Bank as a result of the scheme.

This case was investigated by our office, the FBI, and the SBA OIG. It was prosecuted by the U.S. Attorney's Office for the Northern District of Oklahoma.

## TWO LOAN BROKERS AND ONE LOAN OFFICER CHARGED IN MASSACHUSETTS BANK FRAUD SCHEME

“ [T]he **scheme generated about \$270,000** in fees for Capodilupo and Masci. Ferris . . . caused the bank to issue the loans and **received a \$500 kickback . . . for each loan.** ”

Ted Capodilupo, Joseph Masci, and Brian Ferris were charged with and have agreed to plead guilty to one count each of conspiracy to commit bank fraud in connection with a scheme to defraud the SBA and a Massachusetts bank. The bank is a subsidiary of Berkshire Hills Bancorp Inc., a bank holding company supervised by the Board. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty. According to the allegations, Capodilupo, Masci, and Ferris agreed to defraud the bank and the SBA by submitting fraudulent loan applications to the bank to secure SBA-guaranteed loans. Capodilupo and Masci, who operated a loan brokerage business, submitted dozens of fraudulent applications on behalf of borrowers ineligible for traditional business loans.

The defendants misrepresented the identities of the real loan recipients and the businesses for which the loans were sought. Capodilupo and Masci also fabricated federal tax forms, falsified applicant signatures, and falsely indicated that no broker had assisted in preparing or referring the applications. Capodilupo and Masci charged borrowers fees for obtaining these fraudulent loans; the scheme generated about \$270,000 in fees for Capodilupo and Masci. Ferris, who worked as a loan officer at the bank, caused the bank to issue the loans and received a \$500 kickback from Capodilupo and Masci for each loan. Many of the loans ultimately defaulted, resulting in substantial losses to the bank.

This case was investigated by our office, the FBI, the FDIC OIG, and the SBA OIG. It is being prosecuted by the U.S. Attorney's Office for the District of Massachusetts.

## CALIFORNIA RESIDENT PLEADED GUILTY TO \$6.6 MILLION PPP FRAUD

“ Atta submitted **11 fraudulent PPP loan applications** for 7 of his shell companies. . . . Atta **received \$6,643,540 in loan proceeds.** ”

Muhammad Noor Ul Ain Atta, of California, pleaded guilty to a two-count criminal information charging him with wire fraud and laundering of monetary instruments in connection with a scheme to submit false loan applications that brought him more than \$6.6 million in EIDL and PPP funds.

Atta submitted 11 fraudulent PPP loan applications for 7 of his shell companies. The fraudulent PPP loan applications misrepresented the number of employees and the average monthly payroll expenses of his companies and falsely certified that he would use the loan proceeds for permissible business purposes. Atta also submitted false tax and payroll

documentation in support of his applications. In total, Atta received \$6,643,540 in loan proceeds. Atta then laundered loan proceeds and deposited them in bank accounts in the United States and Pakistan.

This case was investigated by our office, the IRS CI, the SBA OIG, and TIGTA. It is being prosecuted by the U.S. Attorney's Office for the Central District of California and by the DOJ Fraud Section.



## THREE NEW JERSEY RESIDENTS CHARGED IN \$2.1 MILLION PPP AND EIDL FRAUD

“ [T]he defendants **received about \$2.1 million in federal COVID-19 emergency relief funds** meant for distressed small businesses. . . . The defendants then used the money for personal purchases, including real estate and a Lamborghini SUV.

”

Three New Jersey residents were charged for their alleged roles in fraudulently obtaining over \$2.1 million in EIDL and PPP loans. Arlen G. Encarnacion was charged with 11 counts of bank fraud, 3 counts of wire fraud, and 2 counts of money laundering. Kent Encarnacion was charged with 1 count of bank fraud and 2 counts of money laundering. Jacquelyn Pena was charged with 3 counts of bank fraud and 2 counts of money laundering.

According to the allegations, Arlen Encarnacion submitted 11 fraudulent PPP loan applications to two lenders on behalf of nine purported businesses and three fraudulent EIDL applications to the SBA on behalf of three purported businesses. Kent Encarnacion submitted 1 fraudulent PPP loan application on behalf of a purported business to one lender and Pena submitted 3 fraudulent PPP loan applications to two lenders on behalf of three purported businesses. Using bogus tax documents and fabricated employees and wages, the defendants received about \$2.1 million in federal COVID-19 emergency relief funds meant for distressed small businesses.

Of this amount, Arlen Encarnacion received about \$1.7 million, Kent Encarnacion about \$156,000, and Pena about \$335,000. The defendants then used the money for personal purchases, including real estate and a Lamborghini SUV.

The case was investigated by our office, the FDIC OIG, the FHFA OIG, the IRS CI, Homeland Security Investigations, the SSA OIG, and the USPIA. It is being prosecuted by the U.S. Attorney's Office for the District of New Jersey.

*Agents compile evidence to build their case.*



## NEW JERSEY RESIDENT CHARGED IN \$1 MILLION PPP AND EIDL FRAUD

“ [Garcis’s] loan applications were **approved for about \$1.1 million in federal COVID-19 emergency relief funds**. Garcis then used the proceeds for various personal expenses, including a BMW SUV. ”

Nivah Garcis was charged with one count of bank fraud and one count of money laundering for her alleged role in fraudulently obtaining over \$1 million in EIDL and PPP loans. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Garcis submitted two fraudulent PPP loan applications to a lender on behalf of two purported businesses and three fraudulent EIDL applications to the SBA on behalf of three purported businesses. The applications Garcis submitted each contained fraudulent representations to the lender and the SBA, including bogus IRS tax documents. Garcis also fabricated the existence of employees and wages.

According to IRS records, none of the purported tax documents that Garcis submitted were ever filed with the IRS. Based on Garcis’s misrepresentations, her loan applications were approved for about \$1.1 million in federal COVID-19 emergency relief funds. Garcis then used the proceeds for various personal expenses, including a BMW SUV.

The case was investigated by our office, the FDIC OIG, the FHFA OIG, Homeland Security Investigations, the IRS CI, the SSA OIG, and the USPIS. It is being prosecuted by the U.S. Attorney’s Office for the District of New Jersey.

## NEW JERSEY RESIDENT CHARGED IN \$860,000 EIDL AND PPP LOAN FRAUD

“ Darius **received about \$862,000 in federal COVID-19 emergency relief funds**. Darius then spent the proceeds on personal expenses, including hotels and airfare, and made cash withdrawals of over \$58,000. ”

Butherde Darius was charged with one count of bank fraud, one count of wire fraud, and four counts of money laundering for his alleged role in fraudulently obtaining over \$860,000 in EIDL and PPP loans. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Darius submitted fraudulent EIDL and PPP loan applications on behalf of his purported business, Fabulous Appetizers LLC, to lenders and the SBA. According to IRS records, many of the purported tax documents Darius submitted were never filed with the IRS. Darius also fabricated the existence of employees and the revenue of his business. Based on these misrepresentations, Darius received about \$862,000 in federal COVID-19 emergency relief funds. Darius then spent the proceeds on personal expenses, including hotels and airfare, and made cash withdrawals of over \$58,000.

The case was investigated by our office, the FDIC OIG, the FHFA OIG, Homeland Security Investigations, the IRS CI, the SSA OIG, and the USPIS. It is being prosecuted by the U.S. Attorney’s Office for the District of New Jersey.

## TEXAS RESIDENT INDICTED FOR SUBMITTING FRAUDULENT PPP LOAN APPLICATIONS FOR OVER \$3 MILLION

“Joseph **submitted fraudulent applications for over \$3 million in PPP loans.** . . . Joseph fabricated business records, including employee counts and payroll costs, and submitted other fraudulent documentation in support of the applications.”

Sinoj Kallamplackal Joseph, of Texas, was charged with seven counts of wire fraud and three counts of making false statements to a bank for his alleged participation in a scheme to file fraudulent applications seeking millions of dollars in PPP loans. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Joseph submitted fraudulent applications for over \$3 million in PPP loans to an SBA-approved lender in the names of MK Analytics LLC, Sanbi Solutions LLC, and KMS Traders Group LLC. Joseph fabricated business records, including employee counts and payroll costs, and submitted other fraudulent documentation in support of the applications.

This case was investigated by our office, the FDIC OIG, the IRS CI, TIGTA, and the SBA OIG. It is being prosecuted by the U.S. Attorney's Office for the Eastern District of Texas.

## NEVADA RESIDENT SENTENCED TO PRISON FOR PPP FRAUD WHILE ON PRETRIAL RELEASE FOR ATTEMPTED ROBBERY CHARGE

“Cook, while on pretrial release for an attempted robbery charge, **submitted at least five fraudulent loan applications over a 15-month period for EIDL and PPP loans.**”

Keyawn Lloyd Cook Jr., of Nevada, was sentenced to 1 year and 9 months in prison after pleading guilty to one count of wire fraud related to a scheme to defraud the SBA and a lender by filing fraudulent loan applications seeking over \$100,000 in PPP loans.

Cook, while on pretrial release for an attempted robbery charge, submitted at least five fraudulent loan applications over a 15-month period for EIDL and PPP loans. Cook submitted applications in the names of multiple nonexistent businesses he claimed to operate in various industries. Cook falsely claimed to have 9 to 12 employees in the EIDL loan applications and he falsely claimed gross revenues of \$50,000 for a bogus barber shop in the PPP loan application. Separately, Cook was sentenced to 5 years in prison for his attempted robbery of an armored car employee in 2019.

This case was investigated by our office, the FBI, the IRS CI, and the SBA OIG. It was prosecuted by the U.S. Attorney's Office for the District of Nevada.



*Arrests are made when sufficient evidence is collected.*







## INVESTIGATING FRAUD, WASTE, AND ABUSE ACROSS THE NATION

OIG special agents collaborate with law enforcement and other agencies across the nation to investigate a variety of possible violations of law, regulation, or policy related to the programs and operations of the Board and the CFPB.

*OIG special agents engaged in quarterly firearms training.*



Recently, much of our work has focused on detecting and preventing the fraudulent use of COVID-19 relief funds. Many businesses relied on these funds to survive the COVID-19 pandemic, but some people have attempted to misuse these funds for their own personal gain. To help ensure the integrity of the pandemic relief programs, we investigate cases of potential fraud and ensure that fraudsters are brought to justice.

In May 2021, for example, in a case investigated by our New York regional office, a dual resident of New York and Florida was charged for his role in fraudulently obtaining federal PPP loans totaling \$3.8 million. Gregory J. Blotnick submitted eight fraudulent PPP loan applications to several lenders on behalf of seven purported businesses. After receiving the funds, he transferred most of the money into a brokerage account and lost most of it through stock trading. In October 2021, Blotnick pleaded guilty to one count of wire fraud and one count of money laundering, and he faces a maximum total penalty of 30 years in prison.

In another case, investigated by our Miami regional office, a Florida resident fraudulently obtained approximately \$3.9 million in PPP loans and used the money, in part, to buy himself a 2020 Lamborghini Huracán sports car for \$318,000 and to pay for other personal expenses. David T. Hines admitted that he fraudulently sought millions of dollars in PPP loans through applications to an insured financial institution on behalf of different companies, claiming that he had dozens of employees and millions of dollars in monthly payroll. In May 2021, he was sentenced to more than 6 years in prison for wire fraud and was ordered to forfeit \$3.4 million and the Lamborghini.

In a case in Texas, investigated by our San Francisco regional office, a man was charged with seven counts of wire fraud and three counts of making false statements to a bank for allegedly submitting fraudulent applications for over \$3 million in PPP loans. Sinoj Kallamplackal Joseph allegedly submitted fraudulent applications for over \$3 million in PPP loans to a lender guaranteed by the SBA in the names of MK Analytics, LLC; Sanbi Solutions, LLC; and KMS Traders Group, LLC. In these applications, he allegedly fabricated payroll records, including the number of employees working for his companies and the amounts of his payroll costs, and allegedly submitted fraudulent documentation in support of his applications. Joseph was charged in October 2021 and,

if convicted, faces up to 20 years in federal prison for the wire fraud charges and up to 30 years in federal prison for making false statements to a bank.

We also continue to investigate other types of financial fraud. For example, in late 2015 and early 2016, Robert John Hager, a bank CEO, loaned money to a bank customer to invest in a diamond and gold venture in Liberia, Ghana, and Kenya that promised a quick return. After exhausting his own personal funds and taking out the maximum loan he could borrow from the bank, he asked bank customers, shareholders, and directors of the bank to lend him money. Hager arranged for bank customers to take out loans in their own names or draw from loans they already had and then transfer the funds to him. Hager then issued three unauthorized SBLCs, using the letterhead of First Advantage Bank and signing the letter as CEO of First Advantage, worth \$1.6 million to facilitate the purchase and delivery of diamonds and gold from Africa. He did not report the SBLCs to his bank. In March 2021, Hager was sentenced to 18 months in prison for making a false entry in bank records. This case was investigated by our Chicago regional office.

Finally, we also investigate internal Board and CFPB matters, such as employee misconduct, ethics violations or conflicts of interest by agency officials, contract and procurement irregularities, theft and abuse of property, and travel card or purchase card fraud. For example, in a recent case investigated by special agents at our Washington, DC, headquarters, a Board employee who had been notified that his work performance was unsatisfactory decided to quit his job. Before he left, however, Venkatesh Rao went into the office several times on the weekend to print more than 50 restricted government documents, which he then took home. The documents contained proprietary information about bank stress tests. Rao was sentenced to 1 year of supervised probation and a \$2,500 fine for theft of government property.

While OIG special agents work all over the country on a variety of cases, they share the same mission. Whether defending the integrity of the largest aid package in U.S. history, protecting against financial fraud that affects our agencies' ability to supervise and regulate the financial community, or ensuring that the Board and the CFPB run effectively and efficiently, our special agents are trained and committed to preventing and combating fraud, waste, and abuse.



## TEAMING UP WITH OTHER AGENCIES TO SOLVE FINANCIAL CRIME CASES

**Outreach, partnership, and collaboration lead to successful investigations.**

Financial crimes like bank fraud and loan fraud tend to be complex. The evidence for such crimes often includes tens of thousands of documents—bank statements, emails, Call Reports, text messages, loan files, and other records—which can be time consuming to analyze. Moreover, criminal statute violations often fall within the jurisdiction of multiple agencies. To effectively investigate financial crimes, our special agents often collaborate with other agencies.

*OIG special agents from Headquarters Operations and the New York, Chicago, and Miami regional offices, along with OIG audit staff, conducting a search warrant in Tampa, Florida, with assistance from Homeland Security Investigations, the U.S. General Services Administration OIG, and the Tampa Police Department.*





## Why We Work Together

**Personnel.** We have regional offices in Chicago; Miami; New York City; San Francisco; and Washington, DC. Each regional office carries multiple cases and is responsible for several states. Interviews are usually conducted with two agents, and we leverage our relationships with partner agencies when needed. Other agencies often assist with surveillance, undercover operations, and arrests, which may require additional personnel. And because agents sometimes work cases that are based several states away, it can be valuable to partner with an agent in the geographic vicinity of the person being investigated in order to better access local contacts and information.

**Access to technological resources.** Working together allows agencies to share technological resources. For example, the FDIC has resources to efficiently retrieve and search records from banks that have closed. We have a forensic analysis team that can retrieve records, emails, and text messages from computers, smart phones, and other electronic devices. Sharing resources helps us solve cases effectively and save money.

**Sharing expertise.** Special agents have diverse backgrounds and experiences that position them to contribute in varied ways. For example, some agents have financial backgrounds, while others are skilled at undercover operations or surveillance techniques. Agencies also have different types of resources, such as dedicated analysts, surveillance teams, and access to investigative systems or information. As one agent described it, everyone who is part of the investigative team contributes a piece of the puzzle to solve the crime.

**Referrals.** Sometimes a case doesn't exactly fit what we do. Knowing agents at various agencies and understanding what kinds of cases fall into their jurisdiction makes it easier to provide and receive case referrals.

**Concurrent jurisdiction.** In many cases, several OIGs have concurrent jurisdiction, so it makes sense to work together. For example, while a bank may be supervised by a Reserve Bank, the FDIC may also have concurrent jurisdiction because of the Deposit Insurance Fund (the fund that pays back depositors after a bank fails). Cases of loan fraud may also involve the SBA or FHFA OIGs.

## Building Collaborative Relationships

Our collaborative relationships with other agencies are essential to our work, and we prioritize building and maintaining these relationships through outreach. For example, our Chicago regional office cohosts the Illinois Fraud Working Group with the U.S. Attorney's Office for the Northern District of Illinois. The quarterly meetings, attended by financial OIGs, federal regulators, and other federal law enforcement, provide an opportunity to discuss cases and trends. In addition, the Chicago and San Francisco regional offices often schedule their quarterly firearms training with other agencies as an opportunity to share resources and build relationships.





We also maintain collaborative relationships with staff within the Board, the CFPB, and the Reserve Banks, like bank examiners, who are essential to solving cases. These experts can provide firsthand knowledge that can make them a key witness in a case.

Of course, collaboration can be challenging. Agents travel frequently, and coordinating plans can be difficult. In addition, an agency's priorities can change at any time, so an agent may be required to abruptly switch to a different case. But dealing with the drawbacks is clearly worth it.

### Agency OIGs We Collaborate With

- Federal Bureau of Investigation
- Federal Deposit Insurance Corporation
- Federal Housing Finance Agency
- Internal Revenue Service
- U.S. Department of the Treasury
- U.S. Small Business Administration

## Collaboration Pays Off

Many of our recent cases were solved through collaboration.

**CFG Community Bank.** In a recent case, the former acting president of CFG Community Bank, a state member bank, diverted more than \$900,000 in funds for his own benefit. After pleading guilty to one count of bank fraud and one count of income tax evasion, he was sentenced to 3 years in federal prison. This was a joint investigation by our office, the FBI, the SSA OIG, and the IRS CI and was prosecuted by the U.S. Attorney's Office for the District of Maryland.

**Société Générale S.A.** In another case, Société Générale paid \$1.34 billion in penalties for conspiring to violate the Trading with the Enemy Act—the second-largest penalty ever imposed on a financial institution for violations of U.S. economic sanctions. We conducted this investigation with the IRS CI; the case was prosecuted by the U.S. Attorney's Office for the Southern District of New York.

## Fighting Financial Crime

Financial crimes aren't just a matter of money. Although such crimes may seem abstract and victimless, they generate costs and consequences at a real, human level. Financial crimes often cause banks to close, which can have a communitywide effect, especially in rural areas. A recent Federal Reserve report found that when bank branches close, accessing financial services becomes more expensive and less convenient, especially for small business owners, older people, and those who have lower incomes and less reliable access to transportation. These effects can reverberate through the entire community.

Our work not only helps bring those who commit crimes to justice, but also deters crime by sending a clear message that there will be consequences for such crimes. We could not work as effectively and efficiently without the help of other agencies. Ultimately, collaboration helps the Office of Investigations achieve the OIG's mission—to improve economy, efficiency, and effectiveness, and to prevent and detect fraud, waste, and abuse.





*OIG special agents engaged in down and disabled officer shooting training.*



## TRAINING FOR OIG SPECIAL AGENTS

White-collar crime investigations involve myriad law enforcement skills that special agents develop through years of training and experience. In fact, an OIG special agent's training never ends.



## Special Agent Candidates

The OIG hires new special agents as well as special agents from other government agencies who may already have years of law enforcement experience. Special agent candidates must meet a set of physical requirements, such as having good vision and hearing. They also must be under 37 years old and have a bachelor's degree. Most important, before new hires can become special agents, they must successfully complete a comprehensive federal training course in criminal investigation.



## Criminal Investigator Training Program: Law Enforcement Basics

All special agents are required to pass an 11-week course called the Criminal Investigator Training Program (CITP) through the Federal Law Enforcement Training Centers (FLETC). CITP is held on the FLETC campus in Glynco,

Georgia, and incorporates lectures, laboratory work, practical exercises, and written exams to teach arrest and search techniques, self-defense, marksmanship, and other skills. In addition to CITP, newly hired first-time agents also take an OIG-specific course, while current special agents participate in a shorter transitional training.

During CITP, trainees work a simulated case—for example, an allegation that computers have been stolen and are being sold online—and use that case to practice skills they are learning, including interviewing suspects and witnesses, performing surveillance and undercover operations, writing and executing search and arrest warrants, writing a criminal complaint, obtaining an indictment, and testifying in a courtroom hearing. Agents must learn not only how to work within the parameters of the law, but also how to protect themselves when people don't comply with lawful commands.


Most federal law enforcement agencies send their special agents to CITP (some agencies, like the FBI and the Drug Enforcement Administration, are large enough to have their own training programs). Living and training alongside investigators working for other agencies helps special agents make contacts and build relationships that can be useful throughout their careers. Many special agents enjoy the camaraderie that develops among the trainees.

Trainees must endure paramilitary-style training, including living in dorms, wearing uniforms, adhering to regimented schedules, running in cadence, and embracing a team mentality. They must also balance the academic course load and physical demands with the challenges that come from being away from home for several months. Getting through the program requires commitment, mental and physical toughness, and grit.

## IG Investigator Training Program: OIG-Specific Training

Within their first year of OIG employment and within 3 to 6 months of completing CITP, special agents take the Council of the Inspectors General on Integrity and Efficiency's IG Investigator Training Program. In this 3-week course, also held in Glynco, Georgia, special agents learn how to apply the framework of legal considerations and tactical training to the OIG environment. They also learn about the authorities, duties, responsibilities,





and obligations associated with the Inspector General Act of 1978, as amended. Topics covered include IG subpoenas, employee misconduct investigations, and government workplace searches, among many others.

## Specialized Training: Developing Expertise

Many special agents also pursue specialized training in areas such as computer forensics; undercover operations; firearms; and control tactics, a term for defensive tactics that emphasize proactive physical control of the situation. These specialized training classes can be weeks or months long. Other special agents have developed expertise in bank fraud, money laundering, the Bank Secrecy Act, or other financial topics. Many OIG special agents are also qualified to teach specialized training courses.

Having special agents who specialize in different areas ensures that the OIG will be prepared to investigate a variety of cases. For example, if a special agent is interviewing a banker, the agent must have enough subject-matter knowledge to understand whether the banker's responses make sense and to know which follow-up questions are appropriate.

## Ongoing Training: Maintaining Skills and Knowledge

Special agents also complete a variety of ongoing training assignments. Every quarter, for example, special agents must pass a firearms training that involves a qualification course for several firearms and long guns. Special agents must achieve a certain accuracy score each time.

Special agents also undergo annual training on several topics, including flying armed on airplanes, safety around blood-borne pathogens, and ethics. Every 3 years, special agents take additional training on a variety of topics, including a legal refresher course, first aid and CPR, physical conditioning and defensive tactics, arrest techniques, and intermediate weapons.

Ongoing training can be time intensive, but it's important to stay up to date on laws and law enforcement practices, which change periodically. Training also ensures that special agents maintain the skills and knowledge that they might not use regularly. And while the training covers a wide range of topics, this scope reflects the extensive skill set required by the job.

## Meeting Evolving Demands

The financial and regulatory environment is always changing, so special agents must ensure that they have the right skills and mindset to meet evolving demands. In interviews, special agents emphasized how having a mindset of constantly striving to improve and ensuring that they were well prepared helped them succeed—and stay safe—on the job. Ultimately, training builds the foundation of skills and knowledge special agents need to help the OIG combat fraud, waste, and abuse.

## MORE ABOUT THE OIG



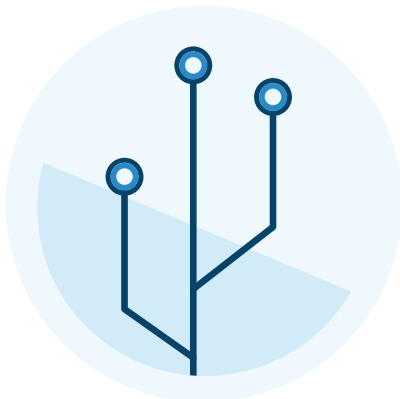
### Audits and Evaluations

Auditors conduct audits and evaluations of the economy, efficiency, and effectiveness of the programs and operations of the Board and the CFPB; the agencies' compliance with applicable laws and regulations; the effectiveness of their internal controls; and the presentation and accuracy of the Board's and the Federal Financial Institutions Examination Council's financial statements.



### Front Office

Front office staff plan and execute our strategic direction, manage communications, execute our internal quality assurance function, provide general support for our IT infrastructure, and provide administrative and human resources services.



### Information Technology

IT auditors conduct audits and evaluations of the economy, efficiency, and effectiveness of the IT programs and systems of the Board and the CFPB. These audits focus on information security controls, systems development, operations, investment, and contractor support. IT staff also provide data analytics support for audits, evaluations, and investigations.



### Legal Services

Attorneys advise the inspector general and staff on all legal matters and provide strategic analysis, counseling, research, and representation. Legal staff also conduct legislative and regulatory reviews and manage congressional and media relations.

# OIG HOTLINE

Help the Board and the CFPB work efficiently; effectively; and free of fraud, waste, and abuse.

## What should I report?

- Violations of federal laws or agency policies
- Contract and procurement irregularities
- Travel card or purchase card fraud
- Ethics violations or conflicts of interest by agency officials
- Employee misconduct
- Theft or abuse of property
- Obstruction of agency operations, such as providing false information to regulators
- Waste or mismanagement of funds or government resources

## Am I protected?

We will not disclose your identity except in rare circumstances where it's unavoidable. Further, Board and CFPB employees are protected by law from reprisals or retaliation for contacting us. Reserve Bank staff should refer to their Reserve Bank policy.

## What happens after I report?

We evaluate the complaint and, if appropriate, refer our findings to the Board or the CFPB for administrative action (for example, taking personnel action against the offender) or to the DOJ for criminal or civil action.

## How do I report?



[oig.federalreserve.gov/hotline](https://oig.federalreserve.gov/hotline)  
[oig.consumerfinance.gov/hotline](https://oig.consumerfinance.gov/hotline)



1-800-827-3340



Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Mail Center I-2322  
Washington, DC 20551

**Hotline**

# INTEREST

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## Office of Inspector General

Board of Governors of the Federal Reserve System  
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Board of Governors of the Federal Reserve System  
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