
Weekly COVID-19 Oversight & Enforcement Report

June 10, 2021

A. Congress

1. The House Select Subcommittee on the Coronavirus Crisis continues its investigation into PPP fraud. On May 27, the Select Subcommittee turned its focus to FinTech firms and partner banks implicated in Department of Justice PPP fraud investigations. In letters to the companies, Rep. Clyburn wrote, “I am deeply troubled by recent reports that financial technology (FinTech) lenders and their bank partners failed to adequately screen PPP loan applications for fraud. This failure may have led to millions of dollars in FinTech-facilitated PPP loans being made to fraudulent, non-existent, or otherwise ineligible businesses.”
2. The Select Subcommittee launched an [investigation](#) into a \$700 million loan awarded to Yellow Corporation (formerly YRC Worldwide), a trucking company, as part of a CARES Act program intended to support companies that were critical to maintaining U.S. national security during the pandemic. The loan was awarded by the Treasury Department with the involvement of the Department of Defense (DOD). On June 3, Select Subcommittee Chair James Clyburn (D-SC) sent letters to Treasury Secretary Janet Yellen, Defense Secretary Lloyd J. Austin, III, Yellow Corporation, and DOD contractor Crowley Logistics, requesting documents and information regarding whether the loan to Yellow Corporation was issued appropriately and used properly.
3. On May 28, the Congressional Oversight Commission released its thirteenth [report](#). The report provides an in-depth look at the Term Asset-Backed Securities Loan Facility (TALF), a Federal Reserve program that received funds under the CARES Act to improve the flow of credit to consumers and businesses and improve market conditions for asset-backed securities. The report also summarizes recent actions taken by the Treasury Department and the Federal Reserve regarding lending programs and facilities under the CARES Act, including strategies to mitigate risks associated with the programs. The report also includes an update on the Commission’s investigation into Yellow Corporation and notes that the Commission has not received responses to letters it sent to Secretaries Yellen and Austin on May 10 regarding the national security loan made to the company under the CARES Act.
4. On June 9, the House Committee on Foreign Affairs Subcommittee on International Development, International Organizations and Global Corporate Social Impact held a [hearing](#) titled “United States Leadership in the International Response to the COVID-19 Pandemic.” Witnesses included Hon. Gayle E. Smith, Coordinator for Global COVID Response and Health Security at the State Department, and Jeremy Konyndyk, Executive Director of the COVID-19 Task Force at USAID.

B. Executive Agencies

1. On May 26, DOJ [announced criminal charges](#) against 14 defendants in seven federal districts across the United States. These defendants are alleged to have participated in various healthcare-fraud schemes that exploited the COVID-19 pandemic and resulted in over \$143 million in false billings. For example, multiple defendants are alleged to have offered COVID-19 tests to Medicare beneficiaries to induce patients to provide their personal identifying information and a saliva or blood sample. The defendants are alleged to have then misused the samples to submit claims to Medicare for unrelated, medically unnecessary tests. Other defendants are alleged to have exploited telehealth regulations, including the first charges for exploiting expanded telehealth policies by submitting false and fraudulent claims to Medicare for sham telemedicine encounters that didn't occur. As part of these cases, medical professionals are alleged to have offered and paid bribes in exchange for the medical professionals' referral of medically unnecessary testing.
2. On May 28, Deputy Attorney General Lisa Monaco [convened the first meeting](#) of the COVID-19 Fraud Enforcement Task Force. Monaco told the members that the "aim of the Task Force is to join forces against fraud and protect the integrity of government funds." The group discussed its priorities, including increased efforts to combat PPP, EIDL, and unemployment insurance benefit fraud. The Task Force also discussed efforts to combat healthcare fraud (see prior bullet).
3. A Wisconsin man was [sentenced](#) today to 57 months in prison for fraudulently obtaining over \$1 million in PPP loans. Thomas Smith pleaded guilty on February 23 to directing a fraud scheme in which he sought over \$1.2 million in PPP loans on behalf of eight different companies. These loans were paid out to his co-conspirators, who then sent Smith a portion of the loan proceeds. In addition to the prison sentence, Smith was ordered to pay \$960,000 in restitution.

C. State Attorneys General

1. Minnesota AG Keith Ellison reached a settlement with St. Patrick's Tavern & Restaurant, which according to General Ellison failed to comply with the requirements of state executive orders prohibiting on-premises consumption of food and drinks. The [consent judgment](#) requires the restaurant to pay a \$15,000 fine and comply with current and future executive orders.
2. Louisiana AG Jeff Landry wrote a letter to the Interim President of Louisiana State University in which General Landry [opined](#) that the university could not require its students or employees to take the COVID-19 vaccine as a condition of participating in in-person activities. Noting that some individuals may be reluctant or unwilling to receive the vaccine for religious, health-related, or other reasons, and that COVID-19 vaccines have only been approved by the FDA pursuant to an Emergency Use Authorization, General Landry claimed that requiring students or faculty to take them would violate those individuals' rights under Louisiana state law. In April, Virginia AG Mark Herring issued an [opinion](#) concerning this issue that reached the opposite conclusion, determining that Virginia public institutions could require students to receive the vaccine.

D. Special Inspector General for Pandemic Recovery (SIGPR)

1. On May 29, the SIGPR submitted a [budget request](#) of \$25 million for fiscal year 2022. The request notes that this budget "will enable SIGPR to conduct critical audit and investigative services to protect the integrity of the covered funds under the CARES Act."

E. Pandemic Recovery Accountability Committee (PRAC)

No updates this week.

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