

The Federal Government Is Taking Action Against COVID-19 Fraud

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June 9, 2020

The federal government has responded to the coronavirus (“COVID-19”) pandemic with legislation to aid individuals and struggling businesses. One of the many laws created was the [Coronavirus Aid, Relief, and Economic Security Act](#) (“CARES Act”), a \$2 trillion federal appropriation addressing the economic fallout caused by COVID-19. Many are rightfully concerned about individuals aiming to take advantage of the vulnerability, panic, and available federal dollars during this time. In response, the federal government has vowed to aggressively take action against COVID-19 related fraud.

Fraud Committed Against Individuals

The Department of Justice (“DOJ”) announced its first enforcement action against COVID-19 [fraud](#) in March 2020. A website, [coronavirusmedicalkit.com](#), was offering access to World Health Organization (“WHO”) vaccine kits for a shipping cost of \$4.95. However, no vaccine currently exists nor is a vaccine currently being distributed by the WHO. Once alerted of the website’s existence, U.S. District Judge, Robert Pitman immediately issued an injunction preventing any further public access to the site. The site operators are currently facing federal prosecution.

Fraud Committed Against the Federal Government

Opportunists are not only acting to deceive the public but are also acting to defraud the federal government. Recently, Samuel Yates, a Texas native attempted to defraud \$5 million in federal funds. The Small Business Association (“SBA”) is providing loans to businesses through a Paycheck Protection Program (“PPP”). The PPP allows employers to continue paying their employees during the pandemic. Yates applied for two loans. In one loan application, he sought \$5 million claiming to have 400 employees with a \$2 million monthly payroll expense. In another application, he claimed to have only 100 employees. Each application was submitted with a falsified list of employees created by an online name generator, and forged tax records. Yates was able to obtain \$500,000 in loan proceeds before his scheme was uncovered. He is currently facing federal

prosecution for bank fraud, wire fraud, false statements to a financial institution, and false statements to the SBA.

[Christopher Parris](#), a Georgia resident, also attempted to defraud the federal government by selling millions of non-existent respirator masks. Unlike Yates, Parris was able to make millions on sales orders by misrepresenting himself as a supplier who could quickly obtain scarce protective equipment. His plan was uncovered just a few weeks ago after attempting to sell masks to the Department of Veteran Affairs (“VA”). The VA became suspicious of the price—which was about 15 times what it was paying amid the shortage, and alerted their Inspector General who brought in Homeland Security. Over \$3.2 million was seized from Parris’ bank account related to this scheme, and he is currently facing federal prosecution for wire fraud.

Although enforcement action has been taken against individuals, companies should take note that fraud is being prioritized and aggressively prosecuted against businesses as well. Just last month, the Securities & Exchange Commission (“SEC”) charged two companies with issuing [misleading claims](#) to the public. The first represented that it could slow the transmission of COVID-19 through thermal scanning equipment that could quickly detect individuals with fevers and would be immediately released in each state. The other offered a finger-prick test kit that could be used from home to detect whether someone was COVID-19 positive. Both claims were untrue and each company is facing federal charges for violating the antifraud provisions of the federal securities laws.

These federal efforts mark the beginning of a shift, holding both individuals and companies accountable for COVID-19 related fraud. The Department of Homeland Security has noted that those taking advantage during this vulnerable time will inevitably increase. Inter-agency efforts, swift enforcement, and emerging legislation will likely follow in an effort to protect the public against all levels of COVID-19 related fraud. As they have during previous economic crises, whistleblowers will play a critical role in aiding these enforcement efforts.