
Weekly COVID-19 Oversight & Enforcement Report

April 8, 2021

A. Congress

1. As part of its ongoing investigation into pandemic-related government contracts entered into by the Trump Administration, the House Select Subcommittee on the Coronavirus Crisis [released documents](#) that offer a real-time look inside the Trump Administration’s deliberations as the outbreak escalated last spring, as well as inside the companies that turned to White House trade adviser Peter Navarro for help winning federal funds during the emergency.
2. On March 25, the Majority Staff of the House Select Subcommittee on the Coronavirus Crisis released a [memo](#) entitled “Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud.” The memo highlights billions of dollars in fraudulent PPP and EIDL loans. It states, “Congressional Democrats and the Biden-Harris Administration have ramped up oversight to address small business lending risks.” The Select Subcommittee [remains](#) “committed to rooting out fraud, waste, and abuse in pandemic small business lending programs.” In a [hearing](#) on pandemic loan programs, oversight partners from the SBA, PRAC, and the GAO “agreed that effectively detecting and preventing fraud in pandemic relief programs requires a coordinated, whole-of-government approach.”
3. The Congressional Oversight Commission published its eleventh [report](#), which examines recent steps that the Treasury Department and the Federal Reserve have taken related to CARES Act programs. The report contains an in-depth review of the Treasury Department’s airline industry loan program, including information about the application process and an explanation of why certain applicants received loans while others did not.
4. Sen. Elizabeth Warren (D-MA) sent a [letter](#) to Amazon last week with the results of a staff investigation, which found that Amazon’s search and sponsorship algorithms may be misleading consumers who are seeking FDA-approved masks during the pandemic. The letter poses several questions to the company and calls for Amazon to “immediately modify [its] policies and procedures to prevent consumers from receiving misleading information” about the masks they consider for protection from COVID-19.
5. Senators Ron Wyden (D-OR), Mike Crapo (R-ID), Bob Casey (D-PA), and Tim Scott (R-SC) sent a [letter](#) to HHS Secretary Xavier Becerra on March 24 calling on his department to collect and publicly release nursing home vaccination data at the facility-level. They wrote, “we are concerned that the continued absence of publicly available COVID-19 vaccination at the facility level leaves residents, workers, and their families in the dark, makes it impossible to fully evaluate the effect of these vaccines, and hinders efforts to ensure equitable vaccine access in communities of color.”

B. Executive Agencies

1. On March 26, DOJ announced an [update](#) on criminal and civil enforcements to combat COVID-related fraud. As of that date, DOJ had publicly charged 474 defendants with criminal offenses based on fraud schemes in 56 federal districts. DOJ highlighted civil actions taken to combat COVID fraud, pointing to the SlideBelts FCA settlement in California. DOJ specifically noted that “whistleblower complaints have been on the rise,” and that “whistleblower cases will continue to be an essential source of new leads to help root out the misuse and abuse of taxpayer funds.”
2. In PPP fraud news, a California man [pleaded guilty](#) to a scheme to fraudulently obtain approximately \$1.8 million in PPP loans by submitting six fraudulent loan applications supported by fake federal tax filings and payroll reports. And a Texas man [pleaded guilty](#) to orchestrating a fraudulent scheme to obtain approximately \$24.8 million in PPP loans and laundering the proceeds. He submitted 15 fraudulent loan applications to eight different lenders, which included fake federal tax filings and bank statements. He used the money to purchase multiple homes in Texas and California, and a fleet of luxury cars (including a Bentley, a Corvette, and a Porsche).
3. At the outset of the pandemic, the SEC [primarily focused](#) on preventing simpler COVID-related fraud schemes targeting “Main Street” investors. (See prior alerts [here](#) and [here](#).) But as the economy continues to recover in 2021, the SEC may increasingly focus on whether public companies accurately disclosed to their investors the impact the pandemic had, or was expected to have, on their finances and operations. The vast majority of COVID-related securities enforcement actions to date have involved pump-and-dump schemes involving microcap or penny stocks and/or blatant false statements that artificially inflated a company’s stock price. The SEC’s [recent civil settlement](#) with The Cheesecake Factory, however, is likely a preview of the different types of securities enforcement actions that are coming down the road.

C. State Attorneys General

1. New York AG Letitia James [announced](#) a settlement of her price-gouging lawsuit against Hillandale Farms Corporation, an egg producer and wholesaler, which she alleged had unlawfully increased the price of eggs in the early months of the pandemic. Pursuant to the agreement, the company will donate 1.2 million eggs to food banks throughout the state, as well as refrain from any future unlawful pricing practices.

D. Special Inspector General for Pandemic Recovery (SIGPR)

1. On April 4, *The Washington Post* published an [article](#) highlighting challenges in CARES Act oversight and comparing it to the oversight following the 2008 financial crisis. For example, the article notes that, five months into his tenure, the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”) had testified before Congress six times, whereas Brian Miller has not testified once before Congress since taking office in June. The article also quotes the SIGPR spokesperson highlighting the fact that SIGPR has half the budget of SIGTARP. She stated that the agency is “striving to get into the annual budget cycle.”

E. Pandemic Recovery Accountability Committee (PRAC)

1. On March 19, acting OMB Director Robert Fairweather [sent a memo](#) instructing agency heads to cooperate with PRAC and agency inspectors general to reduce the risk of waste, fraud, and abuse of agency COVID-19 spending.