

Inspector General Mashup  
 Carl Hoecker, CWH Group  
 &  
 Bob Westbrooks, CIGIE

AGA  
 Dallas Chapter

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Inspector General Mashup

Carl W. Hoecker, former SEC IG  
 Founder CWH Group

Presented on  
 October 19, 2022 to

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Information contained on these  
 slides is publicly available information

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IG Community

75 agencies have an IG

Half of these IGs presidentially appointed and Senate confirmed

Other half were appointed by the agency head.

Approximately 14,000 professionals

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The Inspector General Act of 1978

Consolidated the 12 audit and investigative functions

Independent forces for promoting economy, efficiency, and effectiveness while preventing FWA

Dual reporting responsibility agencies and to Congress

Semiannual reports to Congress

Early years widespread internal control weaknesses

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1988 amendments

IGs in most agencies and certain independent agencies, corporations, and other Federal entities.

In 1981, President Ronald Reagan created the President's Council on Integrity and Efficiency (PCIE)

Forum for presidentially-appointed, Senate-confirmed IGs to coordinate their professional activities.

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1992 President George H. W. Bush's created the Executive Council on Integrity and Efficiency (ECIE) for agency-appointed IGs to work together.

IG Reform Act of 2008 created CIGIE

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2016 Inspector General Empowerment Act

- Full and prompt access to agency records
- Ensures that IGs can conduct audits, reviews, and investigations in an efficient and independent manner

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CIGIE Mission

- Address integrity, economy, and effectiveness issues that transcend individual Government agencies
- Increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General

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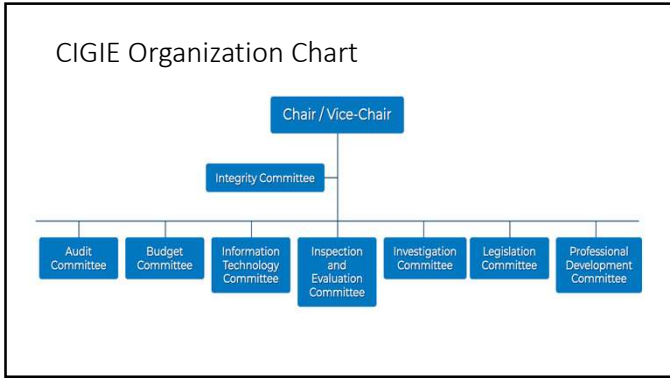
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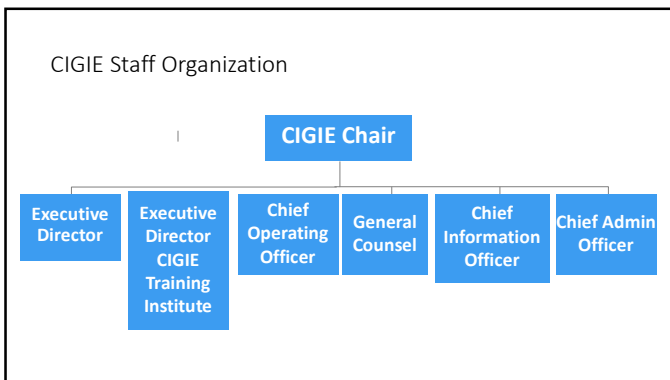
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### CIGIE Accomplishments

2021 Training Institute enrolled over 9,800 students approximately 70 percent of the entire OIG

CIGIE also established a Diversity, Equity, Inclusion, and Accessibility Working Group

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**CIGIE Accomplishments (Cont)**

\$62.7 billion in potential savings from audit recommendations.

\$12 billion from investigative receivables and recoveries.

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**CIGIE Accomplishments (Cont)**

- 3,024 audit, inspection, and evaluation reports issued
- 17,789 investigations closed
- 1,433,736 hotline complaints processed
- 4,297 indictments and criminal informations
- 1,058 successful civil actions
- 2,436 suspensions or debarments
- 3,389 personnel actions

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Carl W. Hoecker  
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International Association of Financial Crimes Investigators  
Annual Training Conference

Pandemic Response Accountability Committee (PRAC)  
September 1, 2022

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### What is the PRAC?



- March 2020 – the CARES Act created the Pandemic Response Accountability Committee to conduct independent oversight of COVID-19 relief funds.
- Comprised of 21 federal Inspectors General
- Staff office of 50+
- Supports a community of 10,000 auditors and 3,400 investigators.
- Mitigates fraud risks that cut across program and agency boundaries.

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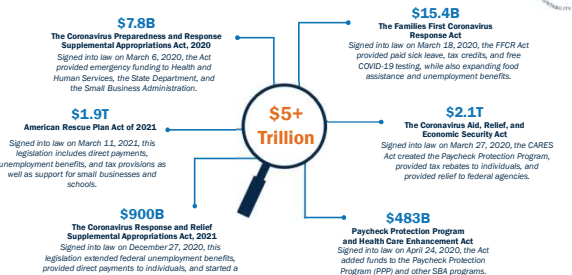
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### PRAC Oversees \$5 Trillion in Pandemic Relief



- \$7.8B**  
The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020  
Signed into law on March 6, 2020, the Act provided emergency funding to Health and Human Services, the State Department, and the Small Business Administration.
- \$15.4B**  
The Families First Coronavirus Response Act  
Signed into law on March 18, 2020, the FFCR Act provided paid sick leave, tax credits, and free COVID-19 testing, while also expanding food assistance and unemployment benefits.
- \$1.9T**  
American Rescue Plan Act of 2021  
Signed into law on March 11, 2021, this legislation includes direct payments, unemployment benefits, and tax provisions as well as support for small businesses and schools.
- \$2.1T**  
The Coronavirus Aid, Relief, and Economic Security Act  
Signed into law on March 27, 2020, the CARES Act created the Paycheck Protection Program, provided tax rebates to individuals, and provided relief to federal agencies.
- \$900B**  
The Coronavirus Response and Relief Supplemental Appropriations Act, 2021  
Signed into law on December 27, 2020, this legislation extended federal unemployment benefits, provided direct payments to individuals, and started a second round of PPP loans.
- \$483B**  
Paycheck Protection Program and Health Care Enhancement Act  
Signed into law on April 24, 2020, the Act added funds to the Paycheck Protection Program (PPP) and other SBA programs.

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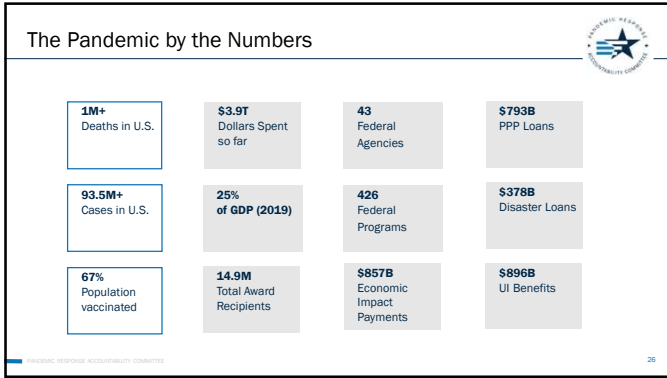
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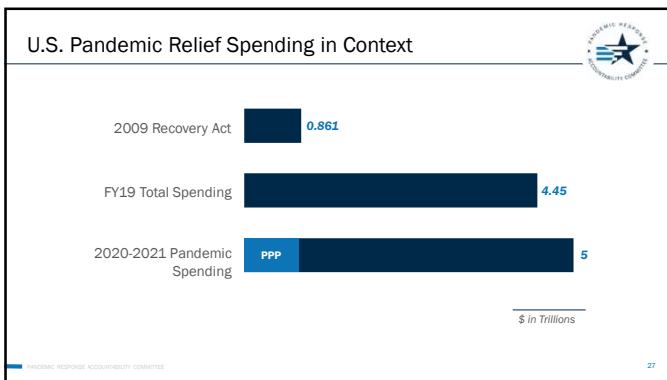
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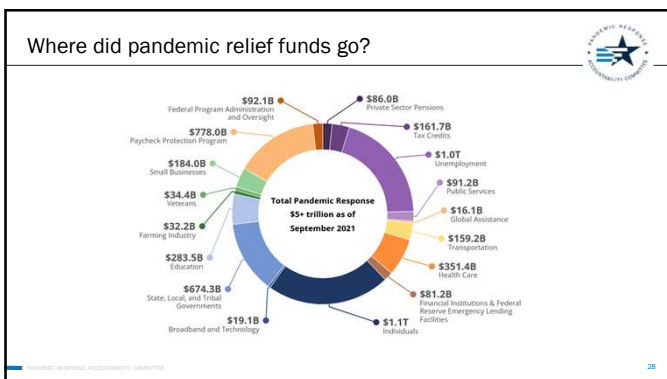
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**Improper payments in normal times:**



- Federal agencies and the Administration are responsible for managing fraud risk and keeping losses within tolerable limits.
- The federal government estimates an overpayment rate of around 5 percent and an additional unknown payment rate of 2 percent, a portion of both is attributable to fraud.
- High-risk federal programs have larger improper payment rates (e.g., the unemployment insurance program has been over 10 percent for 14 of 17 years prior to pandemic).

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**These were not normal times.**



**Some programs were designed for expediency at the expense of payment integrity:**

- The new Paycheck Protection Program ran out of money in its first 14 days, after approving 1.7 million loans totaling \$340 billion. The program initially relied upon borrower self-certification. Congress later added more money to the program.
- SBA approved 4 million pandemic disaster loans totaling \$378 billion. In the agency's history since its founding in 1953, it had approved 2 million loans totaling \$67 billion. The program initially relied upon borrower self-certification and prohibited SBA from requiring a tax return or transcript.
- In the year before the pandemic, the Labor Department provided the states about \$27 billion a year for unemployment benefits. In response to the pandemic, Congress appropriated \$896 billion and created a new program for self-employed and gig workers based upon self-certification.

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**IGs warned about the increased fraud vulnerabilities.**



**The SBA OIG and DOL OIG issued agile oversight products alerting management and Congress:**

- Within a week of the CARES Act passage, SBA OIG issued a white paper on lessons learned from prior emergency economic stimulus programs.
- Within a month, Labor OIG issued an advisory report warning about the reliance on self-certification.
- SBA OIG, Labor OIG, and other offices have issued numerous reports in past two years drawing attention to increased fraud risks.

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Fraud has occurred across COVID-19 relief programs.



- Corrupt public officials defrauding the Coronavirus Relief Fund program through false invoices and funneling funds to their associates.
- Crooked landlords defrauding the Emergency Rental Assistance program by claiming rental payments on abandoned properties or rental properties already being reimbursed through HUD Section 8 program.
- Dishonest health providers defrauding the Provider Relief Fund program by upcoding and ordering medically unnecessary test and equipment.
- Tax cheats filing fraudulent claims for IRS stimulus checks.

COVID-19 RESPONSE ACCOUNTABILITY COMMITTEE 32

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Three programs were especially hard hit.



- Unemployment Insurance Program
- SBA's Paycheck Protection Program
- SBA's Disaster Loan Program

COVID-19 RESPONSE ACCOUNTABILITY COMMITTEE 33

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The internet reduced barriers to fraud.






Geographic



Criminal Competency



Rational Choice

COVID-19 RESPONSE ACCOUNTABILITY COMMITTEE 34

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Fraud was committed by offenders across the criminal competency continuum.

Novice      Experienced      Professional

Soft Controls      Hard Controls

PROSECUTOR RESPONSIBILITY ACCOUNTABILITY COMMITTEE

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Novice

Northern Virginia Resident Settles Allegations of Fraudulently Obtaining Paycheck Protection Program Loans.

METHOD:  
FALSE CLAIM

- In April 2021, defendant applied for two PPP loans totaling \$42,601.
- Falsified income and submitted fake tax returns.
- In September 2021, defendant applied for loan forgiveness.
- False Claims Act settlement. Defendant agreed to pay restitution plus treble damage settlement of \$59,575.

PROSECUTOR RESPONSIBILITY ACCOUNTABILITY COMMITTEE

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Novices

METHOD:  
FRAUDULENT CLAIMS

Defendants:

- Coral Springs police officer who used PPP loan proceeds for his vintage car.
- Anaheim Chamber of Commerce president who used disaster loan proceeds for clothes and back taxes.
- Los Angeles area college football player who submitted fraudulent UI claims then convinced teammates to do the same.

Source

PROSECUTOR RESPONSIBILITY ACCOUNTABILITY COMMITTEE

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**Novice**

**Lab Owner Pleads Guilty to \$6.9 Million Genetic Testing and COVID-19 Testing Fraud Scheme.**


**METHOD:**  
**FRAUDULENT BILLING**

*Lab owner bribed patient brokers to authorize medically unnecessary genetic testing.*

**Defendant:**

- Lab owner exploited patients' fears of COVID-19 by bundling COVID-19 tests with more expensive, medically unnecessary testing.

**Lab submitted over \$6.9 million in false and fraudulent claims to Medicare for medically unnecessary tests.**



Source

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**Experienced**

**Los Angeles Man Arrested for \$27 Million PPP Fraud Scheme**

**METHOD:**  
**FAKE DOCUMENTS**


*The defendant and companies did not have any employees or payroll expenses.*

**Defendant:**

- Alleged he owned 8 companies
- Submitted 27 bank loan applications to four banks
- Lied that the company had 100 employees and monthly payroll of \$400,000.
- Substantial criminal history including convictions for theft and forgery

**He submitted fake IRS documents falsely stating that each of the companies had an annual payroll of \$4,800,000.**

**Three of these companies obtained \$3 Million in PPP funds.**



Source

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**Experienced**

**Modesto Woman Admits Submitting 121 Stimulus Check Claims Using PII Provided by Death Row Son.**


**METHOD:**  
**IDENTITY THEFT**

*Defendant admitted that her son sent the PII of his fellow prisoners and others*

**Defendant:**

- Her son coordinated with another inmate while in prison
- Used stolen PII to file multiple fraudulent claims for EIPs and redirected the payments to her bank account.

**Defendant used the PII to file 121 EIP claims for \$145,200 in EIP payments.**



Source

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**Experienced**

**State Contractor Sentenced in \$3 million Unemployment Fraud Scheme.**

**METHOD:**  
TRUSTED INSIDER

**Defendant:**

- Contract employee for the Michigan state unemployment agency.
- Duties included reviewing, processing, and verifying the legitimacy of unemployment insurance claims.



**Issued 700 claims totaling \$3.8 million in federal and state unemployment benefits.**

Source

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**Experienced**

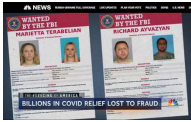
**San Fernando Valley Family Members Convicted in \$18 million PPP Scam.**

**METHOD:**  
IDENTITY THEFT

*LA couple led a massive \$20 million dollar fraud ring using fake ID's to apply for Federal Loans for fake businesses*

**Defendants:**

- Richard Ayvazyan, 43; his wife, Marietta Terabelian, 37 and sister-in-law, Tamara Dadyan, 42
- Had over \$450k in cash when arrested, fled, and later arrested in Montenegro



**Received millions through false applications that used fake IDs**

Source

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**Professional**

**Defendant pleads guilty to stealing \$24 million in PPP loans through synthetic IDs.**

**METHOD:**  
IDENTITY THEFT

**Defendant:**

- Hasan Hakim Brown and co-conspirators have for years used complex computer storage and virtualization machines to manufacture synthetic identities, automatically open bank accounts and shell companies, and monitor bank activities.
- Then came the COVID-19 pandemic.
- Brown applied for and obtained \$24 million.



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**Professional**

**Maryland Fraud Ring Involved in Filing Over 600 Fraudulent UI Claims.**

METHOD:  
IDENTITY THEFT

**Defendant:**

- Losses of at least \$2.7 million.
- Filed claims in 19 states.
- Over 600 Victims
- Stole PII through various means including abusing trust as a caregiver for the elderly and disabled (and in one case obtained PII by claiming to sell puppies).

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**Professional**

**Former Department of Unemployment Assistance Employee and Husband.**

METHOD:  
IDENTITY THEFT  
INSIDER THREAT

**Defendant:**

- Hired by Massachusetts DUA in April 2020 (shortly after her release from federal prison for aggravated identity theft).
- Abused her position to steal information, file fraudulent claims, and fraudulently alter and approve her husband's claim (who was in prison).
- A search of her apartment uncovered ID laminator, 100 blank ID cards, 68 hologram overlays, 150 card lamination sheets, 649 sheets of blank checks, and \$17,000 cash.

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**Pandemic-related fraud cases run the gamut.**

- NFL players
- Pastors
- Tax preparers
- Reality TV star
- Public servants
- Rapper
- Money mules
- Prison inmates
- Olympic figure skater
- Felons
- Soldiers
- College students
- First-timers
- Physicians
- Cross-program
- Fake Farms
- Prison Schemes
- Multi-state (e.g., same SNN used in 40 states)
- Fraud clusters (geographic, employment)
- Trusted insiders who turned
- Trusted insiders who were placed
- Former insiders
- Romance scams
- Puppy scams
- Schedule C schemes

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The total fraud losses are difficult to measure.

- Prosecutions to date
- Seizures to date
- Prevented fraud figures
- Estimates



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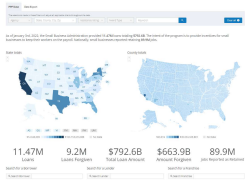
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We fight fraud by making spending data available to the public.

Our website enables the public to track pandemic spending multiple ways.

- Explore nearly 22 million awards, like grants and contracts, that went to **individuals**.
- See all the relief programs that **federal agencies**, like the Dept. of Health & Human Services, are responsible for administering.
- Dig into dashboards for **specific programs**, like the Restaurant Revitalization Fund.



11.47M	9.2M	\$792.6B	\$663.9B	89.9M
Individuals	Businesses	Total Federal Spending	Actual Spending	Estimated Spending



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We fight fraud by sharing non-public spending data with LE partners.

We share datasets with **39 law enforcement partners**, granting access to information they otherwise wouldn't have.



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We fight fraud through our Pandemic Analytics Center of Excellence (PACE).



**89** OIG Users Accessing  
Cloud-based Risk  
Model Dashboards

**18** Data Science  
Fellows placed  
in partner OIGs

**215** Investigative  
support requests  
completed

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE 50

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We use data to identify potential fraud.



- Our data scientists are sorting through more than **150,000,000 lines of data** in both public and non-public federal spending data sets.
- We look for anomalies, patterns, links, and trends.

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE 51

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We fight fraud through the PRAC Fraud Task Force.



- Brings together OIG special agents to address high-risk areas.
- Innovative virtual task force structure, extending PRAC's pandemic-wide jurisdiction and authorities to task force members.
- Task force member OIGs remain responsible for case supervision and management.
- Task force members are supported by a Joint Operations Center which provides lead and supports investigations.
- JOC provides training for investigating pandemic relief fraud, and coordinates with the DOJ COVID Fraud Enforcement Task Force.
- About 50 task force agents from 14 OIGs.

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE 52

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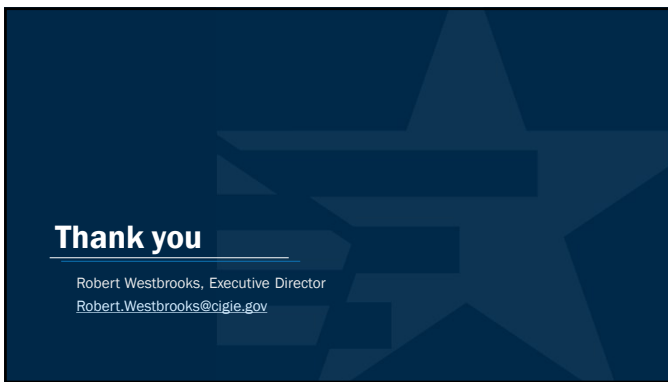
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