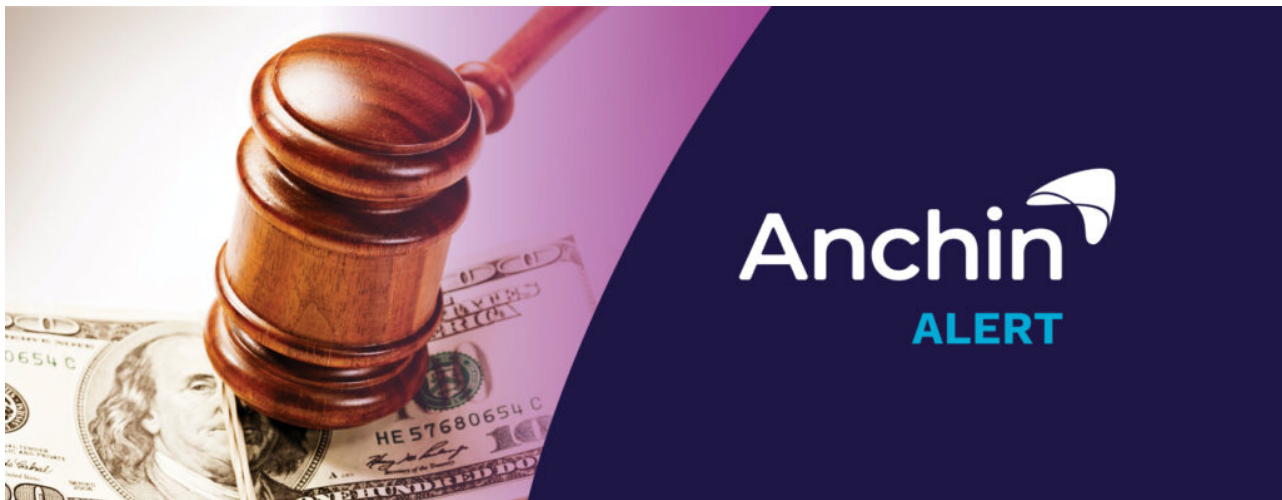


PPP Fraud Crackdown Continues: Federal Investigations, Prosecutions, and Lessons for Businesses

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Federal agencies continue to aggressively investigate, charge, and prosecute individuals and entities that exploited the Paycheck Protection Program (PPP) during the COVID-19 pandemic. While the program helped millions of small businesses stay afloat, it also became a target for widespread fraud. As new enforcement actions make headlines and the scope of fraudulent activity comes into sharper focus, it's clear that the government's commitment to uncovering and addressing PPP-related fraud is far from over. Business leaders, financial professionals, and compliance teams should stay alert, as these efforts are not only reshaping legal precedents but also reinforcing the importance of robust internal controls and ethical standards.

Overview of the Paycheck Protection Program

The Paycheck Protection Program (PPP) was a business loan program established by the United States federal government in 2020 through the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The purpose of the Paycheck Protection Program and loan forgiveness was to provide economic relief to small businesses

and entities that have been adversely impacted by the COVID-19 pandemic.

As of October 3, 2023, the Small Business Administration (SBA) reported that it had received 11.5 million loans totaling \$762.6 billion. Of those, about 10.6 million loans—totaling \$762.4 billion—had been forgiven.

By March 2024, the Pandemic Analytics Center of Excellence (PACE) had provided investigative support to more than 47 federal law enforcement and OIG partners on over 780 pandemic-related investigations with an estimated potential loss of \$2.03 billion due to fraud.

Forgiveness reports *(Data as of October 3, 2023)*

	Loan Count	Dollar Amount
Total Number of Loans	11.5 million	\$762.6 billion
Number of Loans forgiveness	10.6 million	\$762.4 billion

Addressing PPP Fraud

On May 17, 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Department of Justice in partnership with agencies across the government to enhance efforts to combat and prevent pandemic-related fraud. The Task Force leads investigations and prosecutions of fraud, false statements, and money laundering related to the CARES Act passed by Congress in the wake of the COVID-19 pandemic. Working alongside law enforcement partners and U.S. Attorney’s Offices, the Fraud Section has charged over a hundred defendants with fraud connected to the PPP and Economic Injury Disaster Loans (EIDL). These efforts helped to protect the integrity of Small Business Administration programs and deter wrongdoing during the COVID-19 pandemic.

SBA PPP Phase III Fraud Controls

The Pandemic Response Accountability Committee (PRAC) is responsible for

overseeing pandemic-related funds and preventing and detecting fraud. The PPP fraud-related cases frequently involved multiple fraud types used within a broader scheme. The PRAC analyzed 66 PPP fraud-related criminal cases pulled from various sources and identified common fraud schemes between them. The PRAC recorded these fraud schemes in their SBA PPP Phase III Fraud Controls release, dated January 21, 2022, which included:

- 1) **Misrepresenting Self-Certified Borrower Information** - 100% of the cases the PRAC reviewed included one or more false statements on PPP loan applications that would have made the applicant ineligible. Examples of false statements included misrepresenting the entity type (e.g., sole proprietor, independent contractor), average monthly payroll, and number of employees.
- 2) **Submitting fake documents** - 91% of the cases included creating, forging, or altering documents such as tax forms, payroll information, and bank statements to support PPP loan applications.
- 3) **Submitting multiple fraudulent applications to the same or multiple lenders** - 86% of the cases included applicants who applied for multiple loans using different business names or other false information to one or more lenders. This also included applicants who circumvented the PPP program or cross-program eligibility requirements (e.g., using a PPP and EIDL to get loans from multiple SBA programs for the same purpose).
- 4) **Creating fictitious business and/or operating history** - 53% of the cases included applicants who fabricated one or more businesses to make it look like they were a legitimate business and had been operating before February 15, 2020.
- 5) **Stealing the identity of someone else (living or deceased) and/or creating synthetic identities** - 21% of the cases included applicants who stole the personal information of individuals known or unknown to them without the identified victim being aware. This also includes applicants who combined fabricated credentials, e.g., social security numbers (SSNs) with accompanying false Personally Identifiable Information (PII), where the implied identity is not associated with a real person.

Anchin's PPP Fraud Database

As the scope of the fraud perpetrated under the federal PPP continues to come into sharper focus, multiple federal agencies are making efforts to investigate and prosecute those involved. These agencies include the SBA Office of Inspector General (SBA-OIG), the Federal Bureau of Investigation (FBI), the U.S. Department of Justice (DOJ), and the Internal Revenue Service (IRS). Anchin has been tracking these investigations and prosecutions as they become public. We currently have almost 700 cases related to PPP fraud that are being prosecuted or have led to charges within the criminal justice system. Please see below for excerpts taken from PPP fraud related articles that were made to the public.

1. Mukund Mohan was arrested and charged by the US Attorney's Office in the Fed PPP Scam. He submitted fake documents, including fake federal tax filings in support of the PPP applications for six shell companies he owned. He got two loans, one for \$431,250 and another for \$430,840.
2. Brandon Fitzgerald-Holley, age 32, of Suitland, Maryland, who was a nonprofit CEO, misappropriated \$305,854 in PPP loan funds. He falsely listed that the Coalition employed 25 employees and had an average monthly payroll cost of \$122,342. In reality, the Coalition had no employees or payroll expenses. Fitzgerald-Holley also created and submitted fraudulent documents, including a fraudulent IRS Form W-3, which falsely stated that the Coalition had 25 employees with total wages of \$1,385,000.
3. Takandryia Latrice Cage 35, formerly of Grand Prairie, TX, was charged with one count of conspiracy to commit mail fraud based on a scheme to defraud Cisco Systems Inc. ("Cisco"), as well as one count of bank fraud and three counts of wire fraud in connection with schemes to defraud lenders by submitting false PPP applications. Between June 2020 and June 2021, the defendant submitted six false PPP loan applications to lenders. As a result of these six false PPP loan applications, Cage caused lenders to send her over \$101,000 in PPP funds that she spent on herself. The defendant faces a maximum sentence of 110 years in prison, a five-year period of supervised release, a \$2,000,000 fine, and a \$500 special assessment. The defendant will also be required to make full restitution to Cisco and the lenders she defrauded.

4. A Florida attorney Derek James Acree, 47, of Palm Beach County got \$1.6 million by falsely applying for EIDL and PPP loans for companies he partially owned. He used the money for personal use to buy jewelry, travel, and repairs on his house and boat. Acree pleaded guilty to conspiracy to commit wire fraud in October 2022. On January 4, 2023, he was sentenced to 41 months in prison and to pay \$1.26 million in restitution and \$1.6 million in asset forfeiture.
5. Tracy Emery Smith, 42, of Valley Springs, was sentenced to 37 months in prison and ordered to pay \$901,035 in restitution for PPP loan fraud and money laundering. According to court documents, Smith submitted a similar false loan application for Real Fund 360 and Sharp Investor, receiving \$452,000 and \$242,000 in PPP funds, respectively. As with Sharp Holdings, neither company had employees or a payroll.

To learn more about PPP-related fraud investigations, trends in white-collar crime enforcement, or how your business can strengthen internal controls to mitigate risk, please contact [Brian Sanvidge](#), Principal & Leader of Anchin's Regulatory Compliance & Investigations Group, or your Anchin Relationship Partner.