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BANKING & FINANCIAL SERVICES

Why South Florida has emerged as a nationwide leader for Covid-19 relief fraud



Since the CARES Act was passed on March 27, 2020, the Southern District of Florida reports that it has charged financial fraud cases totaling more than \$75 million.

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Following the passage of the CARES Act by Congress on March 27, 2020, South Florida has led in the nation for Covid-19 financial fraud prosecutions, according to reports by the U.S. Department of Justice.

In the 14 months since the \$2.2 trillion economic stimulus bill was established, the Southern District of Florida has prosecuted dozens of Covid-19 financial fraud cases totaling more than \$75 million. Investigators say they're continuing their criminal enforcement efforts across departments to combat relief fraud in the region.

“The CARES Act was founded to provide financial assistance to millions of Americans and small businesses who are suffering the devastating economic effects caused by the Covid-19 pandemic,” said [Tyler R. Hatcher](#), acting special agent in charge of IRS Criminal Investigation, Miami Field Office. “It is appalling to see that so many fraudsters orchestrated Covid-19 schemes of this magnitude. It is these indeterminate times where it is imperative for law enforcement partners to combat those who continue to enrich themselves by stealing from Americans in dire need of these funds.”

High-profile cases of CARES Act fraud - including [a Hialeah tax preparer who submitted 118 fraudulent Paycheck Protection Program loan applications](#) and [a Miami man who bought a Lamborghini with Covid-19 relief money](#) - have made national headlines over the past year, bringing attention to the region as hot spot for fraudulent activity.

According to [Melissa Davis](#), a partner with Fort Lauderdale-based accounting firm KapilaMukamal LLP, the prevalence of Covid-19 fraudsters in South Florida mostly boils down to a general lack of oversight, coupled with the region's preexisting proclivity for financial fraud.

“I think that South Florida has always been a popular place to conduct fraud schemes,” she said. “Prior to the pandemic, there was commentary that Ponzi schemes were the fraud of choice here. But I think what's happened with the pandemic and the coronavirus is that the government funds available are just so enormous, and there was very limited oversight for the manner in which they were deployed. It was just an advantageous way for criminals and fraudsters to take advantage of the system that was very weak.”



Melissa Davis, KapilaMukamal LLP
KAPILAMUKAMAL LLP

Davis, who has helped to recover millions of dollars during her career as a CPA and fraud examiner, pointed to a number of different methods people employ to defraud relief programs. These can include inflating payroll costs, creating fake tax documents or using false employees to secure larger loans. Another popular scheme in South Florida is utilizing dormant or shell corporations to apply for loans, she says.

Unemployment insurance has also proven to be a popular program to defraud, with more than \$860 billion in federal funds available for fraudsters to tap into.

“I’ve read about a couple [unemployment insurance fraud] cases where there was employer and employee collusion,” Davis said. “The employer would continue to pay the employee while the employee was collecting benefits. Cyberfraud, or stolen identities, is probably the most prevalent use of unemployment insurance fraud. If someone had their identity stolen in the past, it’s very possible that it could be used to file for an unemployment insurance claim.”

As officials crack down on CARES Act-related investigations, financial institutions are increasingly tasked with identifying the trademarks of suspicious activity and alerting investigators.

“The federal, state and local law enforcement seem to be working together to try and combat the fraud,” Davis said. “It’s just that a lot of the money has been already deployed. Now, recovering it will be challenging.”

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