INTEREST

INVESTIGATIONS MAGAZINE 2024

Office of Inspector General

Board of Governors of the Federal Reserve System

Consumer Financial Protection Bureau

CONTENTS

OFFICE OF INVESTIGATIONS

Our investigative team includes about 30 federal special agents, forensic analysts, technical specialists, and support staff with a broad range of experience. Our special agents are law enforcement officers with authority granted by the U.S. attorney general to carry firearms, make arrests, and execute warrants for search and seizure.

We routinely partner with other federal law enforcement agencies, U.S. attorney's offices throughout the country, and state and local law enforcement, adding value to complex investigations by virtue of our specialized knowledge and experience.

Regional Offices

Our regional offices are Chicago (Midwestern Region); Miami (Southeastern Region); New York City (Northeastern Region); San Francisco (Western Region); and Headquarters/Washington, DC (Mid-Atlantic Region).

The regional offices partner with the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service (IRS) Criminal Investigation (CI), the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General, the U.S. Small Business Administration (SBA) OIG, the Special Inspector General for Pandemic Recovery, and other federal law enforcement, using their extensive specialized expertise in white-collar financial fraud to develop cases prosecuted by U.S. attorney's offices across the nation. When appropriate, our special agents also work with state and local law enforcement and other governmental organizations. We conduct outreach with the supervision, legal, and enforcement groups at the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, including the 12 Federal Reserve Banks that supervise financial institutions under delegated authority from the Board and regional CFPB supervision staff.

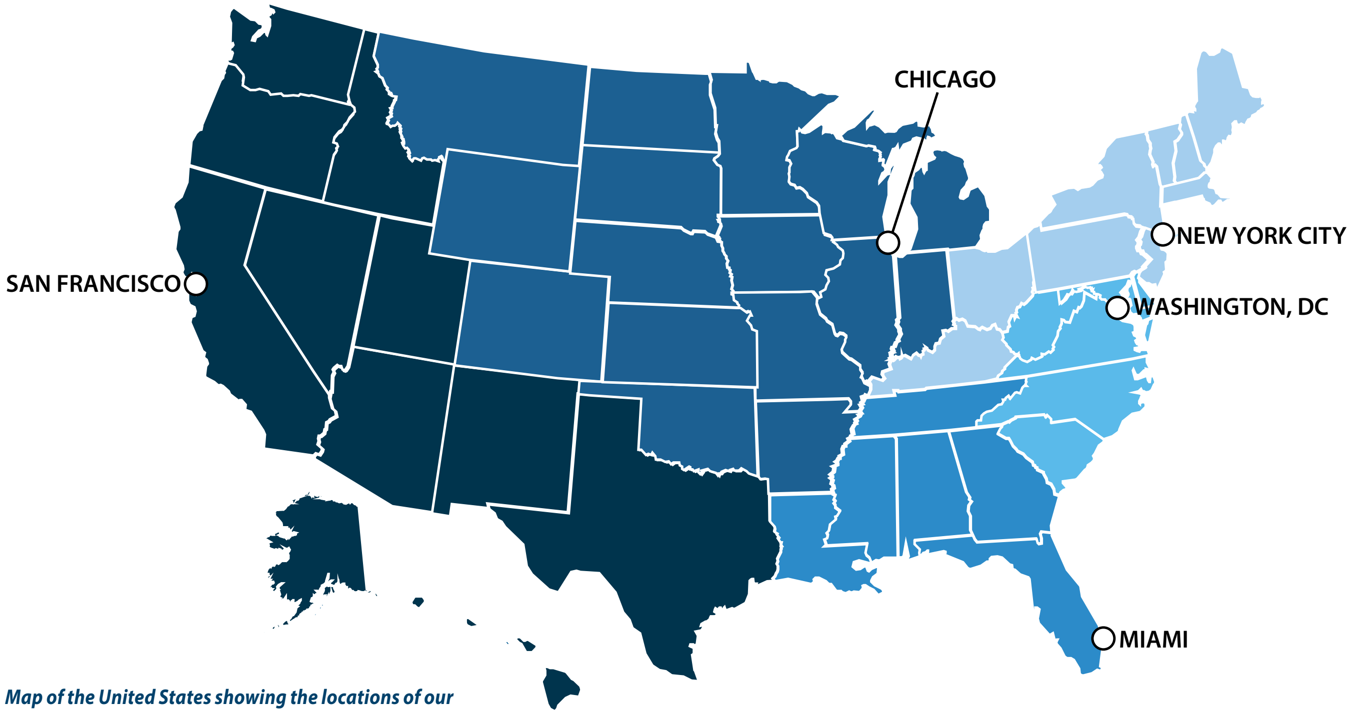
Headquarters Operations

Headquarters Operations, located in the Headquarters/Washington, DC, regional office, oversees all regional offices and provides operational and administrative support. Headquarters Operations comprises the Special Investigations Unit (SIU), the Electronic Crimes Unit (ECU), the OIG Hotline, and the Investigative and Administrative Support team.

Special Investigations Unit

The SIU performs a large percentage of the investigative work at the Headquarters/Washington, DC, regional office. The SIU is a dedicated team of special agents with extensive experience working cases that pose a reputational risk to the Board or the CFPB, such as leaks of confidential information or employee misconduct. The SIU regularly updates the inspector general (IG) and, when appropriate, top Board and CFPB officials on important developments.

The SIU's work is fast paced and a critical part of meeting our mission to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse in the programs and operations of the Board and the CFPB.



Map of the United States showing the locations of our regional offices.

Electronic Crimes Unit

The ECU serves as the digital forensic investigative unit of the OIG. The ECU is responsible for providing detailed, complex analysis of electronic data associated with OIG investigations. The ECU uses specialized computer hardware and software to help special agents find key data, sift through metadata, break encryption, and crack passwords. Our special agents have discovered crucial evidence that has been used to help prosecute individuals who have committed crimes related to the programs and operations of the Board and the CFPB. Not all the work is conducted in the lab. ECU special agents can also execute search and seizure of computer evidence, write warrant applications for data, and provide onsite support to help bring equipment back to the lab so that they can recover evidence.

The ECU participates in the FBI's Cyber Task Force and the U.S. Secret Service's Cybercrimes Task Force and adheres to computer forensic quality assurance standards as directed by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Hotline

The OIG Hotline helps people report fraud, waste, abuse, and mismanagement related to the programs or operations of the Board and the CFPB. Hotline staff can be reached by phone, web form, fax, or mail. We review all incoming hotline submissions, research and analyze the issues raised, and determine how best to address the submissions.

Investigative and Administrative Support

The Investigative and Administrative Support function conducts financial analysis and policy development and review; handles budgeting and procurement; coordinates firearms training, defensive tactics training, and other training; handles internal and external peer reviews, Freedom of Information Act inquiries, and congressional inquiries; manages and administers the investigative case management system; and delivers statistical reporting to Congress, the U.S. Department of Justice (DOJ), the U.S. attorney general, and CIGIE.

Types of Cases

Criminal cases

Criminal cases are potential violations of law for which the penalties may include fines or incarceration—for example, a bank executive who obstructs the examination process or falsifies data or other information.

Administrative cases

Administrative cases typically involve agency employees whose potential misconduct may have violated a federal regulation or agency policy and who may incur penalties involving administrative discipline. An example would be an employee who uses their government travel card in a manner that violates agency policy.

Civil cases

Civil cases generally involve potential violations of law for which the federal government's remedies include the ability to recover monetary damages from the wrongdoer—for example, a contractor who submits a false claim, such as billing an agency for work that was never performed.

We do not investigate violations of banking or consumer financial regulations. These matters are program operating responsibilities of the Board and the CFPB.

Investigative Process

Complaint evaluation

Incoming complaints initially undergo a limited evaluation to identify whether the potential violation is within our jurisdiction (typically 30 days).

Preliminary investigation

A preliminary investigation is a deeper evaluation of allegations of potential criminal activity during which ambiguous or incomplete information is clarified (typically 180 days). All lawful investigative methods may be used in a preliminary investigation except for electronic surveillance, physical searches, and acquisition of foreign intelligence information.

Full investigation

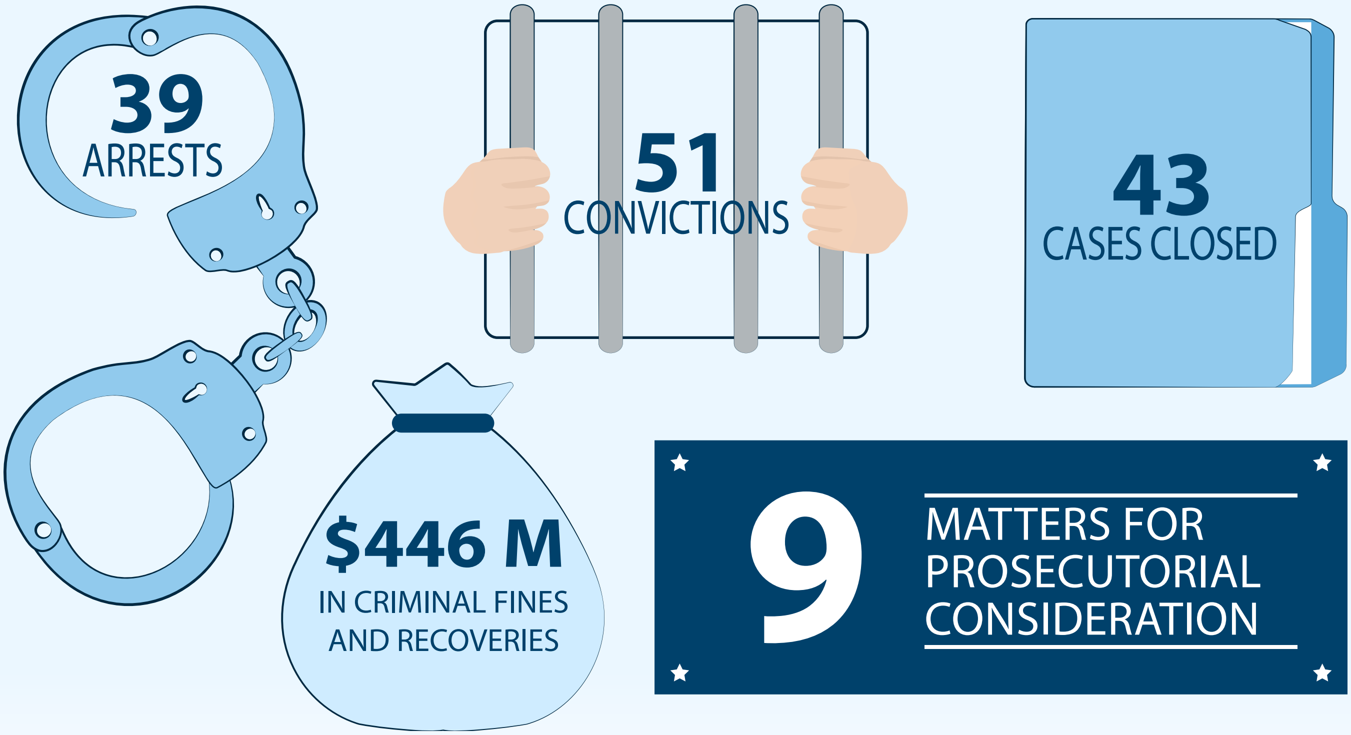
A full investigation is undertaken when an articulable, factual basis has been established that reasonably indicates that a federal crime may have been committed. All lawful investigative methods may be used in a full investigation.

Prosecution or administrative action

Prosecution involves formal charges by the U.S. Attorney's Office that may lead to an indictment, trial, conviction, or guilty plea; administrative action may lead to oral or written reprimands, suspension, debarment, or termination.

INVESTIGATIVE RESULTS AND CASE HIGHLIGHTS

OCTOBER 1, 2022–SEPTEMBER 30, 2023



STERLING BANCORP AGREED TO PLEAD GUILTY TO $69 MILLION SECURITIES FRAUD

Sterling Bancorp, a Michigan-headquartered bank holding company, agreed to plead guilty to securities fraud for filing false securities statements relating to its initial public offering (IPO) and subsequent annual filings. The company will be required to serve probation through 2026, submit to enhanced reporting obligations, and pay more than $27.2 million in restitution to deceived shareholders. The DOJ determined that a higher payment would threaten the continued viability of Sterling Bancorp and expose its shareholders to further risk.

In the leadup to its IPO, Sterling Bancorp and its subsidiary, Sterling Bank and Trust F.S.B., originated fraudulent residential mortgages. The loans, worth at least $5 billion, were offered without requesting typical documentation, such as applicants' tax returns or payroll records. Sterling Bancorp's founder and members of its senior management encouraged loan officers to falsify or conceal information from the underwriting department that would have disqualified borrowers. While artificially inflating its revenue through these loans, Sterling Bancorp lied about the loans' soundness in its IPO and subsequent public filings, defrauding investors. As a result of this fraud, Sterling Bancorp's noninsider victim-shareholders lost nearly $70 million.

We are conducting this investigation with the FBI, FDIC OIG, and the U.S. Postal Inspection Service (USPIS). The DOJ is prosecuting.

CEO OF CALIFORNIA COMPANY SENTENCED TO PRISON FOR $21 MILLION CRYPTOCURRENCY FRAUD

Michael Alan Stollery, chief executive officer (CEO) and founder of Titanium Blockchain Infrastructure Services Inc. (TBIS), was sentenced to 4 years and 3 months in prison for his role in a cryptocurrency fraud scheme involving TBIS's initial coin offering (ICO) that raised approximately $21 million from investors in the United States and overseas.

Stollery touted TBIS, a purported cryptocurrency investment platform, as a cryptocurrency investment opportunity, luring investors to purchase BARs, the cryptocurrency token or coin offered by TBIS's ICO, through a series of false and misleading statements. Although he was required to do so, Stollery did not register the ICO with the U.S. Securities and Exchange Commission (SEC), nor did he have a valid exemption from the SEC's registration requirements. To entice investors, Stollery falsified aspects of TBIS's white papers, which purportedly offered investors and prospective investors an explanation of the cryptocurrency investment offering, including the purpose and technology behind the offering, how the offering was different from other cryptocurrency opportunities, and the prospects for the offering's profitability. Stollery also planted fake client testimonials on TBIS's website and falsely claimed that he had business relationships with the Federal Reserve and dozens of prominent companies to create the false appearance of legitimacy. Stollery further admitted that he did not use the invested money as promised but instead commingled the ICO investors' funds with his personal funds, using at least a portion of the offering proceeds for expenses unrelated to TBIS, such as credit card debt and bills related to his Hawaii condominium.

We conducted this investigation with the FBI. The DOJ prosecuted.

FORMER WELLS FARGO EXECUTIVE AGREED TO PLEAD GUILTY TO OBSTRUCTING BANK EXAMINATION OF UNAUTHORIZED CUSTOMER ACCOUNTS

Carrie L. Tolstedt, the former head of Wells Fargo Bank's retail banking division, agreed to plead guilty to obstructing a government examination of the bank's widespread sales practices misconduct, which included opening millions of unauthorized customer accounts and other products. Tolstedt also agreed to serve up to 16 months in prison, be banned from working in the banking industry, and pay a $17 million civil penalty.

Tolstedt was Wells Fargo's senior executive vice president of community banking and was head of Community Bank, which operated Wells Fargo's consumer and small business retail banking business. Excessive sales goals led Community Bank employees to open millions of accounts and other financial products that were unauthorized or fraudulent. In the process, Wells Fargo collected millions of dollars in fees and interest, harmed customers' credit ratings, and unlawfully misused customers' sensitive personal information. Tolstedt obstructed the government's examination by failing to disclose information about the number of employees engaged in misconduct and the fact that Community Bank proactively investigated only a small percentage of employees who potentially engaged in misconduct. In 2020, Wells Fargo paid a $3 billion penalty in connection with these fraudulent sales practices.

We are conducting this investigation with the FBI, the FDIC OIG, the Federal Housing Finance Agency (FHFA) OIG, and the USPIS. The Office of the Comptroller of the Currency and the SEC provided substantial assistance. The U.S. Attorney's Offices for the Central District of California and the Western District of North Carolina are prosecuting.

CALIFORNIA RESIDENT SENTENCED TO PRISON FOR $6.6 MILLION PPP AND EIDL FRAUD

Muhammad Noor Ul Ain Atta was sentenced to 8.5 years in prison for fraudulently obtaining and illegally laundering more than $6.6 million in Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) funds. He was also ordered to pay over $6.6 million in restitution—the full amount he received.

Atta submitted 11 fraudulent PPP loan applications for seven of his shell companies. The fraudulent PPP loan applications misrepresented the number of employees and the average monthly payroll expenses of his companies and falsely certified that he would use the loan proceeds for permissible business purposes. Atta also submitted false tax and payroll documentation in support of his applications. Atta then laundered loan proceeds and deposited them in bank accounts in the United States and Pakistan. He also invested in financial instruments and purchased land in Pakistan.

We conducted this investigation with the IRS CI, SBA OIG, and the U.S. Treasury Inspector General for Tax Administration (TIGTA). The U.S. Attorney's Office for the Central District of California and the DOJ Fraud Section prosecuted.

External hard drives can contain key pieces of evidence.

CALIFORNIA RESIDENTS SENTENCED TO PRISON FOR $3 MILLION PPP AND EIDL FRAUD

Manuel Asadurian was sentenced to 51 months in prison for wire fraud affecting a financial institution in a scheme to obtain more than $1 million in PPP and EIDL funds. He was also ordered to pay over $1 million in restitution. His accomplice, Jeffrey Scott Hedges, was sentenced to 7 years in prison for conspiracy to commit wire fraud affecting a financial institution and one count of aggravated identity theft after attempting to obtain over $5 million in PPP and EIDL funds. Hedges was also ordered to pay over $2 million in restitution, the total funding he received.

Asadurian submitted 12 fraudulent PPP and EIDL applications on behalf of businesses he controlled, including LTL Enterprises LLC, Redline Performance LLC, and Diamond A Motorsports. Hedges submitted 18 fraudulent PPP and EIDL applications on behalf of companies he controlled, including West Coast Chassis, WCC Pro Touring, Von Schoff Apparel, and Hedges Corvette. The applications included false employee numbers, payroll expenses, tax documents, bank records, and certifications that the loans would be used for permissible business purposes. Once the PPP and EIDL applications were approved, they were deposited in bank accounts Asadurian and Hedges controlled. Asadurian and Hedges then used the fraudulently obtained loans for their personal benefit, including making mortgage payments on a personal residence, paying personal expenses, and purchasing luxury vehicles.

We conducted this investigation with the FBI, the FDIC OIG, the IRS CI, TIGTA, and the SBA. The U.S. Attorney's Office for the Central District of California prosecuted.

CEO OF CALIFORNIA RESIDENTIAL REENTRY HOME CONVICTED FOR $34 MILLION PPP FRAUD AND OTHER CRIMES

Attila Colar, former CEO of All Hands on Deck, was convicted of 44 counts involving $34 million in PPP fraud and other schemes. All Hands on Deck is a residential reentry home in California for individuals who are on probation or parole, are homeless, or have mild mental illness. The counts—which include conspiracy, bank fraud, wire fraud, aggravated identity theft, obstruction, and witness tampering—carry sentences of up to 30 years in prison and fines up to $1 million.

Colar submitted multiple PPP loan applications on behalf of All Hands on Deck that were false or misleading. He substantially overstated payroll, claiming as many as 81 employees when in fact he was the only salaried employee. He also submitted multiple fraudulent PPP loan applications in the name of other, bogus companies. He used the identities of two individuals living in his residential reentry facility, claiming they were CEOs of companies with million-dollar payrolls. In all, Colar submitted 16 fraudulent PPP loan applications seeking over $34 million. In another scheme, Colar fraudulently induced a company to refer parolees to All Hands on Deck using falsified fire inspection clearance reports, a false letter of recommendation, false security clearance documents, and false or misleading information about its staff.

We conducted this investigation with the FBI, the IRS CI, the SBA OIG, and TIGTA. The U.S. Attorney's Office for the Northern District of California is prosecuting.

OKLAHOMA RESIDENT INDICTED FOR PPP FRAUD

Legreasha Junice Alexander was indicted on four counts of wire fraud for submitting two fraudulent PPP loan applications and two PPP loan forgiveness applications to an SBA-approved lender in California. In the applications, Alexander falsely claimed that she operated a mobile food service business and made false statements about her adjusted gross income. The penalties for wire fraud are up to 30 years in prison and up to $1 million in fines. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

We are conducting this investigation with TIGTA. The U.S. Attorney's Office for the Northern District of Oklahoma is prosecuting.

FORMER NORTH DAKOTA BANK PRESIDENT AND CODEFENDANTS SENTENCED FOR BANK FRAUD

For his role in orchestrating loan fraud schemes while employed at two North Dakota financial institutions, Brady Torgerson was sentenced to 24 months in federal prison and 3 years of supervised release after pleading guilty to two counts of bank fraud. He was also ordered to pay $485,500 in restitution and a $200 special assessment. Brent Torgerson, Brady's father, was sentenced to time served (1 day), 1 year of supervised release, a $5,000 fine, and a ban from participating in banking for misapplication of bank funds in his role as vice president, branch manager, and loan officer at Union Bank; Kelly Huffman was sentenced to time served (1 day), 1 year of supervised release, and a $5,000 fine for misapplication of bank funds in his role as an employee at First Security Bank–West and Union Bank; and Tyler Hofland was sentenced to time served (1 day), 1 year of supervised release, and $98,163 in restitution for aiding and abetting bank fraud as a customer at First Security Bank–West.

As president of First Security Bank–West, Brady Torgerson funded loans without obtaining necessary financial information, security interest documents, or promissory notes. He also engaged in deceptive banking transactions by entering false information into the bank's computer system, increasing loans so that they exceeded the original loan amounts, and extending loan maturity dates to conceal his activities. Before that, while working as a loan officer at Union Bank, Brady Torgerson created fraudulent loan obligations that amounted to more than $450,000 in the names of three individuals who neither knew about the loans nor received the loan funds.

We conducted this investigation with the FDIC OIG and the FHFA OIG. The U.S. Attorney's Office for the District of North Dakota prosecuted.

TEXAS MAN SENTENCED TO OVER 2 YEARS IN PRISON FOR MONEY LAUNDERING CONSPIRACY

Joshua Roberts, a Texas resident and citizen of Ghana and the United Kingdom, was sentenced to 2 years and 3 months in prison, followed by 3 years of supervised release, and ordered to pay over $831,000 in restitution for conspiracy to commit money laundering. Roberts's prison sentence will run concurrently with a sentence he is serving for related crimes in a Georgia case.

Roberts established a sham company to launder funds gained through criminal activity. The funds were derived from a sophisticated scam that compromised legitimate business or personal email accounts to conduct unauthorized fund transfers. One of the attempted targets was a Board vendor.

His coconspirators were sentenced in a previous reporting period: Peggy McDowell Brown, of Kentucky, was sentenced to 2 years of probation and ordered to pay over $831,000 in restitution, and Olajide Samuel Agbaniyaka, of Georgia, was sentenced to 3 years and 1 month in prison, followed by 2 years of supervised release, and ordered to pay over $1.1 million in restitution.

We investigated this case with Homeland Security Investigations. The U.S. Attorney's Office for the Western District of Kentucky prosecuted.

Arrests are made when sufficient evidence is collected.

OKLAHOMA RESIDENT INDICTED FOR PPP FRAUD

Edson Vladimir Bellefleur was indicted on four counts of wire fraud for submitting two fraudulent PPP loan applications and two PPP loan forgiveness applications to an SBA-approved lender in California. In the applications, Bellefleur falsely claimed that he operated a mobile food service business and made false statements about his adjusted gross income. The penalties for wire fraud are up to 30 years in prison and up to $1 million in fines. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

We are conducting this investigation with TIGTA. The U.S. Attorney's Office for the Northern District of Oklahoma is prosecuting.

NEVADA RESIDENT PLEADED GUILTY TO PPP FRAUD WHILE ON FEDERAL PROBATION

Mikaela Marie Cuevas pleaded guilty to one count of wire fraud for filing fraudulent applications seeking thousands of dollars in loans guaranteed by the SBA under the Coronavirus Aid, Relief, and Economic Security Act. She faces up to 20 years in prison as well as monetary penalties.

According to court documents, Cuevas—while on probation for assaulting a federal law enforcement officer—submitted at least two fraudulent loan applications and received thousands of dollars of PPP funding she was not eligible to receive. She submitted the loan applications using a fake management consulting business. Shortly after receiving the PPP funds, she fraudulently filed loan forgiveness applications. In total, Cuevas caused a loss of about $47,000.

We conducted this investigation with the FBI, the IRS CI, the Las Vegas Metropolitan Police Department, and the SBA OIG. The U.S. Attorney's Office for the District of Nevada is prosecuting.

NEW JERSEY RESIDENT PLEADED GUILTY TO $850,000 PPP LOAN FRAUD

Butherde Darius pleaded guilty to money laundering and conspiracy to commit bank fraud for his role in fraudulently obtaining over $850,000 in PPP loans. The count of conspiracy to commit bank fraud carries a maximum penalty of 30 years in prison and a $1 million fine. The count of money laundering carries a maximum penalty of 10 years in prison and a maximum fine of $250,000.

Darius conspired with at least one other individual to submit a fraudulent PPP loan application to a lender and the SBA on behalf of his purported business, Fabulous Appetizers LLC. According to IRS records, many of the purported tax documents Darius submitted were never filed with the IRS. Darius also fabricated the existence of employees and the revenue of his business. Darius spent the loan proceeds on personal expenses.

We conducted this investigation with the FDIC OIG, the FHFA OIG, Homeland Security Investigations, the IRS CI, the U.S. Social Security Administration OIG, and the USPIS. The U.S. Attorney's Office for the District of New Jersey is prosecuting.

NEW JERSEY BUSINESS OWNER SENTENCED TO PRISON FOR $1.8 MILLION PPP FRAUD

Rocco A. Malanga was sentenced to 36 months in prison for bank fraud and money laundering to fraudulently obtain nearly $1.8 million in federal PPP loans. He was also sentenced to 3 years of supervised release and ordered to pay $1.8 million in restitution and $1.8 million in forfeiture.

While living in New Jersey, Malanga fraudulently submitted at least three PPP loan applications to three lenders on behalf of three business entities he owned in New Jersey and Florida. In the applications, he fabricated the number of individuals employed by each business entity as well as average monthly payrolls. Malanga then diverted some of the proceeds from the loans to fund a business that did not receive PPP loan funds.

We conducted this investigation with the FDIC OIG, the IRS CI, the U.S. Social Security Administration OIG, and the USPIS. The U.S. Attorney's Office for the District of New Jersey and the DOJ Criminal Division prosecuted.

NEW YORK BROTHERS PLEADED GUILTY TO $7.6 MILLION PPP RELIEF FRAUD

Larry Jordan and Sutukh El, brothers who own multiple businesses, submitted fraudulent applications in a scheme to obtain $7.6 million in PPP loans. Both pleaded guilty to conspiracy to commit bank fraud and wire fraud, while Jordan also pleaded guilty to bank fraud and engaging in monetary transactions in criminally derived property. The counts carry sentences of up to 30 years in prison and fines up to $1 million.

Jordan and El submitted eight fraudulent PPP loan applications on behalf of their companies. They made numerous false statements about their businesses and submitted fake documents, including bogus federal tax filings and payroll information, to support the applications. They then used the loan proceeds for personal investments, expenses, and home improvements.

We conducted this investigation with the FBI, the FDIC OIG, the FHFA OIG, and the SBA OIG. The DOJ and the U.S. Attorney's Office for the Western District of New York are prosecuting.

CEO OF PPP LENDER MBE CAPITAL SENTENCED IN NEW YORK TO 54 MONTHS IN PRISON AND RESTITUTION FOR $823 MILLION PPP FRAUD

Rafael Martinez, CEO and primary owner of MBE Capital Partners, was sentenced to 54 months in prison for conspiracy to commit wire fraud in connection with an $823 million PPP loan and lender fraud scheme. He was also sentenced to 3 years of supervised release and ordered to pay over $71 million in restitution and forfeit nearly $45 million along with multiple properties and luxury vehicles.

Martinez used false representations and documents to fraudulently obtain SBA approval for his company, MBE Capital Partners, to be a nonbank PPP lender. After MBE was approved, Martinez issued $823 million in PPP loans to about 36,600 businesses. Those loans earned Martinez over $71 million in lender fees. In addition, Martinez schemed to obtain a PPP loan of over $283,000 for MBE through false statements about employees and wages using the forged signature of MBE's tax preparer. Martinez spent the proceeds from his criminal conduct on, among other things, a $10 million villa in the Dominican Republic; a $3.5 million mansion in New Jersey; a chartered jet service; and several luxury vehicles, including a Bentley, a BMW, a Ferrari, a Mercedes-Benz, and a Porsche.

We conducted this investigation with the IRS CI and the SBA OIG. The U.S. Attorney's Office for the Southern District of New York prosecuted.

Our armorers have the tools and training to ensure the safe operation of issued firearms.

SOCIAL MEDIA INFLUENCER PLEADED GUILTY IN MARYLAND TO $1.2 MILLION PPP AND EIDL FRAUD SCHEME

Denish Sahadevan, of Maryland, pleaded guilty to wire fraud, aggravated identity theft, and money laundering in a $1.2 million PPP and EIDL fraud scheme. The charges carry up to 20 years in prison. Sahadevan will be required to pay at least $429,000 in restitution; he will also forfeit a gold, physical Bitcoin and about $17,000 in cash, proceeds from the scheme that were seized during a search of his residence.

Sahadevan submitted fraudulent PPP and EIDL applications on behalf of four Maryland entities he controlled. He created bogus documents, such as tax forms and bank statements, for the applications. He also used the identifying information of a tax preparer he knew, without that person's knowledge or agreement, to legitimize the tax forms. Sahadevan applied for about 71 PPP loans totaling more than $941,000 and successfully obtained about $146,000. He also applied for and received 8 EIDLs totaling more than $283,000. Sahadevan then laundered the money by purchasing and trading securities and cryptocurrency, settling personal debts, and making payments to his girlfriend.

We conducted this investigation with the FBI. The U.S. Attorney's Office for the District of Maryland is prosecuting.

BANK TELLER PLEADED GUILTY TO STEALING NEARLY $90,000 DEPOSITED BY GEORGIA CONVENIENCE STORE

Kayla Monroe Evans pleaded guilty to skimming nearly $90,000 from a Georgia convenience store's deposits while working as a teller at Synovus Bank, a state member bank. She faces up to 30 years in prison, along with substantial fines and restitution, followed by up to 3 years of supervised release.

For nearly 2 years, Evans handled the convenience store's deposits. An auditor for the store began noticing substantial differences between the amount of cash presented to the bank compared with the amount actually deposited. The investigation discovered that Evans was frequently skimming large amounts of cash from the deposits for her personal use, stealing almost $90,000 in total. As part of her plea, Evans agreed to pay restitution for the full loss to the store and to never seek employment in any financial institution.

We conducted this investigation with the Candler County Sheriff's Office, the District Attorney's Office for the Middle Judicial Circuit, and the Georgia Bureau of Investigation. The U.S. Attorney's Office for the Southern District of Georgia is prosecuting.

FLORIDA MAN SENTENCED TO PRISON AND RESTITUTION FOR $2.5 MILLION COVID RELIEF FRAUD

Vinicius Santana, a Florida resident and owner of Massachusetts-based painting company Complete Home Care, was sentenced to 29 months in prison, followed by 3 years of supervised release, and ordered to pay restitution of $2.5 million for filing fraudulent applications to obtain $2.5 million in PPP loan funds.

Santana submitted four PPP loan applications on behalf of his painting business. The first three applications, in which Santana allegedly listed 5 employees and an average monthly payroll between $10,000 and $18,000, were denied. In the fourth application, Santana allegedly falsely claimed to have 154 employees and an average monthly payroll of $1 million. The fourth application was approved, and a bank issued Santana's company a $2.5 million loan. After receiving the funds, Santana allegedly misused the loan proceeds to buy cars and invest in cryptocurrency.

We investigated this case with the FBI, the FDIC OIG, and the USPIS. The U.S. Attorney's Office for the District of Massachusetts prosecuted.

TAX OFFICER, FIVE OTHERS, CHARGED IN CALIFORNIA FOR MULTIMILLION-DOLLAR PPP FRAUD

Six individuals face a variety of charges for alleged schemes to fraudulently obtain millions of dollars in PPP loans. Frank Mosley, a former IRS revenue officer and current City of Oakland tax enforcement officer; his brother Reginald Mosley; Marcus Wilborn; Aaron Boren; and Scott Conway were charged with conspiracy to commit bank fraud, which carries up to 30 years in prison. Frank and Reginald Mosley were also charged with aiding and advising in the filing of false tax returns, which carries a sentence of up to 3 years in prison. Kenya Ellis was charged in a separate case with bank fraud, which carries a sentence of up to 30 years in prison.

The defendants may also be ordered to pay restitution and additional assessments and be required to serve periods of supervised release. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

According to the allegations, Frank and Reginald Mosley submitted a fraudulent PPP loan application for Forward Thinking Investors, which they controlled. After receiving over $1 million in loan proceeds, Reginald Mosley recruited acquaintances, including Wilborn, Boren, and Conway, to submit additional fraudulent applications. They submitted applications on behalf of four entities they claimed had dozens of employees and monthly payrolls up to $430,000. However, the entities were merely shell companies with no payroll expenses. The defendants received some $3 million in loan proceeds, which they then used for significant personal expenses, personal credit cards, personal investments, and distributions to their family members. Frank and Reginald Mosley also filed fraudulent tax returns with the IRS in an attempt to cover up their scheme. Ellis allegedly aided and advised Frank and Reginald Mosley and others in submitting fraudulent PPP loan applications, while fraudulently obtaining for herself more than $296,000 in PPP and other COVID-19 pandemic–related loans.

We conducted this investigation with the IRS CI and the SBA OIG. The U.S. Attorney's Office for the Northern District of California is prosecuting.

KANSAS CITY BANK MANAGER INDICTED FOR $12.4 MILLION PPP FRAUD AND UNEMPLOYMENT BENEFITS FRAUD

Anthony Omar Brockman, a former bank branch manager, was indicted for accepting gifts in exchange for facilitating a $12.4 million PPP loan fraud scheme. He was also charged for a scheme to receive over $11,000 in unemployment benefits. The fact that a defendant has been charged with a crime is merely an accusation, and a defendant is presumed innocent until and unless proven guilty.

The indictment alleges that Brockman facilitated fraudulent PPP loan applications for Tod Ray Keilholz, the owner of TRK Construction and three other Missouri businesses. Keilholz was charged separately for his role in a more than $27.1 million bank fraud scheme that included over $12.4 million in PPP loans. In exchange for his help securing the loans, Brockman accepted a new Chevrolet Tahoe and National Football League playoff tickets, which Keilholz bought with his fraudulently gained loan proceeds. Further, Brockman signed an affidavit gifting the vehicle to Rich Boy Prep, a charity of which his wife was the CEO, but instead sold the vehicle.

We conducted this investigation with the FBI, the FDIC OIG, the IRS CI, the SBA OIG, and TIGTA. The U.S. Attorney's Office for the Western District of Missouri is prosecuting.

TWO LOAN BROKERS AND A LOAN OFFICER PLEADED GUILTY IN MASSACHUSETTS TO BANK FRAUD CONSPIRACY

Ted Capodilupo and Joseph Masci, operators of a loan brokerage business, pleaded guilty to conspiracy to commit bank fraud against a Massachusetts-based bank and the SBA. Brian Ferris, a loan officer at the bank, also pleaded guilty to conspiracy to commit bank fraud. The charges carry sentences of up to 30 years in prison and 5 years of supervised release; a fine of up to $1 million or twice the defendants' gain or victims' loss, whichever is greater; restitution; and forfeiture.

Capodilupo, Masci, and Ferris agreed to defraud the bank and the SBA by submitting fraudulent loan applications to the bank, which administered the SBA's small business express loan program. Capodilupo and Masci submitted dozens of fraudulent applications on behalf of borrowers who were ineligible for traditional business loans. They misrepresented, among other things, the identity of the real loan recipients and the businesses the loans were sought for, and they falsified documents supporting the applications. Capodilupo and Masci charged borrowers fees for obtaining these fraudulent loans. Ferris, who worked as a loan officer at the bank, caused the bank to issue the loans in exchange for a kickback of about $500 per loan. The scheme generated about $270,000 in fees for Capodilupo and Masci. Many of the loans ultimately defaulted, resulting in substantial losses to the bank.

We conducted this investigation with the FBI, the FDIC OIG, and the SBA OIG. The U.S. Attorney's Office for the District of Massachusetts is prosecuting.

OKLAHOMA RESIDENT PLEADED GUILTY TO PPP FRAUD

Malcolm Andre Jones pleaded guilty to wire fraud in a scheme to defraud the SBA of PPP funds. He faces up to 30 years in prison and $1 million in fines.

Jones knowingly submitted a fraudulent PPP loan application to an SBA-approved lender. In the application, Jones falsely claimed that he operated a landscaping business and that all loan proceeds would be used for business-related purposes. Instead, he used the $20,665 in loan proceeds for nonbusiness expenses, including paying bills and buying furniture and an automobile. Jones further fraudulently submitted a forgiveness application for the loan, which was approved.

We conducted this investigation with the SBA OIG. The U.S. Attorney's Office for the Northern District of Oklahoma is prosecuting.

FORMER LOUISIANA ASSISTANT DISTRICT ATTORNEY AND TWO ASSOCIATES CONVICTED FOR DEFRAUDING FIRST NBC BANK

Glenn E. Diaz, former St. Bernard Parish assistant district attorney, and two associates, Peter J. Jenevein and Mark S. Grelle, were convicted of dozens of bank fraud and money laundering charges for defrauding First NBC Bank out of more than $550,000. The counts carry sentences of up to 30 years in prison and 3 years of supervised release, plus fines up to the greater of $1 million or twice the gain to the defendants or loses to the victims.

Diaz, Jenevein, and Grelle conspired to defraud First NBC Bank through a series of false invoices for work purportedly done at a Florida warehouse owned by Diaz. A customer of First NBC Bank, Diaz had been overdrawing his checking account for purported business expenses but was instead depositing these overdrafts into his personal account at another bank. After First NBC Bank officers began requiring Diaz to prove that the funds were used for business expenses, Diaz had Jenevein provide invoices for work performed by Grelle's company, Grelle Underground Services LLC. The defendants also sent fraudulent documents to First NBC Bank to support the disbursements of money from the bank that purportedly reimbursed Diaz for additional fraudulent business costs. Bank officers approved the overdrafts based on these invoices and supporting materials. However, after Diaz wrote the check to Grelle's company, Grelle would then write a check back to Diaz. Diaz would deposit the money into his personal account and use it for personal and business expenditures unrelated to the Florida warehouse project. In total, Diaz, Jenevein, and Grelle executed 17 round-trip transactions.

We conducted this investigation with the FBI and the FDIC OIG. The U.S. Attorney's Office for the Eastern District of Louisiana is prosecuting.

FORMER FIRST NBC BANK PRESIDENT SENTENCED IN LOUISIANA TO 14 YEARS IN PRISON AND $214 MILLION RESTITUTION FOR FRAUD THAT CAUSED BANK'S FAILURE

For his role in a fraud scheme leading to the failure of the $5 billion First NBC Bank, Ashton J. Ryan Jr., former president and CEO, was sentenced to 170 months in prison after being convicted of all 46 counts against him, including bank fraud, conspiracy to commit bank fraud, and making false entries in bank records. He was also sentenced to 3 years of supervised released and ordered to pay $214 million in restitution. Based in New Orleans, the bank was a subsidiary of the Board-supervised First NBC Bank Holding Company. The bank's failure cost the FDIC's Deposit Insurance Fund just under $1 billion.

In the long-running scheme, Ryan and several other executives conspired with borrowers to defraud the bank. The executives extended loans to the borrowers, who were unable to repay the loans, and then extended new loans to the borrowers to cover the existing loans. Ryan and the executives enriched themselves through fees earned on the loans while concealing their actions—and the true financial condition of the bank—from the board of directors and outside auditors and examiners. By the time the bank collapsed, these bogus loans totaled hundreds of millions of dollars.

We conducted this investigation with the FBI and the FDIC OIG. The U.S. Attorney's Office for the Eastern District of Louisiana prosecuted.

Surveillance plays a role in many investigations.

UPDATES TO OUR FIREARMS TECHNOLOGY

A special agent conducts firearms training as part of our transition to pistol-mounted optics.

As part of the Office of Investigations' efforts to stay up to date on technological improvements and trends in law enforcement and the firearms industry, we have recently updated our handguns and are in the process of updating our optics.

Lighter Handguns

Our new handguns are lighter, which makes them easier to operate and less burdensome to carry. Special agents carry a handgun for up to 12 hours a day, so a lighter firearm can make a big difference.

> The U.S. attorney general vests our special agents with the authority to carry firearms, seek and execute search and arrest warrants, and make arrests without a warrant in certain circumstances.

Red Dot Sights

Our new optics are red dot sights, which create an illuminated red dot on the target that's only visible to the user. These optics provide several advantages over traditional iron sights, which require the user to visually align the front and rear sights.

Red dot sights help special agents acquire the sight of the target more quickly, and they also improve accuracy for long-range shots. In addition, unlike traditional sights, which require users to shift their focus, special agents who are using red dot sights can keep both eyes open and on the target. Follow-up shots are also more accurate with red dot sights, and red dot sights are more effective than traditional sights in low-light environments. As a result of these advantages, red dot sights increase officer safety during critical incidents.

Training for Updated Firearms Technology

While our new handguns and optics are generally considered easier to use than the technology they replace, any new technology comes with a learning curve. Our firearms instructors have attended red dot instructor schools to prepare them to implement our conversion to red dot sights, and special agents are undergoing dedicated training on our new firearms equipment in addition to completing their required firearms qualifications every quarter. The new technology is being rolled out on a regional basis, and we expect all regions to have it by the end of 2024.

Special agents with additional responsibilities—such as operating rifles, which may be used during law enforcement operations with a potentially heightened risk or during other critical incidents—complete additional specialized training.

Helping Special Agents Safely Accomplish Our Mission

In addition to providing ongoing training for our special agents, we continually research and evaluate technological developments and trends in the law enforcement community. While our tools and technology change over time, our goal remains the same: to prepare our special agents to carry out their work safely and effectively.

Our armorers conduct routine maintenance and inspections of issued firearms.

TRAINING FOR OIG SPECIAL AGENTS

OIG special agents engaged in down-and-disabled-officer shooting training.

White-collar crime investigations involve myriad law enforcement skills that special agents develop through years of training and experience. In fact, an OIG special agent's training never ends.

Special Agent Candidates

The OIG hires new special agents as well as special agents from other government agencies who may already have years of law enforcement experience. Special agent candidates must meet a set of physical requirements, such as having good vision and hearing. They also must be

under 37 years old and have a bachelor's degree. Most important, before new hires can become special agents, they must successfully complete a comprehensive federal training course in criminal investigation.

Criminal Investigator Training Program: Law Enforcement Basics

All special agents are required to pass an 11-week course called the Criminal Investigator Training Program (CITP) through the Federal Law Enforcement Training Centers (FLETC). CITP is held on the FLETC campus in Glynco, Georgia, and incorporates lectures, laboratory work, practical exercises, and written exams to teach arrest and search techniques, self-defense, marksmanship, and other skills. In addition to CITP, newly hired first-time special agents also take an OIG-specific course, while current special agents participate in a shorter transitional training.

During CITP, trainees work a simulated case—for example, an allegation that computers have been stolen and are being sold online—and use that case to practice skills they are learning, including interviewing suspects and witnesses, performing surveillance and undercover operations, writing and executing search and arrest warrants, writing a criminal complaint, obtaining an indictment, and testifying in a courtroom hearing. Special agents must learn not only how to work within the parameters of the law, but also how to protect themselves when people don't comply with lawful commands.

Most federal law enforcement agencies send their special agents to CITP (some agencies, like the FBI and the Drug Enforcement Administration, are large enough to have their own training programs). Living and training alongside investigators working for other agencies helps special agents make contacts and build relationships that can be useful throughout their careers. Many special agents enjoy the camaraderie that develops among the trainees.

Trainees must endure paramilitary-style training, including living in dorms, wearing uniforms, adhering to regimented schedules, running in cadence, and embracing a team mentality. They must also balance the academic course load and physical demands with the challenges that come from being away from home for several months. Getting through the program requires commitment, mental and physical toughness, and grit.

IG Investigator Training Program: OIG-Specific Training

Within their first year of OIG employment and within 3 to 6 months of completing CITP, special agents take the CIGIE IG Investigator Training Program. In this 3-week course, also held in Glynco, Georgia, special agents learn how to apply the framework of legal considerations and tactical training to the OIG environment. They also learn about the authorities, duties, responsibilities, and obligations associated with the Inspector General Act of 1978, as amended. Topics covered include IG subpoenas, employee misconduct investigations, and government workplace searches, among many others.

Specialized Training: Developing Expertise

Many special agents also pursue specialized training in areas such as computer forensics; undercover operations; firearms; and control tactics, a term for defensive tactics that emphasize proactive physical control of the situation. These specialized training classes can be weeks or months long. Other special agents have developed expertise in bank fraud, money laundering, the Bank Secrecy Act, or other financial topics. Many OIG special agents are also qualified to teach specialized training courses.

Having special agents who specialize in different areas ensures that the OIG will be prepared to investigate a variety of cases. For example, if a special agent is interviewing a banker, the agent must have enough subject-matter knowledge to understand whether the banker's responses make sense and to know which follow-up questions are appropriate.

Ongoing Training: Maintaining Skills and Knowledge

Special agents also complete a variety of ongoing training assignments. Every quarter, for example, special agents must pass a firearms training that involves a qualification course for several firearms and long guns. Special agents must achieve a certain accuracy score each time.

Special agents also undergo annual training on several topics, including flying armed on airplanes, safety around blood-borne pathogens, and ethics. Every 3 years, special agents take additional training on a variety of topics, including a legal refresher course, first aid and CPR, physical conditioning and defensive tactics, arrest techniques, and intermediate weapons.

Ongoing training can be time intensive, but it's important to stay up to date on laws and law enforcement practices, which change periodically. Training also ensures that special agents maintain the skills and knowledge that they might not use regularly. And while the training covers a wide range of topics, this scope reflects the extensive skill set required by the job.

Meeting Evolving Demands

The financial and regulatory environment is always changing, so special agents must ensure that they have the right skills and mindset to meet evolving demands. In interviews, special agents emphasized how having a mindset of constantly striving to improve and ensuring that they were well prepared helped them succeed—and stay safe—on the job. Ultimately, training builds the foundation of skills and knowledge special agents need to help the OIG combat fraud, waste, and abuse.

READ MORE ABOUT WHAT WE DO ON OUR WEBSITE.

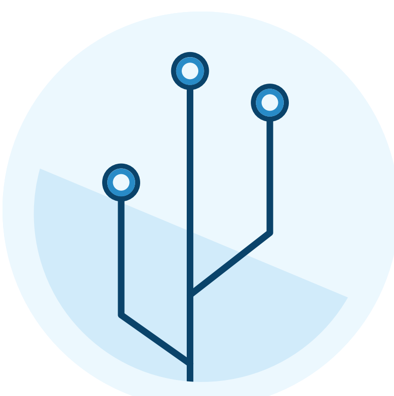
MORE ABOUT THE OIG

Audits and Evaluations

Auditors conduct audits and evaluations of the economy, efficiency, and effectiveness of the programs and operations of the Board and the CFPB; the agencies' compliance with applicable laws and regulations; the effectiveness of their internal controls; and the presentation and accuracy of the Board's and the Federal Financial Institutions Examination Council's financial statements.

Front Office

Front office staff plan and execute our strategic direction, manage communications, execute our internal quality assurance function, provide general support for our information technology (IT) infrastructure, and provide administrative and human resources services.



Information Technology

IT auditors conduct audits and evaluations of the economy, efficiency, and effectiveness of the IT programs and systems of the Board and the CFPB. These audits focus on information security controls, systems development, operations, investment, and contractor support. IT staff also provide data analytics support for audits, evaluations, and investigations.

Legal Services

Attorneys advise the IG and staff on all legal matters and provide strategic analysis, counseling, research, and representation. Legal staff also conduct legislative and regulatory reviews and manage congressional and media relations.

OIG HOTLINE

Help the Board and the CFPB work efficiently; effectively; and free of fraud, waste, and abuse.

What should I report?

- Violations of federal laws or agency policies
- Contract and procurement irregularities
- Travel card or purchase card fraud
- Ethics violations or conflicts of interest by agency officials
- Employee misconduct
- Theft or abuse of property
- Obstruction of agency operations, such as providing false information to regulators
- Waste or mismanagement of funds or government resources

Am I protected?

We will not disclose your identity except in rare circumstances where it's unavoidable. Further, Board and CFPB employees are protected by law from reprisals or retaliation for contacting us. Reserve Bank staff should refer to their Reserve Bank policy.

What happens after I report?

We evaluate the complaint and, if appropriate, refer our findings to the Board or the CFPB for administrative action (for example, taking personnel action against the offender) or to the DOJ for criminal or civil action.

How do I report?

oig.federalreserve.gov/hotline
oig.consumerfinance.gov/hotline

1-800-827-3340

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Mail Center I-2322
Washington, DC 20551

Hotline

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Consumer Financial Protection Bureau

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20th Street and Constitution Avenue NW
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OIG Hotline
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