

Latest PPP Fraud Settlement Showcases Civil and Criminal Penalties for Knowingly Submitting False Claims

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The Department of Justice (“DOJ”) continues racking up more settlement agreements under the False Claims Act, 31 U.S.C. § 3729 *et seq* (“FCA”) with companies and individuals alleged to have improperly used funds received through the Paycheck Protection Program (“PPP” or “Program”). The latest PPP fraud settlement illustrates that attempts to fraudulently obtain forgiveness of PPP loans used for ineligible expenses invites potential liability under the FCA in addition to liability under its criminal counterpart, 18 U.S.C. § 287.

On March 25, 2022, the U.S. Attorney’s Office for the Eastern District of Washington announced a global criminal and civil settlement between the U.S. government and HPM Corporation (“HPMC”), Grover C. Mooers (“Mr. Mooers”), and Hollie P. Mooers (“Ms. Mooers”) (collectively, “Defendants”). This global criminal and civil settlement included a criminal Deferred Prosecution Agreement (“DPA”) and a civil FCA Settlement Agreement (“Settlement Agreement”) (collectively, “Agreements”). Under the Agreements, the government alleged that Defendants knowingly submitted false statements and certifications to the Small Business Administration (“SBA”) when seeking forgiveness of a PPP loan.

Specifically, the Defendants admitted the following facts in the Agreements: On April 3, 2020, HPMC, through Mr. Mooers, applied for a PPP loan, which required him to certify that the funds would be used for Program-eligible purposes, like payroll or certain mortgage interest payments. The SBA approved the loan, and HPMC received \$1,344,700 on April 17, 2020. Upon receipt of these funds, HPMC held the funds in a checking account for over a year, unused. On April 6, 2021, while the loan proceeds still sat idle in HPMC’s checking account, HPMC applied for forgiveness. Mr. Mooers certified on the loan forgiveness application that (i) the money HPMC received a year ago had been used for Program-eligible expenses, (ii) that Mr. Mooers had verified that the funds sought to be forgiven were used for Program-eligible expenses, (iii) that all statements made in the application were true and correct, and (iv) that Mr. Mooers understood the government could recover the loan amounts and civil or criminal penalties for knowingly

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using these funds for unauthorized purposes. The SBA then forgave the full loan amount—both principal and interest totaling \$1,358,184.35—on April 13, 2021, thereby transferring this amount to HPMC's lender (who also received a lender fee of \$40,341.00 from the government). However, according to the admitted facts in the Agreements, HPMC did not use its PPP loan for Program-eligible purposes. In fact, after receiving forgiveness of the loan, on July 1, 2021, the sum of \$1,344,700 was transferred from HPMC to Mr. and Ms. Mooers' personal checking account at Community Bank, where they later distributed the funds to various charities.

The Agreements also recognize that HPMC was a government contractor for the Department of Energy ("DOE"), and that DOE had continued making contract payments to HPMC from April 3, 2020 through April 6, 2021—the date HPMC applied for PPP funds and the date that HPMC applied for forgiveness of those funds.

Based on these admitted facts, the Settlement Agreement's terms require HPMC to pay a total of \$2,939,400, which accounts for \$1,344,700 as restitution for the original loan amount and another \$1,344,700 as a penalty to the U.S. government. Further, the Settlement Agreement's terms require Mr. and Ms. Mooers to pay \$250,000 as a penalty to the United States, and that Mr. Mooers steps down from his current role at HPMC and that he shall not serve any other role in managing or advising HPMC for at least three years.

Under the DPA, HPMC waived indictment and consented to the filing of a one-count information alleging a violation of 18 U.S.C. § 287 for submitting false and fraudulent claims to the United States. The government agreed to defer prosecution of the charge for three years, contingent upon, *inter alia*, HPMC acknowledging responsibility for its conduct, making the payments required under the Settlement Agreement, undertaking an independent audit of HPMC's financial practices, preventing Mr. Mooers from serving in any managerial capacity, and cooperating fully with the government. If HPMC complies with its obligations, the government will dismiss the charge at the end of the three-year deferral period.

The Agreements showcase the civil and criminal consequences that businesses and individuals may face if seeking forgiveness of PPP loans where those funds have been used improperly. To stay updated on these developing topics, check out Dorsey's [FCA Now](#) blog and [FCA Case Tracker](#) for the latest FCA and PPP fraud news.