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Description of document: Final Reports from Federal Trade Commission (FTC)
Office of Inspector General (OIG) Investigations closed
during 2023 and 2024

Requested date: 06-March-2025

Release date: 29-April-2025

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Source of document: Freedom of Information Act Request
Office of General Counsel
Federal Trade Commission
600 Pennsylvania Avenue, NW, NW H-585
Washington, DC 20580
Fax: (202) 326-2477
Email: FOIA@ftc.gov
[FTC FOIA Portal](#)
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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, DC 20580

April 29, 2025

Sent via Email

Re: FOIA-2025-01312

This is a response from the Federal Trade Commission ("FTC") to your Freedom of Information Act ("FOIA") request dated March 6, 2025, seeking access to copies of final reports, reports of investigation, closing reports, closing memos or other conclusory documents from each OIG Investigation closed during Calendar Year 2023 and/or Calendar Year 2024.

In accordance with the FOIA and agency policy, we used appropriate methods to carry out a reasonable, good faith search for responsive records beginning on March 10, 2025. *See Iturralde v. Comptroller of Currency*, 315 F.3d 311, 315 (D.C. Cir. 2003); *see also e.g. Morley v. CIA*, 508 F.3d 1108, 1114 (D.C. Cir. 2007). We have located 25 pages of responsive records. Under the FOIA foreseeable harm standard, we reasonably foresee that full disclosure of these responsive records would harm an interest protected by one or more of the FOIA exemptions applied. 5 U.S.C. § 552(a)(8)(A)(i). Therefore, we are releasing 25 pages of responsive records and withholding portions of the records based on the reasons explained below.

Some portions of the responsive records contain personally identifiable information. This information is exempt from release under FOIA Exemption 6, 5 U.S.C. § 552(b)(6), because individuals' right to privacy outweighs the general public's interest in seeing personal identifying information. *See The Lakin Law Firm v. FTC*, 352 F.3d 1122 (7th Cir. 2003).

Some portions of the responsive records are exempt from disclosure under FOIA Exemption 7(A), 5 U.S.C. § 552(b)(7)(A), because disclosure of that material could reasonably be expected to interfere with the conduct of the Commission's law enforcement activities. *See NLRB v. Robbins Tire & Rubber Co.*, 437 U.S. 214 (1978).

Some of the records contain personal identifying information compiled for law enforcement purposes. This information is exempt for release under FOIA Exemption 7(C), 5 U.S.C. § 552(b)(7)(C), because individuals' right to privacy outweighs the general public's interest in seeing personal identifying information.

Some of the records were obtained on the condition that the agency keep the source of the information confidential and are exempt from disclosure under FOIA Exemption 7(D), 5 U.S.C. § 552(b)(7)(D). That exemption is intended to ensure that "confidential sources are not lost because of retaliation against the sources for past disclosures or because of the sources' fear of future disclosures." *Brant Constr. Co. v. EPA*, 778 F.2d 1258, 1262 (7th Cir. 1985).

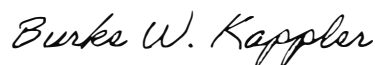
Some information is exempt from disclosure under FOIA Exemption 7(E), 5 U.S.C. § 552(b)(7)(E). Exemption 7(E) protects information that would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law. *See Foster v. DOJ*, 933 F. Supp. 687 (E.D. Mich. 1996).

Please note that a detailed description of each record located is not required unless the requester has exhausted all administrative remedies and pursued litigation in the federal district court. *See Vaughn v. Rosen*, 484 F.2d 820 (D.C. Cir. 1973); *see also, e.g., Jud. Watch, Inc. v. Clinton*, 880 F. Supp. 1, 11 (D.D.C. 1995). At the administrative stage of the FOIA process, the agency's response to a FOIA request need only provide "the reasons" for its determination, which include, "most obviously, the specific exemptions that may apply." 5 U.S.C. § 552(a)(6)(A)(i); *see also Citizens for Responsibility & Ethics in Washington v. FEC*, 711 F.3d 180, 186 (D.C. Cir. 2013).

If you have any questions about the way we handled your request or about the FOIA regulations or procedures, please contact Lindsay Robinson at lrobinson@ftc.gov. If you are not satisfied with this response to your request, you may appeal by writing to Freedom of Information Act Appeal, Office of the General Counsel, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580, or via email at FOIAAppeal@ftc.gov, within 90 days of the date of this letter. Please enclose a copy of your original request and a copy of this response.

You also may seek dispute resolution services from the FTC FOIA Public Liaison Richard Gold via telephone at 202-326-3355 or via e-mail at rgold@ftc.gov; or from the Office of Government Information Services via email at ogis@nara.gov, via fax at 202-741-5769, or via mail at National Archives and Records Administration, Office of Government Information Services, 8601 Adelphi Road, College Park, MD 20740. Please note that the FOIA Public Liaison's role relates to comments, questions, or concerns that a FOIA Requester may have with or about the FOIA Response. The FOIA Public Liaison's role does not relate to taking action in matters of private controversy nor can they resolve individual complaints.

Sincerely,



Burke W. Kappler
Assistant General Counsel

Attachment(s)

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

January 17, 2023

MEMORANDUM

TO: Andrew Katsaros
Inspector General

FROM: Noel Rosengart
Assistant Inspector General for Investigations

Marissa Gould
Deputy IG and Counsel to Inspector General

SUBJECT: Closing Memo (I-22-212)

On February 26, 2022, AIGI Noel Rosengart was contacted by prosecutors from the United States Attorney's Office, Southern District of Texas, requesting the production of any and all fraudulent identity theft reports purportedly submitted by defendants William Lucas, Deborah Lucas, and Brian Corpian, in Consumer Sentinel Network (CSN). The FTC OIG identified and provided 12 and 8 identity theft reports submitted by Brian Corpian and William Lucas, respectively, primarily in July and November 2018 and March and May 2020.

By way of background, William and Deborah Lucas, husband and wife, along with Corpian, who is Deborah Lucas' son, claimed to be pastors at Jesus Survives Ministries (JSM), a now defunct church which has had no services for almost the entire past decade. Since 2014, the three defendants made false statements regarding their payroll at JSM in submitting car loan applications for purchases of cars which they never had any intention of paying for. As a result, William and Deborah Lucas were able to obtain several cars through these false applications.

Additionally, shortly after the enactment of Coronavirus Aid, Relief and Economic Security (CARES) Act, William Lucas applied for multiple Economic Injury Disaster Loan (EIDL Program and Paycheck Protection Program (PPP) loans from numerous banks. In loan applications, William Lucas made false statements and provided false documents regarding JSM, including that JSM had gross revenues of almost a million dollars in 2019. The intended loss to banks totaled hundreds of thousands of dollars, including one bank approving a PPP loan of \$50,000 for JSM.

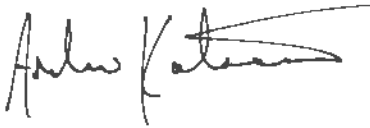
On September 17, 2020, William Lucas, Deborah Lucas, and Brian Corpian were charged with Conspiracy to Commit Bank and Wire Fraud, (18 U.S.C. § 1349); False Statement to a Bank (18 U.S.C.

§1014); and Wire Fraud (18 U.S.C. § 1343). On April 14, 2022, a superseding indictment was filed against defendants to include charges of Money Laundering (18 U.S.C. §1957) and False Statements to the Federal Trade Commission (18 U.S.C. §1001). Finally, a second superseding indictment was filed on November 30, 2022, to include Tampering With a witness, victim, or an informant (18 U.S.C. §1512).

In early December 2022, all three defendants pled guilty before a U.S. Magistrate Judge to Count 1 of the second superseding indictment, 18 U.S.C. §1349 (Conspiracy to Commit Bank and Wire Fraud.) All three defendants admitted to making false statements to the FTC based upon three identity theft reports provided by the FTC OIG and using false documents regarding the church to fraudulently obtain loan proceeds from various banks. All three defendants will be sentenced on May 11, 2023, at which time each will face up to 30 years in prison and a possible \$1 million fine.

As a result of the guilty pleas by subjects William Lucas, Deborah Lucas, and Brian Corpian, the OIG has concluded its investigative efforts. This matter is now closed.

Approved:

A handwritten signature in black ink, appearing to read "Andrew Katsaros", with a long horizontal flourish extending to the right.

Andrew Katsaros, Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

May 7, 2024

MEMORANDUM

TO: Andrew Katsaros
Inspector GeneralFROM: Noel Rosengart
AIGI

SUBJECT: Closing Memo (I-22-226)

On April 4, 2024, the Federal Trade Commission (FTC) Office of Inspector General (OIG) received a referral from Lorielle Pankey, Designated Agency Ethics Official (DAEO), Office of General Counsel (OGC), regarding a possible violation of 18 U.S.C. § 208(a), *Acts Affecting a Personal Financial Interest*, by (b)(6) Western Region Los Angeles (WRLA). According to OGC's referral memorandum, (b)(6) contacted the ethics team on February 13, 2024, to obtain advice about a potential conflict of interest regarding the FTC's investigations of (b)(7)(A) in the (b)(7)(A) the target of the investigation and a Civil Investigative Demand (CID) recipient) and (b)(7)(A) (FTC no. 232-3064), while holding stock in (b)(7)(A) a CID recipient.

According to the Ethics Team, (b)(6) while working on (b)(6) annual OGE Form 450 report on February 13, 2024, remembered that (b)(6) held stock in (b)(7)(A) and (b)(7)(A) (b)(6) also realized that (b)(6) had participated in the investigation of (b)(7)(A) and (b)(7)(A) and immediately contacted the Ethics Team for advice. On February 16, 2024, the Ethics Teams, after a brief review, advised (b)(6) to recuse (b)(6) from both matters, which (b)(6) did that same day.

Ms. (b)(6) confirmed that (b)(6) was one of two supervisors on the (b)(7)(A) and (b)(7)(A) matters and that (b)(6) began working on both matters on or around June 20, 2023. Ms. (b)(6) also confirmed that she met with the investigation team, provided feedback to staff, and also reviewed and approved staff CID packages for Commission review. Finally, the memorandum specifies that (b)(6) stock in (b)(7)(A) and (b)(7)(A) exceeded the de minimis \$15,000 exception and that she did not request or obtain a waiver to participate in the matters in which she had a financial interest in pursuant to 18 U.S.C. § 208(b)(1) and (3).

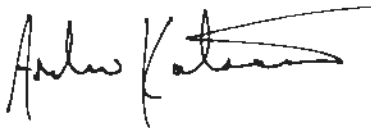
●GC's referral memorandum contains an analysis of (b)(6) conduct with respect to § 208, which states that "whoever, being an ...employee of the executive branch ... participates personally and substantially as a Government officer or employee ... in a ... particular matter in which, to his knowledge, he has a financial interest—[s]hall be subject to the penalties set forth in section 216 of this title." This rule would apply to (b)(6) who would be considered an imputed person. Chapter 5, CFR § 2640.103(a) provides additional detail on the statutory interpretation of § 208, including exemptions and waivers, and it states the prohibition applies if the particular matter will have a direct and predictable effect on that interest."

OGC determined that all the elements of a violation of § 208(a) were established and that no waiver or exemption was applicable to (b)(6) situation. OGC also recommended that the OIG consider several mitigating factors they identified, including that (b)(6) appeared genuinely remorseful regarding (b)(6) actions which were careless and unintentional since they were (b)(6) stock holdings; was very cooperative and forthcoming with the OGC Ethics Team, whom she immediately contacted upon learning of the potential conflict; did not participate on these matters for financial benefit; and immediately recused herself from the matter.

On April 22, 2024, AIGI Rosengart provided (b)(6) Trial Attorney, Public Integrity Section (PIN), Department of Justice (DOJ), via email, with a copy of the OIG's Investigative Plan, which outlined the possible violation of 18 U.S.C. § 208(a) by (b)(6). On May 6, 2024, (b)(6) responded, via email, that in this instance, there appears to be a genuine lack of knowledge of the investments at issue by (b)(6). Moreover, (b)(6) stated that all mitigating factors identified in the Investigative Plan, especially that they were not (b)(6) investments, counsel against treating this as a criminal matter.

In light of the declination by DOJ and our concurring with OGC's recommendation in its referral, the OIG has concluded its investigative efforts. This matter is now closed.

Approved:



Andrew Katsaros, Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

October 15, 2024

MEMORANDUM

TO: Andrew Katsaros
Inspector General

FROM: Noel Rosengart
Assistant Inspector General for Investigations

SUBJECT: Closing Memo (I-24-230)

On September 4, 2024, the Federal Trade Commission (FTC) Office of Inspector General (OIG) received a referral from Lorie Pankey, Designated Agency Ethics Official (DAEO), Office of General Counsel (OGC), regarding a possible violation of 18 U.S.C. § 208(a), *Acts Affecting a Personal Financial Interest*, by (b)(6) Officer of the Director, Bureau of Competition. According to OGC's referral memorandum, (b)(6) on February 26, 2024, emailed Craig Bannon, Assistant DAEO, OGC, to confirm whether (b)(6) had a conflict in connection with seeking outside employment and his work on an FTC litigation matter challenging a (b)(7)(A)

(b)(7)(A)

According to the Ethics Team, on February 16, 2024, (b)(6) spoke with the (b)(6) about possible employment as an adjunct professor. Later that day, defendants in the (b)(7)(A) of which (b)(6) was the lead litigation attorney, served an initial witness list stating that a (b)(7)(D)

(b)(7)(D)

(b)(7)(A)

(b)(7)(A)

On February 22, 2024, (b)(6) spoke

(b)(7)(A)

(b)(7)(A)

(b)(7)(A)

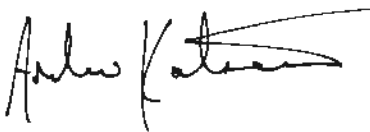
On February 26, 2024, (b)(6) emailed Bannon requesting a meeting to discuss (b)(6) conflicts question and scheduled a follow-up call with (b)(7)(A) for February 27. On February 27, Bannon advised (b)(6) that (b)(6) might have a conflict because (b)(6) was seeking employment with (b)(6) (b)(6) was directly involved in the (b)(7)(A) As a result, (b)(6) immediately recused

(b)(6) from the Matter, including canceling (b)(6) call with (b)(7)(A) that was scheduled for shortly after (b)(6) call with Bannon. Finally, (b)(6) did not request or obtain a waiver to participate in the matters in which (b)(6) had a financial interest in pursuant to 18 U.S.C. § 208(b)(1) and (3). OGC's referral memorandum contains an analysis of (b)(6) conduct with respect to § 208, which states that "whoever, being an ... employee of the executive branch ... participates personally and substantially as a Government officer or employee ... in a ... particular matter in which, to his knowledge, he has a financial interest— [s]hall be subject to the penalties set forth in section 216 of this title." OGC determined that all the elements of a violation of § 208(a) were established and that no waiver or exemption was applicable to (b)(6) situation. OGC also recommended that no adverse action be taken against (b)(6) as this matter appeared to be a careless violation of a technical law rather than the result of any criminal intent. OGC also asked that the OIG consider several mitigating factors they identified, including that (b)(6) who may have acted carelessly, quickly sought ethics guidance and was forthcoming and cooperative. Additionally, (b)(6) immediately recused (b)(6) from the matter after DAEO Bannon advised that (b)(6) may have a conflict.

On September 9, 2024, AIGI Rosengart provided (b)(6) Public Integrity Section (PIN), Department of Justice (DOJ), via email, with a copy of the OIG's Investigative Plan, which outlined the possible violation of 18 U.S.C. § 208(a) by (b)(6). On October 15, 2024, (b)(6) responded, via email, that from her review of the OIG's referral report, it appears that (b)(6) did not have the requisite knowledge under 208 to predicate a criminal investigation in the matter. (b)(6) further stated that, "Specifically, (b)(6) appears to have self-reported the potential conflict very quickly after realizing that (b)(6) may have an interest in a matter in which there was pending litigation and immediately recused himself upon advice. This indicates that, prior to that and when (b)(6) was involved in the matter, (b)(6) did not have knowledge of (b)(6) financial interest in the matter, which would be required for a criminal matter. Without an indication of that requisite intent, and in light of the mitigating factors further identified by the OGC in the report, including that (b)(6) quickly sought guidance and was forthcoming and cooperative, we would counsel against treatment of this as a criminal matter."

In light of the declination by DOJ and our concurring with OGC's recommendation in its referral, the OIG has concluded its investigative efforts. This matter is now closed.

Approved:



Andrew Katsaros, Inspector General



Office of Inspector General

FOIA-2025-01312 88080969161 "UNCLASSIFIED" 4/29/2025
UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

August 28, 2024

MEMORANDUM

TO: Andrew Katsaros
Inspector General

FROM: Noel Rosengart
Assistant Inspector General for Investigations

NOEL
ROSENGART

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Date: 2024.08.28 15:17:18
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(b)(6)
Investigator

(b)(6)

Digitally signed by (b)(6)
(b)(6)
Date: 2024.09.05 08:23:08 -05'00'

SUBJECT: Closing Memo (I-23-216)

On November 28, 2022, Noel Rosengart, Assistant Inspector General for Investigations, Federal Trade Commission (FTC) Office of Inspector General (OIG), was contacted by (b)(6) Special Agent, Department of Defense OIG, Defense Criminal Investigative Services (DCIS), requesting assistance in the identification and production of various Consumer Sentinel Network (CSN) Identity Theft (IDT) Reports and analysis of certain Internet Protocol (IP) addresses related to an ongoing investigation. Specifically, SA (b)(6) requested that the FTC OIG confirm and produce various IDT reports and also identify certain IP addresses with corresponding IDT reports purportedly associated with the subject of his investigation, Alpha Omega Mayhue. The FTC OIG subsequently complied with SA (b)(6) request and counseled SA (b)(6) on the uses and capabilities of CSN.

According to SA (b)(6) from February 2018 to March 2021, Mayhue, who served in the United States Army (Army) with his victims, stole and used their personally identifiable information to harass and stalk them over their employment-related grievances and actions against him, which led to his discharge. Mayhue also impersonated the victims and conducted numerous unauthorized transactions with banks, credit unions, the FTC, and other entities, including subjecting victims to economic injury. Finally, Mayhue cyberstalked one victim, subjecting her to sexual threats claiming he was following her.

On January 31, 2024, Mayhue was indicted on: one count of conspiracy to commit identity theft, 18 U.S.C. § 1028(f); seven counts of misuse of a Social Security number, 42 U.S.C. § 408(a)(7)(B); seven counts of aggravated identity theft, 18 U.S.C. § 1032A(b); twenty-one counts of false statements, 18 U.S.C. § 1001(a)(3); and one count of cyberstalking, 18 U.S.C. § 2261(A)(2)(B).

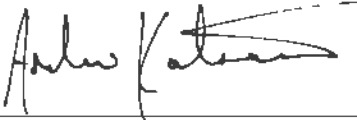
On July 9, 2024, Mayhue pled guilty to all counts except five violations of 18 U.S.C. 1028A(b), which were dismissed. Mayhue's total maximum and mandatory minimum sentence was 152 years of

imprisonment, a mandatory two-year sentence of imprisonment, a three-year term of supervised release, a \$7,775,000 fine, and a \$3,100 special assessment. Each false statement count carried a term of five years of imprisonment, a three-year term of supervised release, a \$250,000 fine, and a \$100 special assessment on each count. For all 21 false statement counts, the total is 105 years of imprisonment, three years of supervised release, a \$5,250,000 fine, and a \$2,100 special assessment. Finally, Mayhue's sentencing is scheduled for October 24, 2024.

The case was investigated by DCIS and the Federal Deposit Insurance Company OIG, with assistance from the Social Security Administration and Federal Trade Commission OIGs, and prosecuted by Assistant United States Attorney Josh A. Davison, Eastern District of Pennsylvania.

As a result of the guilty pleas by Mayhue, the OIG has concluded its investigative efforts. This matter is now closed.

Approved:

A handwritten signature in black ink, appearing to read "Andrew Katsaros", written over a horizontal line.

Andrew Katsaros, Inspector General



FOIA-2025-01312 0000069161 "UNCLASSIFIED" 4/29/2025
UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

September 24, 2024

MEMORANDUM

TO: Andrew Katsaros
Inspector General

FROM: Noel Rosengart
Assistant Inspector General for Investigations

SUBJECT: Closing Memo (I-19-207)

On August 7, 2020, the Federal Trade Commission (FTC) Office of Inspector General (OIG) received a request for assistance from (b)(6) Special Agent, (b)(6)

(b)(6) pursuant to their (b)(7)(A) SA

(b)(6) stated that she believed that (b)(7)(A)

(b)(7)(A)

SA (b)(6) further advised the FTC ●IG that (b)(7)(A)

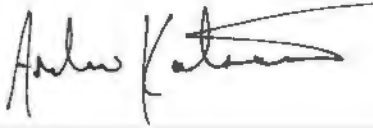
(b)(7)(A)

(b)(7)(A) [As a result, SA (b)(6) requested that the FTC OIG (b)(7)(A)]

(b)(7)(A)

(b)(7)(A)

Approved:

A handwritten signature in black ink, appearing to read "Andrew Katsaros", written over a horizontal line.

Andrew Katsaros, Inspector General

FEDERAL TRADE COMMISSION
OFFICE OF INSPECTOR GENERAL



REPORT OF INVESTIGATION

ALLEGATION OF POTENTIAL VIOLATION OF OUTSIDE EMPLOYMENT AGREEMENT
AND BASIC OBLIGATION OF PUBLIC SERVICE BY CURRENT FTC EMPLOYEE

Case No. I-24-221

ORIGINAL

June 27, 2024

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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

REPORT OF INVESTIGATION

CASE NUMBER: I-24-221

TITLE: Allegation of Potential Violation of Outside Employment Agreement and Basic Obligation of Public Service

INVESTIGATORS: (b)(6) Investigator
Noel Rosengart, Assistant Inspector General for Investigations

DISTRIBUTION:

1. (b)(6)
2. (b)(6)
3. (b)(6)

PREPARED BY:

Noel Rosengart & (b)(6)
June 27, 2024

NOEL
ROSENGART
(b)(6)

Digitally signed by (b)(6)
(b)(6)
Date: 2024.06.27 17:13:26 -05'00'

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I. Predication

Investigators with the Federal Trade Commission (FTC) Office of Inspector General (OIG) identified that FTC employee (b)(6) (b)(6) Bureau of Competition (BC) applied for an Economic Injury Disaster Loan (EIDL) for a business named (b)(7)(A) (b)(6) received an EIDL advance of \$1,000 but was ultimately twice denied the full EIDL loan because the Small Business Administration (SBA) could not verify that (b)(7)(A) existed and was an eligible business. Further, on the EIDL application, (b)(6) was listed as the Chief Executive Officer of (b)(7)(A) however, (b)(6) did not have an approved outside employment request reflecting her activities associated with (b)(7)(A). As such, OIG investigators requested and received all available documents related to (b)(6) approved outside employment with the FTC and EIDL application from the SBA. Taken together, this documentation indicated potential criminal and administrative violations committed by (b)(6).

Accordingly, on October 18, 2023, the OIG opened an investigation to determine whether (b)(6) engaged in outside employment activity without prior OGC approval, fraudulently submitted an EIDL application, and improperly received a \$1,000 EIDL advance. The OIG's investigation included interviewing (b)(6) and reviewing relevant evidence.

II. Background

(b)(6)

On April 2, 2020, (b)(6) applied for an EIDL loan with SBA for (b)(6) business, (b)(7)(A) (b)(7)(A) providing personal information such as name, date of birth, Social Security number, personal mobile phone number, personal email address and home address as part of the application.¹ (b)(6) also provided SBA with (b)(7)(A) business information including a business address of 4249 State Road 7, Lauderdale Lakes, FL 33319, and a claim that (b)(7)(A) grossed \$100,350 in revenue in the year prior to the pandemic.^{2,3} Finally, as part of the application, (b)(6) claimed to be Chief Executive Officer (CEO) of (b)(7)(A) holding 100% ownership of the company.⁴ From (b)(6) EIDL application and supporting documentation, OIG established the following timeline of events relevant to our investigative findings:

- On March 6, 2019, (b)(6) incorporated (b)(7)(A)
- On April 6, 2020, (b)(6) filed a 2019 (b)(7)(A)

¹ Attachment 1: EIDL Intake application Form, April 2, 2020.

² Specifically, SBA asked applicants to enter gross revenues for the twelve-month period prior to the date of the disaster (January 31, 2020).

³ Attachment 1.

⁴ Attachment 1.

⁵ Attachment 2: (b)(7)(A) Secretary of State Division of Corporations subpoena return dated March 22, 2024, in response to OIG Subpoena dated February 27, 2024.

⁶ Attachment 3: Electronic Articles of Incorporation for (b)(7)(A)

⁷ Attachment 4: 2019 (b)(7)(A)

- On April 26, 2020, SBA approved a \$1,000 emergency EIDL advance to (b)(7)(A) and dispersed it the following day.⁸
- On May 28, 2020, SBA denied (b)(6) EIDL application, citing (b)(7)(A) as an “unverifiable business.”⁹
- On September 25, 2020, the (b)(7)(A) administratively dissolved (b)(7)(A) for failure to file an annual report.^{10, 11}
- On October 12, 2020, SBA logged a letter from (b)(6) in which she requested SBA reconsider the denial.^{12, 13}
- On September 6, 2021, SBA denied (b)(6) EIDL reconsideration request, citing (b)(7)(A) as an “ineligible business.”¹⁴

On February 15, 2024, OIG investigators interviewed (b)(6) pursuant to the OIG’s administrative investigation. (b)(6) was represented at her interview by (b)(6) counsel, (b)(6) Esq. On May 15, 2024, the OIG sent (b)(6) through (b)(6) counsel, written interrogatories and requested responses be provided no later than May 29, 2024.¹⁵ On May 29, 2024, the OIG received (b)(6) response to the written interrogatories.¹⁶

III. Potential Violations

- 5 C.F.R. § 2635.101—Basic Obligations of Public Service
- FTC Administrative Manual, Chapter 5: Section 300—Standards of Conduct
- 18 U.S.C. § 1343—Wire Fraud
- 18 U.S.C. § 1001—False Statements
- 5 C.F.R. § 5701.101—Prior Approval for Outside Employment
- 5 C.F.R. § 2635.704—Use of Government Property
- FTC Administrative Manual, Chapter 1: Section 310—Appropriate Use of Information Technology—B. Prohibited Use

IV. Investigative Findings and Analysis

Fraudulent EIDL Loan Application

The OIG reviewed documentary evidence supporting that (b)(6) submitted a fraudulent loan application to obtain money that was intended to provide financial assistance to small businesses that experienced substantial economic injury during the COVID-19 pandemic.

⁸ Attachment 5: SBA Rapid Finance Application Detail for Application #330178661. See page 9.

⁹ Attachment 6: SBA Denial Letter dated May 28, 2020.

¹⁰ As of the date of this report, (b)(7)(A) is still inactive, according to the (b)(7)(A) website.

¹¹ Attachment 7: (b)(7)(A) Detail by Entity Report.

¹² Attachment 5.

¹³ Account comments made by SBA on August 17, 2020, note that (b)(6) stated she submitted this reconsideration request on August 10, 2020. The SBA representative informed (b)(6) he did not yet see the request but annotated the account. SBA logged the request into the account notes on October 21, 2020.

¹⁴ Attachment 8: SBA Denial Letter dated September 6, 2021.

¹⁵ Attachment 9: OIG Request for Written Interrogatories Responses.

¹⁶ Attachment 10: (b)(6) Written Interrogatories Response.

EIDL Application, Reconsideration Request, and SBA Denials

On April 2, 2020, (b)(6) applied for an EIDL loan for (b)(7)(A).¹⁷ After reviewing (b)(6) loan application, the SBA twice denied (b)(6) and (b)(7)(A) the loan.¹⁸ In the first denial, SBA cited "one or more items that were reviewed that caused the SBA to question the validity of certain information" submitted as part of the application.¹⁹ After receiving that denial, (b)(6) requested SBA reconsider (b)(6) application and attempted to correct what (b)(6) described to OIG as "an issue with the address" in which the address on (b)(6) driver's license did not match (b)(6) home address (listed on the EIDL application).^{20, 21} SBA again declined to offer the loan because they were unable to verify the existence of (b)(7)(A) as a business eligible to receive an EIDL loan, noting it was unsuccessful in obtaining documentation from either public records, or (b)(6) that would validate the existence of (b)(7)(A).²²

In addition to the two loan denial letters sent by SBA to (b)(6), OIG reviewed account notes, including various comments entered by SBA personnel on (b)(6)'s EIDL application report. Between April 2, 2020, the date of the initial application, and September 6, 2021, the date of the second denial, (b)(6) called the SBA at least 10 times to request updates on the status of the loan or to provide additional information to the SBA in support of the application.²³ After one such call on August 31, 2021, an SBA staff member entered the following note in the application comment log:

THIS APPLICATION MUST BE DOCUMENTED FULLY. APPLICANT VERY RELUCTANT TO PROVIDE INFORMATION. Applicant called. (b)(6) did not want to provide documents requested. (b)(6) was extremely argumentative. I spend 15 minutes on the phone with (b)(6) trying to explain to (b)(6) why I need the documents I asked for.²⁴ (b)(6) claims (b)(6) has no utility bills because they are included in (b)(6) rent. I suggested (b)(6) go to the rental office and get a letter from them stating (b)(6) lives there. (b)(6) didn't want to do that. (b)(6) asked if (b)(6) can go to the post office and get something from them. I told her I'd have to see it and would let (b)(6) know. (b)(6) did not want to provide a bank statement. I told (b)(6) I cannot approve (b)(6) loan without one as the information (b)(6) provided generated an error. I told her (b)(6) can get a letter from (b)(6) bank with (b)(6) name, address, account, and routing number. (b)(6) 2019 tax return has a (b)(6) address although she stated she moved to (b)(6). Business is registered in (b)(6). (b)(6) says (b)(6) mail gets forwarded. Business address is same as home address. Has a publishing company. Music business.²⁵

¹⁷ Attachment 1.

¹⁸ Attachments 6 and 8.

¹⁹ Attachment 6.

²⁰ Attachment 5.

²¹ Satine Interview.

²² Attachment 8.

²³ Attachment 5.

²⁴ This SBA employee was referring to the following documents he requested from (b)(6) by email: a recent phone bill, a recent bank statement, current residential utility bill showing name and address, and an explanation as to why her residence is in (b)(6) but her business is in (b)(6).

²⁵ Attachment 5.

(b)(6) statement to SBA about getting (b)(7)(A) mail forwarded from the (b)(6) business address to (b)(6) (b)(6) home address differed from what (b)(6) told the OIG, which was that (b)(6) does not know how (b)(6) receives the mail sent to the (b)(6) address.²⁶ When asked by the OIG if (b)(7)(A) was still in business during the 2020 tax year, (b)(6) replied that (b)(6) did not know and also claimed (b)(6) did not know (b)(7)(A) had been administratively dissolved.²⁷ Finally, when asked if (b)(7)(A) was operational to this day, (b)(6) initially said "yes" but later insisted that is a question for the "management company," not (b)(6).²⁸ OIG found it implausible that (b)(6) the owner, CEO, and President of (b)(7)(A) could not answer whether (b)(6) own company was in business at the time (b)(6) admittedly continued to submit documents in support of obtaining financial relief through an EIDL from SBA.

Fabricated Business Address

As part of her EIDL application, (b)(6) provided SBA with (b)(7)(A) business information including the Articles of Incorporation and an address, (b)(6). (b)(6) (b)(6) stated that the forms required to incorporate (b)(7)(A) would have been submitted on (b)(6) behalf by (b)(6) and (b)(6) company (b)(6) which (b)(6) purported was the "management company" for (b)(7)(A).^{30, 31, 32} However, records obtained from the (b)(7)(A) Secretary of State indicate that (b)(6) of (b)(6) (b)(6) submitted the paperwork for (b)(7)(A) incorporation.³³

Also, (b)(6) could not even answer basic questions about (b)(6) at (b)(6) interview. This included, but was not limited to: the purpose and description of the property, why (b)(6) chose to rent that property, the monthly rent of the property, the property landlord, how (b)(6) received mail since (b)(6) lived in (b)(6) whether (b)(6) was ever present at the property, if (b)(6) shared the property with other tenants, etc.³⁴ Of note, (b)(6) could not even explain why, although a resident of (b)(6) well prior to the incorporation of (b)(7)(A) (b)(6) nonetheless chose to incorporate and operate a business physically located in (b)(6) (b)(6).

²⁶ (b)(6) interview.

²⁷ *Id.*

²⁸ *Id.*

²⁹ Attachment 1.

(b)(6); (b)(7)(A)

³⁰ (b)(6) interview.

³¹ Attachment 2.

³² (b)(6) interview.

³³ *Id.*

To obtain further information about (b)(7)(A) association to the Florida address, OIG contacted (b)(7)(A) the commercial property owner, to ascertain whether (b)(7)(A) ever leased or maintained a physical presence at this address.³⁶ In response to an IG subpoena, (b)(7)(C), the (b)(7)(A) of (b)(7)(A) provided the OIG with the following statement:³⁷

Please be advised that to my knowledge (2) (b)(7)(A) and/or (b)(6) never executed a lease with (b)(7)(A) and (3) (b)(7)(A) and/or (b)(7)(A) never rented space or maintained a physical presence at (b)(7)(A) (b)(7)(A) (b)(7)(C) (b)(7)(A)

Thus, the OIG determined that (b)(7)(A) never leased, nor maintained a physical presence at (b)(7)(A) (b)(7)(A) despite providing this address as (b)(7)(A) place of business in the April 2, 2020, EIDL Loan Application.

1. Violation of the Basic Obligations of Public Service

Federal Ethics Regulations, 5 C.F.R. § 2635.101(a), set forth the general principles of ethical conduct for government employees by establishing that "public service is a public trust" and states that:

[to] ensure that every citizen can have complete confidence in the integrity of the Federal Government, each employee shall respect and adhere to the principles of ethical conduct set forth in this section...

Of the fourteen general provisions of Section 2635.101, are requirements that employees "place loyalty to the Constitution, laws and ethical principles above private gain"³⁸ and "shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in this part."³⁹ (b)(6) placed private gain over loyalty to the Constitution, law and ethical principles by creating the appearance that she was defrauding the federal government through EIDL fraud, in violation of Principle 1 and Principle 14.

The OIG substantiated that aspects of (b)(6); (b)(7)(A) business activity and (b)(6) fraudulent EIDL application and subsequent acceptance of an advance of \$1,000 from the SBA violated these basic obligations of public service.

³⁶ Attachment 11: OIG Subpoena dated May 8, 2024.

³⁷ Attachment 12: Response to OIG Subpoena dated May 23, 2024, from (b)(7)(C)

³⁸ See 5 C.F.R. § 2635.101(b)(1).

³⁹ Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts. *Id.* at § 2635.101(b)(14).

2. Wire Fraud

The federal wire fraud statute, 18 U.S.C. § 1343 prohibits using or causing the use of “wire, radio, or television communication in interstate or foreign commerce” for the purposes of executing a scheme to defraud or to obtain money by false or fraudulent pretenses.⁴⁰ For purposes of this statute, forms of electronic communications include wire, radio, television, or even text messaging, emails, or telephone calls. To prove a violation of Section 1343, the following elements must be met: (1) that the defendant voluntarily and intentionally devised or participated in a scheme to defraud another out of money; (2) that the defendant did so with the intent to defraud; (3) that it was reasonably foreseeable that interstate wire communications would be used; and (4) that interstate wire communications were in fact used.⁴¹

The OIG also substantiated that (b)(6) violated Section 1343 by calling the SBA and using the internet to submit information and documents to the SBA in furtherance of (b)(7)(A) fraudulent EIDL application. Specifically, between April 2, 2020, and September 9, 2021, the OIG identified evidence that (b)(6) 1) called SBA at least ten times to request updates on the status of the loan or to provide additional information to the SBA in support of (b)(7)(A) EIDL application; and 2) used the internet to access the SBA portal and provide at least fifteen documents to SBA also in support of (b)(7)(A) EIDL application.⁴²

False Statements

18 U.S.C. § 1001 prohibits a person knowingly and willfully making false statements or representations, falsifying, concealing, or covering up material facts. This statute prohibits knowingly and willfully making false or fraudulent statements, or concealing information in “any matter within the jurisdiction” of the Federal government of the United States, even by merely denying guilt when asked by a federal agent. Finally, false statements can be verbal or in writing and do not have to be made under oath to violate this statute.⁴³

The OIG substantiated that (b)(6) violated Section 1001 when, in written response to OIG interrogatories, (b)(7)(A) denied making two specific withdrawal transactions from the (b)(7)(A) business checking account.⁴⁴

Transaction 1⁴⁵

- Date: July 8, 2020
- Total Amount: \$7,904
 - Cashier’s Check for \$5,861 payable to the United States Treasury
 - Cashier’s Check for \$2,043 payable to “Department of Taxation”

⁴⁰ 18 U.S.C. § 1343.

⁴¹ *Id.*

⁴² Attachment 5.

⁴³ 18 U.S.C. § 1001.

⁴⁴ On June 9, 2024, AUSA (b)(6) EDVA, notified the OIG that it would not open a case to prosecute the § 1001 violation.

⁴⁵ Attachment 13: Bank of America Customer Withdrawal Image dated July 8, 2020.

Transaction 2,⁴⁶

- Date: May 14, 2021
- Total Amount: \$10,770
 - Cashier's Check for \$7,877 payable to the Internal Revenue Service
 - Cashier's Check for \$2,516 payable to VA Department of Taxation
 - Cashier's Check for \$377 payable to Comptroller of Maryland

Specifically, in the May 15, 2024, written interrogatories sent to (b)(6) the OIG provided the dates and transaction amounts and asked (b)(6) to provide details and circumstances of the two withdrawals. In response to both, (b)(6) stated, "I did not make this transaction."⁴⁷ However, evidence from Bank of America shows that (b)(6) made both transactions in person at the Bank of America (b)(6). For both transactions, (b)(6) completed handwritten withdrawal slips on which (b)(6) signed her name.⁴⁸ As such, the OIG determined that (b)(6) willfully made false statements to investigators when (b)(6) claimed to have not made both transactions when in fact, (b)(6) did.

Lack of Candor

At (b)(6) OIG interview, (b)(6) routinely could not answer rudimentary questions posed by the OIG about (b)(6) EIDL loan application or the business operations of (b)(7)(A) and instead repeatedly responded with "I don't know," or "I can't recall."⁴⁹ (b)(6) also told OIG that (b)(6) established (b)(7)(A) to get "acknowledgement" and "recognition" for (b)(6) contributions to the music industry and that (b)(6) did not benefit financially, other than receiving approximately \$500 for performing administrative tasks such as answering emails.⁵⁰ However, OIG found evidence suggesting that (b)(6) was significantly involved in both (b)(7)(A) EIDL application process and business operations and that (b)(6) benefited financially from the company. As such, the OIG substantiated that (b)(6) lacked candor during (b)(6) OIG interview.

The OIG reviewed evidence showing that (b)(6) between April 2, 2020, the date of the initial application, and September 6, 2021, the date of the final denial, (b)(6) provided various supporting documents to the SBA and called the SBA at least 10 times to request status updates or to provide information.⁵¹ This refutes (b)(6) claim that (b)(6) had little involvement in (b)(7)(A) EIDL application process after SBA's first denial on August 27, 2020, other than to cure an incorrect address by submitting a copy of (b)(6) driver's license with (b)(6) current address.

Also, throughout her interview, (b)(6) repeatedly disavowed any significant involvement or knowledge of the day-to-day business or financial operations of (b)(7)(A) instead stating that the management company handled business operations and (b)(6) handled all accounting and IRS-related decisions on (b)(6) behalf, including filing (b)(7)(A) 2019 tax returns.⁵² Despite (b)(6) assertions

⁴⁶ Attachment 14: Bank of America Customer Withdrawal Image dated May 14, 2021.

⁴⁷ Attachment 10.

⁴⁸ Attachments 13 and 14.

⁴⁹ (b)(6) Interview.

⁵⁰ (b)(6) Interview.

⁵¹ Attachment 5.

⁵² (b)(6) Interview.

that (b)(6) was uninvolved in (b)(7)(A) (b)(6) name and/or signature appeared on various business-related documents, including:

- (b)(7)(A) Articles of Incorporation;⁵³
- IRS forms filed 4506-T Request for Transcript of Tax Return;⁵⁴
- (b)(7)(A) business checking account signature card; and⁵⁵
- Schedule of Liabilities (Notes, Mortgages, and Accounts Payable) for (b)(7)(A);⁵⁶

During (b)(6) interview, (b)(6) stated that (b)(7)(A) was established to gain acknowledgement for (b)(6) contributions to the music industry and not to make money.⁵⁷ Regardless, (b)(6) opened a business checking account for (b)(7)(A) on March 25, 2019, in (b)(6) with an initial deposit of \$129.00.⁵⁸ That same day, (b)(6) signed the business signature cards for the (b)(7)(A) checking account as the sole account signatory and "President" of (b)(7)(A).⁵⁹

(b)(6) further contradicted (b)(6) assertion that the business was only established to receive "recognition" or "credit" by discussing the need for financial relief from the SBA to keep the company afloat during Covid. When OIG asked (b)(6) what the EIDL loan proceeds would be used for, (b)(6) stated:

So essentially when it was advised by the team, you know, the managing company and the, the CPA, because it was COVID at the time, they weren't sure – I guess for – because all the venues were going to be shut down and there were, like, the licensing fees weren't going to get paid because none of the music – you know, a lot of the – everything was closed, so there wasn't – where was a concern whether or not the business was going to stay afloat or – and so it was kind of advised that maybe it would be beneficial to do the loan.⁶⁰

(b)(6) also told OIG that beyond "infrequent times" that (b)(6) completes "like an administrative task, like maybe answering an email or something" for which (b)(6) received "probably like less than \$500 for the year" (b)(6) did not benefit financially from the company.⁶¹ However, between March 25, 2019, and March 25, 2024, bank statements for the (b)(7)(A) checking account show \$957,297.69 in deposits to the account and \$935,703.03 in withdrawals from the account.⁶² Most of the funds withdrawn from the (b)(7)(A) checking account were sent by transfer to (b)(7)(A). Although it is unknown if (b)(6) received any of those funds, the OIG located a transfer from the (b)(7)(A) checking account to (b)(6) for: (1) \$2,500 on April 29,

⁵³ Attachment 3.

⁵⁴ Attachment 15: IRS 4056-T digitally signed by (b)(6) on April 21, 2021.

⁵⁵ Attachment 16: (b)(7)(A) business checking account signature card signed by (b)(6) on March 25, 2019.

⁵⁶ Attachment 17: SBA Form 2202 (10-15), Schedule of Liabilities, digitally signed by Satine on March 24, 2021.

⁵⁷ (b)(6) Interview.

⁵⁸ Attachment 11.

⁵⁹ Attachment 6.

⁶⁰ (b)(6) Interview.

⁶¹ *Id.*

⁶² Attachment 18: (b)(7)(A) Bank of America Business Checking Account Statements, March 2019 through March 2024.

2019,⁶³ exceeding the "less than \$500" (b)(6) claimed to have received for administrative tasks (b)(6) completed as President and CEO of (b)(7)(A).⁶⁴ When OIG asked (b)(6) about this transaction (b)(6) stated it was "performed to pay taxes"⁶⁵ which, if true, further contradicts her purported lack of knowledge about the routine business of (b)(7)(A).

Failure to Obtain Prior Approval for Outside Employment

The FTC's supplemental ethics regulations require that all FTC employees (other than Commissioners) obtain the written approval of their supervisors and the Designated Agency Ethics Officer (DAEO) before engaging in any outside employment, whether or not for compensation.⁶⁶ The regulation defines "employment" as "any form of non-Federal employment or business relationship involving the provision of personal services by the employee, whether or not for compensation", including personal services as an officer, director, general partner, or trustee. The FTC Administrative Manual expands on the FTC supplemental regulations, explaining that "'employment' is broadly defined" and includes personal and professional services to any person or entity for compensation, and personal services to a for-profit entity, whether or not for compensation.⁶⁷

The OIG substantiated that (b)(6) violated the FTC supplemental regulations and Administrative Manual by serving as an officer (CEO) of and operating a for-profit music production company, (b)(7)(A) for which (b)(6) received compensation, since at least March 6, 2019, without approval from either (b)(6) supervisor or the DAEO. Evidence establishing that (b)(6) provided personal services to (b)(7)(A) by operating the business includes: 1) (b)(6) SBA EIDL application and supporting documents; 2) (b)(7)(A) State of Florida Articles of Incorporation records listing her as CEO; 3) (b)(6) February 15, 2024, OIG interview testimony; and 4) (b)(7)(A) Bank of America checking account records.

At (b)(6) OIG interview (b)(6) upon being asked to list all outside employment (b)(6) as engaged in since (b)(6) began employment at the FTC, only disclosed (b)(6) past employment at Macy's.⁶⁸ OGC records indicate that (b)(6) submitted an FTC Form 474 for employment at Macy's and received approval on July 18, 2016.⁶⁹ Furthermore, in response to a follow-up question regarding other outside employment, (b)(6) stated that there were no other businesses (b)(6) has been engaged in since beginning employment at the FTC. However, when asked if (b)(7)(A) was a business that was created and that (b)(6) has worked for during (b)(6) employment at the FTC, (b)(6) responded in the affirmative.⁷⁰

When asked at (b)(6) interview why (b)(6) did not request approval for (b)(6) outside employment with (b)(7)(A) (b)(6) attempted to distinguish between the nature of (b)(6) work and employment status

⁶³ *Id.*

⁶⁴ (b)(6) interview.

⁶⁵ *Id.*

⁶⁶ See 5 C.F.R. § 5701.101.

⁶⁷ See FTC Administrative Manual Chapter 5, Section 300, Part 3.

⁶⁸ (b)(6) interview.

⁶⁹ Attachment 19: OGC Ethics Outside Employment Request Log.

⁷⁰ (b)(6) interview.

with Macy's and (b)(7)(A) as it relates to outside employment. According to (b)(6) only actual employees of a company are required to seek outside employment approval.⁷¹ (b)(6) stated that (b)(6) submitted a completed form FTC-474 to OGC for Macy's because (b)(6) was an employee of Macy's and they provided (b)(6) with an IRS W-2 Form.⁷² Conversely, (b)(6) stated that (b)(6) did not seek outside employment approval for (b)(7)(A) from either (b)(6) supervisor or OGC because (b)(6) is not an employee of (b)(7)(A) and does not run the business.⁷³

Further, (b)(6) told investigators that (b)(6) created QWMP "just to get acknowledgement for [my] creativity ideas that – and contributions to the music industry."⁷⁴ (b)(6) added that (b)(6) may have been paid up to \$500 for performing administrative tasks.⁷⁵ Despite (b)(6) stated reasons for creating (b)(7)(A) an analysis of the business's Bank of America checking account records indicate (b)(7)(A) was indeed a for-profit company for which (b)(6) conducted significant business activity, including revenue generation in the form of deposits from income sources such as (b)(7)(A) and expense withdrawals in the form of transfers to (b)(7)(A) management company.^{76, 77} During (b)(6) interview, (b)(6) noted that (b)(6) operates (b)(7)(A) and is (b)(6) point of contact for management of (b)(7)(A).⁷⁸ Accordingly, both the FTC regulations and Administrative Manual would have required DAEO and prior supervisory approval because (b)(6) served as an officer of (b)(7)(A) a for-profit entity, and received compensation from (b)(7)(A).

Although the FTC's regulations and Administrative Manual required that (b)(6) obtain prior approval for (b)(6) involvement with (b)(7)(A) (b)(6) failed to obtain such approval or file the prerequisite form FTC-474.⁷⁹ (b)(6) justified her failure to obtain prior approval by stating that there was nothing in (b)(6) OGC ethics training that would have alerted (b)(6) that (b)(6) needed to seek outside employment approval for the type of business conducted by (b)(7)(A).⁸⁰ However, an FTC ethics official confirmed that (b)(6) had received multiple OGC ethics training sessions on outside employment activities prior to the incorporation and dissolution of (b)(7)(A).⁸¹ OGC records indicated that (b)(6) attended OGC 2017 Annual Ethics Training (Live) on July 27, 2017 (in-person) and December 3, 2021 (virtual) and took OGC Annual Ethics Training (Online) on November 11, 2018, October 22, 2019, and August 13, 2020, the latter for which (b)(6) answered the corresponding quiz's questions on outside employment activities.⁸²

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ New York Department of State Division of Corporations records show that |

(b)(7)(A) |

(b)(7)(A)

⁷⁷ Attachment 18.

⁷⁸ Satine Interview.

⁷⁹ Attachment 11.

⁸⁰ (b)(6) Interview.

⁸¹ Attachment 20: OGC Ethics Training document.

⁸² *Id.*

At (b)(6) OIG interview, (b)(6) detailed the “proper channels” (b)(6) went through for (b)(6) outside employment with Macy’s, including (b)(6) seeking and obtaining approval from (b)(6) then supervisor and OGC.⁸³ Thus, it appears (b)(6) knew or should have known that prior supervisory and OGC approval was required to engage in outside employment. In sum, (b)(6) was clearly on notice through (b)(6) ethics training and prior outside employment with Macy’s that (b)(6) was required to obtain supervisory approval and submit a completed FTC-474 to OGC.

Misuse of Government Property and Inappropriate Use of Information Technology

C.F.R. § 2635.704(a) provides that “[a]n employee has a duty to protect and conserve Government property and shall not use such property, or allow its use, for other than authorized purposes.” Government property includes any form of real or personal property in which the Government has an ownership, leasehold, or other property interest and includes office supplies, telephones, government issued computers, and other telecommunications equipment and services.⁸⁴ The FTC Administrative Manual, which relies on 5 C.F.R. § 2635.704, prohibits employees from using government property for any purpose other than official government business except for “limited personal use”. The “limited personal use” exception, however, specifically excludes “[r]unning a personal business or engaging in other ‘for-profit’ commercial activities...”⁸⁵

The OIG reviewed evidence demonstrating that (b)(6) misused government property, in violation of 5 C.F.R. § 2635.704 (*Use of Government Property*), and FTC Administrative Manual, Chapter 1: Section 310—Appropriate Use of Information Technology—B. *Prohibited Use* by using her FTC-issued computer to digitally sign a form (b)(6) then submitted to the SBA in support of obtaining the EIDL loan.

On April 21, 2021, (b)(6) digitally signed an IRS form 4506-T, Request for Transcript of Tax Return.⁸⁶ The DocuSign Certificate of Completion (CoC)⁸⁷ accompanying the electronic signature contains a list of “signer events” showing that (b)(6) digitally signed while using a device with an (b)(7)(E)

(b)(7)(E) The FTC’s Chief Information Security Officer (CISO) confirmed that (b)(7)(E)

(b)(7)(E) The CISO noted that the IP was most likely assigned to “us” (the FTC) but could have been any other federal laptop using Zscaler in the DC metro area.⁸⁹ To rule out the possibility that (b)(6) used a device from a federal agency other than the FTC to digitally sign the document, OIG investigators asked

⁸³ (b)(6) interview.

⁸⁴ *Id.*

⁸⁵ FTC Administrative Manual, Chapter I: Section 310—Appropriate Use of Information Technology—B. *Prohibited Use*.

⁸⁶ Attachment 15.

⁸⁷ The CoC provides identifying information about the envelope and complete details of the envelope events. It includes details about each signer on the document. This information includes the signer’s IP address and other identifying information, signature image, and key event timestamps.

⁸⁸ Attachment 21: DocuSign CoC that identified information about (b)(6) signature on Attachment 15.

⁸⁹ Attachment 22: OIG March 15, 2024 email correspondence with Leo Wong, FTC Chief Information Security Officer.

(b)(6) "At any time between March 2020 through September 2021, have you accessed or used a computer issued to you by any government agency other than the FTC?" to which (b)(6) replied, "No."⁹⁰ As such, the OIG deduced that (b)(6) used her FTC-issued device to sign the document that (b)(6) then provided to the SBA in furtherance of acquiring a fraudulent EIDL loan and application.

V. Conclusion

The evidence substantiates that (b)(6) committed the following violations:

Fraudulent EIDL Loan Application:

1. Basic Obligation of Public Service, 5 C.F.R. 2635.101, Principles 1 and 14 by placing private gain over loyalty to the Constitution, law and ethical principles and creating the appearance that (b)(6) was defrauding the federal government when (b)(6) used a false address for (b)(6) business in (b)(6) EIDL application and requested SBA reconsider the EIDL application denials even though (b)(7)(A) had been dissolved.
2. Federal Criminal Wire Fraud Statute, 18 U.S.C. § 1343, by making more than ten telephone calls to the SBA and using the internet to send more than fifteen documents to the SBA in furtherance of (b)(7)(A) EIDL application.

False Statements and Lack of Candor:

3. Federal Criminal False Statement statute, 18 U.S.C. § 1001, by making two false statements to OIG investigators regarding two (b)(7)(A) bank transactions that she made.
4. Lack of candor at (b)(6) OIG interview regarding: 1) (b)(7)(A) EIDL application and business operations, and; 2) her assertion that she did not receive substantial monetary benefit from QWMP.
5. Prior Approval for Outside Employment, 5 C.F.R. § 5701.101, and FTC Administrative Manual – Chapter 5: Section 300, Standards of Conduct, by not requesting and receiving approval to engage in outside employment activities with (b)(7)(A).
6. 5 C.F.R. § 2635.704, (Use of Government Property) and FTC Administrative Manual – Chapter 1: Section 310, Appropriate Use of Information Technology—B. Prohibited Use by using FTC property to conduct business on behalf of (b)(7)(A).

This investigation is now closed, and we are referring this report to management for any action deemed appropriate.

⁹⁰ Attachment 10.



Office of Inspector General

FOIA-2025-01212 00000000161 "UNCLASSIFIED" 4/29/2025
UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

September 27, 2024

MEMORANDUM

TO: Andrew Katsaros
Inspector General

FROM: Noel Rosengart
Assistant Inspector General for Investigations

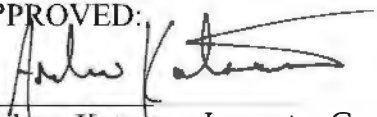
SUBJECT: Closing Memo (I-19-202)

On May 30, 2019, the Federal Trade Commission (FTC), Office of Inspector General (OIG), received notification from the U.S. Secret Service (USSS) regarding an ongoing Federal/State identity theft investigation into subjects, [REDACTED] (b)(6) Specifically, the USSS and the Cary, North Carolina Police Department (Cary) were investigating a scheme involving a conspiracy to fraudulently obtain multiple loans from various financial institutions. Potential violations included 18 U.S.C § 1341 (Mail Fraud), 18 U.S.C. §1343 (Wire Fraud), and 18 U.S.C. §1344 (Bank Fraud).

According to the USSS, the subjects were using falsified income statements and W2 forms, which were inflated, to apply for numerous loans at one time. Once the loans applied for were approved and received, the subjects filed false police reports claiming to have been victims of identity theft. Once the police report was approved and available for receipt, the subjects used those reports to file false affidavits of identity theft reports with FTC. Total fraud loss to date exceeds \$1,000,000.

The OIG subsequently provided USSS/Cary with approximately 60 identity theft reports for subjects including, but not limited to [REDACTED] (b)(6) To date, there have been no indictments of any subjects in this investigation. Additionally, numerous status update requests by the OIG indicate that there has been little or no case activity in this investigation by USSS/Cary since the case opening.

Since there have been no subject indictments subsequent to the case opening over five years ago and the investigation is in a state of prolonged dormancy, this matter is now administratively closed with the possibility of reopening should there be any indictments or the initiation of new significant case activity.

APPROVED: 
Andrew Katsaros, Inspector General