



THE UNITED STATES

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, May 22, 2020

Software Engineer Charged in Washington with COVID-Relief Fraud

Software Engineer Fraudulently Sought More than \$1.5 Million in CARES Act SBA Paycheck Protection Loans

A software engineer was charged in a complaint unsealed today for allegedly filing fraudulent bank loan applications seeking more than \$1 million in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Baoke Zhang, 35, of Issaquah, Washington, was charged in a federal criminal complaint filed in the Western District of Washington with wire fraud and bank fraud.

“The defendant allegedly submitted false documents in a brazen scheme to acquire over 1.5 million dollars in loan funds made available for legitimate businesses adversely affected by COVID-19,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “The department and our law enforcement partners will continue to identify and bring to justice those who commit fraud on CARES Act programs.”

“This defendant tried more than once to defraud the Paycheck Protection Program (PPP) – a program designed to keep people working,” said U.S. Attorney Brian T. Moran for the Western District of Washington. “I am pleased that the systems designed to detect and deny fraudulent payments caught his scheme before federal funds went out the door.”

“SBA OIG applauds due diligence by SBA’s lending partners to maintain the integrity of the lending programs,” said Special Agent in Charge Weston King of the SBA Office of Inspector General (SBA OIG) Western Region. “Providing false statements to gain access to SBA’s programs will be aggressively investigated by our office in partnership with our law enforcement counterparts. I want to thank the Justice Department and our law enforcement partners for their dedication and pursuit of justice.”

“In the midst of this pandemic, anyone who attempts to engage in illegal activity will be aggressively pursued,” stated J. Russell George, Treasury Inspector General for Tax Administration (TIGTA). “Our mission at TIGTA is to protect the integrity of the nation’s system of tax administration. I appreciate the assistance of the Small Business Administration Office of Inspector General, the Department of Justice, and other law enforcements partners in this effort.”

“This is an example of someone who was attempting to take advantage of a program to help Americans during one the most difficult times in recent memory,” said Special Agent in Charge Raymond Duda of the FBI’s Seattle Field Office. “We are proud to partner with SBA and TIGTA in ensuring funds provided for programs such as PPP, make it to the people who need it the most.”

Zhang allegedly sought over a million dollars in forgivable loans guaranteed by the SBA from multiple banks by claiming fictitious payroll expenses associated with fictitious information technology companies that he created. Zhang allegedly provided fraudulent documents to two different lenders in support of applications for loans guaranteed by the SBA for COVID-19 relief through the PPP. In total, Zhang sought forgivable loans in the amount of \$1,525,000.

Allegedly, Zhang provided lenders with fraudulent IRS documentation purporting to show federal tax withholdings for a sole proprietorship in his name for 25 employees. As part of an effort to show that this business had been operating for several quarters, Zhang allegedly submitted to two lenders documentation purporting to show that, on April 3, 2017, the IRS had assigned an Employer Identification Number (EIN) to his sole proprietorship. In fact, the IRS assigned the EIN on April 3, 2020, only a week before Zhang submitted his application to the lender. Zhang allegedly also provided fraudulent IRS documentation purporting to show federal tax withholdings for 20 employees for a limited liability company he created.

Zhang allegedly provided falsified documentation purporting to show that an EIN for the second company had been assigned in 2018. In fact, the IRS assigned the EIN on April 21, 2020, just two days before Zhang submitted an application for the company to the lender. Zhang also allegedly provided the lender with a bank statement purporting to show that the company had disbursed payroll payments in December 2019. In fact, Zhang opened that account in April 2020.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Trial Attorney Amanda Vaughn of the Criminal Division's Fraud Section and Assistant U.S. Attorney Brian Werner for the Western District of Washington are prosecuting the case.

The Justice Department acknowledges and thanks the TIGTA, the SBA OIG and the FBI for their efforts investigating this matter.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Attachment(s):

[Download Zhang complaint](#)

Topic(s):

Coronavirus

Financial Fraud

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - Washington, Western](#)

Press Release Number:

20-477