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Office of the United States Attorney
Eastern District of California
U.S. Attorney McGregor W. Scott

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Two COVID-19 Unemployment Benefit Fraud Schemes Charged in the Eastern District of California *Chowchilla prison inmates involved in one and Roseville woman involved in second*

SACRAMENTO, Calif. — Hundreds of thousands of dollars have been fraudulently taken in two separate schemes that targeted California Employment Development Department (EDD) unemployment insurance benefits that were intended for Californians hit hardest by the ongoing COVID-19 pandemic shutdown, U.S. Attorney McGregor W. Scott announced.

The benefits involved billions of dollars in federal subsidies that have been significantly increased through the Pandemic Unemployment Assistance (PUA) program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

“The U.S. Attorney’s Office is committed to the mission of combatting fraud that abuses the provisions of the CARES Act,” said U.S. Attorney Scott. “We will work with every major law enforcement agency to investigate and prosecute the fraud arising out of the pandemic. This theft of taxpayer dollars intended to assist our citizens in a very difficult economic time simply will not be tolerated.”

“Today’s charges demonstrate the Office of Inspector General’s commitment to combating fraud against the unemployment insurance program, which has become increasingly prevalent amid the pandemic. We will continue to work with our law enforcement and state workforce agency partners to pursue individuals who seek to undermine the integrity of the unemployment insurance program,” said Quentin Heiden, Special Agent-in-Charge, Los Angeles Region, U.S. Department of Labor Office of Inspector General.

“The FBI’s long-standing partnership with our local, state, and federal law enforcement partners aid our collective efforts to swiftly identify and aggressively investigate instances of government benefit fraud,” said Special Agent in Charge Sean Ragan of the FBI Sacramento Field Office. “Unemployment benefits are intended to support individuals and families who are in crisis due to the economic impact of the COVID-19 pandemic, not be illegally diverted by fraudsters who surreptitiously steal the identities of the unsuspecting. Many victims do not know they have been

targeted until they themselves try to file a claim or are notified by EDD, the IRS, or their employer.”

“Today’s announcement reflects our collaborative commitment to work together across all levels of government and highlights that joint cooperation and a “one team, one fight” approach are already paying dividends,” said Mark S. Ghilarducci, Director, California Governor’s Office of Emergency Services and California’s Homeland Security Advisor. “Going forward, this State Coordination Task Force will remain laser focused on continuing to augment and coordinate with our partners at the US Attorney’s Office, with the district attorney’s offices and with our other state, local and federal law enforcement agencies, to continue to root out criminal activity and the fraud that has occurred within the unemployment system and ultimately hold those responsible accountable.”

“There are so many Californians that have been impacted by COVID-19, and we have no tolerance for anyone who tries to defraud the hard-working people of this state. Our investigators have been dedicated to this and other cases of fraud, and these indictments are the result of collaboration and hard work,” said Kathleen Allison, Secretary of the California Department of Corrections and Rehabilitation. “We want to thank U.S. Attorney Scott and all of our partners for the shared commitment in neutralizing fraud in the state’s prisons. We will continue to use every tool at our disposal to hold accountable those who break the law.”

“The EDD is committed to combatting the aggressive fraud attacks against the unemployment benefit system and is grateful for the collaborative efforts of federal, state and local partners in this shared goal,” said Nancy Farias, EDD’s Chief Deputy Director of External Affairs, Legislation, and Policy. “EDD has enhanced its fraud detection and prevention tools to ensure only valid claimants receive timely benefits. We will work with law enforcement to hold those accountable who seek to defraud the unemployment system.”

Today, the federal grand jury in Fresno returned an indictment involving a prison-based scheme out of the Central California Women’s Facility (CCWF) in Chowchilla. Inmate Sholanda Thomas, 36, and parolee Christina Smith, 37, were indicted for conspiracy to commit mail fraud and aggravated identity theft charges for the submission of several fraudulent EDD unemployment insurance claims in Thomas’ and other CCWF inmates’ names. Recorded jail calls and emails show that Thomas and others engaged in “bundling,” that is, they obtained the names, dates of birth, and social security numbers for inmates at CCWF and relayed that information to Smith to submit the fraudulent claims. The claims were submitted shortly thereafter, and the benefits were loaded onto debit cards that were mailed to the addresses provided.

The underlying applications for the claims falsely stated that the inmates had worked within the prescribed period as hairstylists, barbers, and other occupations, and that they were available to work, which was not true because they were incarcerated. The claims would have been denied if

accurate answers had been given. EDD and the United States have suffered a loss of over \$200,000 as a result of the fraud.

Thomas and Smith used the proceeds for their own benefit, which included Smith keeping Thomas' share in a shoebox pending Thomas' release from prison, and Smith getting plastic surgery.

This case is the product of an investigation by the Federal Bureau of Investigation and the California Department of Corrections and Rehabilitation, Investigative Services Unit. Assistant U.S. Attorney Joseph Barton is prosecuting the case.

In the second scheme, Andrea M. Gervais, 43, of Roseville – a former Employment Development Department employee – allegedly participated in a mail fraud scheme involving approximately 100 fraudulent Pandemic Unemployment Assistance (PUA) claims in the names of persons other than Gervais. According to the criminal complaint, at least 12 of the 100 claims were processed for payment, and over \$200,000 in PUA benefits were paid out to Gervais's Roseville address in the form of Bank of America debit cards. The total value of all fraudulent PUA claims from her residence was at least \$2 million.

The investigation began when investigators discovered a PUA claim using the identity of a sitting United States Senator for approximately \$21,000. This fraudulent claim was processed for payment, and Gervais received a PUA debit card in the United States Senator's name. Investigators further discovered that Bank of America ATM cameras captured Gervais on multiple occasions withdrawing cash from at least seven of the PUA debit cards, and at least one captured transaction showed Gervais using the debit card issued to the United States Senator.

This case is the product of an investigation by the U.S. Department of Labor – Office of Inspector General, the Federal Bureau of Investigation, and the California Employment Development Department – Investigation Division. Special Assistant U.S. Attorney Robert J. Artuz is prosecuting the case.

Gervais was arrested on federal complaint on Tuesday. On Wednesday, Gervais made her initial appearance before a U.S. magistrate judge and was released on bond pending further proceedings.

If convicted, Thomas and Smith face a maximum statutory penalty of 20 years in prison for conspiracy to commit mail fraud, and a mandatory and additional two-year prison sentence if convicted of aggravated identity theft. If convicted, Gervais faces a maximum statutory penalty of 20 years in prison for mail fraud. Each defendant also faces a maximum fine of \$250,000 on each count. Any sentence, however, would be determined at the discretion of the court after consideration of any applicable statutory factors and the Federal Sentencing Guidelines, which take into account a number of variables. The charges are only allegations; the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

The CARES Act is a federal law enacted March 29 that is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is the authorization that expands states' ability to provide unemployment insurance for many workers impacted by COVID-19, including for workers who are not ordinarily eligible for unemployment insurance benefits.

Anyone with information about attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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