Journal of Accounting, Ethics & Public Policy, JAEPPVol. 27No. 2 (2026)
e-ISSN 2956-8390; ISSN1089652X

Governance and Fraud Prevention in Federal Relief Programs: Insights from the Paycheck Protection Program

Katie Matt
State University of New York Polytechnic Institute, USA

Daniel Hebert
Syracuse University, USA

Doi10.60154/jaepp.2026.v27n2p59

Submitted: 25 January 2026
Accepted: 24 August 2026
Published: 18 September 2026

Cite As:

Matt, K. & Hebert, D. (2026). Governance and Fraud Prevention in Federal Relief Programs: Insights from the Paycheck Protection Program. Journal of Accounting, Ethics & Public Policy, JAEPP, 27(2), 59.https://doi.org/10.60154/jaepp.2026.v27n2p59

Abstract

This study examines the systemic vulnerabilities and governance deficiencies that facilitated widespread fraud within the Paycheck Protection Program (PPP), a central element of the U.S. government's economic response to the COVID-19 pandemic. Established under Section 1106 of the CARES Act, the PPP disbursed $349 billion in its initial phase to support small businesses. However, the program’s rapid implementation and limited upfront controls created substantial opportunities for abuse, resulting in an estimated $64 billion in fraudulent claims, as reported by the U.S. Small Business Administration Inspector General. This research addresses two principal questions: (1) How did such extensive fraud materialize so quickly, and (2) What structural and regulatory reforms are required to prevent similar failures in future emergency aid programs? We use a qualitative case analysis of publicly prosecuted PPP fraud cases, together with Office of Inspector General findings, and we apply the fraud triangle and the expanded fraud diamond frameworks to examine how opportunity, pressure, rationalization, and capability interacted within an urgent, high-stakes policy environment to enable large-scale fraud. Based on this analysis, we offer governance recommendations for future federal relief programs.

Keywords: Fraud; Federal Relief Programs; Governance

Introduction

History and Implementation of the PPP

The Paycheck Protection Program (PPP) was implemented with the intent on helping, however, it quickly turned into what some have called the largest fraud in this generation. During the COVID-19 pandemic, the country was not only suffering with health concerns, but businesses were also suffering. With a fear of going concern, the Government acknowledged the necessity of taking swift action. Businesses need help at a rapid pace, and this ultimately sets up the perfect storm for fraudsters, who took money from those in need through deceit.

The Paycheck Protection Program 7(a) was implemented in 2020 as Section 1106, which provides for the full principal amount of qualifying loans forgiven (Carranza, 2020). Congress authorized the program with an amount of $349,000,000,000 under the PPP to help America's small businesses with 500 or fewer employees. The SBA planned to provide help to America's small businesses as with the COVID-19 pandemic, as there was a dramatic decrease in economic activity in the US. As specifically described, the intent of the act was for the SBA to expeditiously provide relief to small businesses of America. To accommodate the expedited feature of the PPP, it was clearly stated that certain loan criteria would not be required (Carranza, 2020).

To apply for the PPP loan, applicants were required to submit Form 2483, the Paycheck Protection Program Application Form and payroll documentation. The proceeds of the PPP loan were intended to be used for payroll costs, costs related to group health care benefits, mortgage interest payments, not including mortgaging prepayments or principal payments, rent payments, utility payments, interest payments on any debt obligations prior to February 15, 2020 and or refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020.

https://www.federalregister.gov/documents/2020/04/15/2020-07672/business-loan-program-temporary-changes-paycheck-protection-program#citation-1-p20814

$64 Billion in PPP Fraud

Four years later after the PPP was enacted, it is estimated by the U.S. Small Business Administration inspector general $64 billion in fraud from the PPP (Nanz, 2024). In just a few years, billions of fraudulent dollars were collected by fraudsters during a global pandemic. This is of great concern, as large sums of money was issued to those who deceived the program, while the money could have been issued to others who did in fact need the money. The monetary implications are incredible, and now it is important that these fraudsters are prosecuted in their successful attempts to deceive and ultimately collect money that was not actually theirs to collect. The timeframe of the PPP loans, the need to help businesses and the lack of duties in both analyzing and verifying the applications all contributed to the perfect storm for fraud to occur. Thus, we analyze not only how these frauds occurred, but also how these frauds could be prevented in the future.

Our study investigates two central research questions:

(1) What conditions allowed massive fraud to proliferate in such a short time? And

(2) What governance improvements can be implemented to safeguard future federal aid initiatives?

We explore these questions using the fraud triangle and fraud diamond frameworks, emphasizing how pandemic-related pressures, coupled with vast opportunities and rationalizations, created a "perfect storm" for fraud. The expanded fraud diamond model introduces the element of capability, illustrating how sophisticated fraudsters leveraged weaknesses in PPP oversight.

Potential Policy Recommendations

To address these systemic issues, this research proposes several policy recommendations, discussed in detail later in this paper, centered on proactive fraud risk frameworks, centralized oversight, the integration of forensic accountants, and stronger regulatory oversight of FinTech lenders.

Our research contributes to the ongoing dialogue on balancing swift economic intervention with the necessity of safeguarding public funds. By understanding the environmental and organizational factors that facilitated fraud in the PPP, we aim to provide actionable insights for policymakers and forensic accounting practitioners to enhance the integrity of future emergency relief programs.

Literature Review

Paycheck Protection Program Vulnerabilities

Previous research has investigated fraud in the area of the Paycheck Protection Program. The literature reveals critical vulnerabilities in the structure and oversight of the Paycheck Protection Program (PPP), a federal effort designed to provide urgent economic support to small businesses impacted by the COVID-19 pandemic. Scholars and investigative reports identify fundamental deficiencies that allowed the program to become a target of fraud on an unprecedented scale. Previous research has analyzed fraud and abuse in relation to the PPP, identifying concerns with due diligence and verification processes (Beggs and Harvison, 2023; Office of the Inspector General, 2022).

Beggs and Harvison (2023) analyzed fraud and abuse in the PPP using evidence from investment advisory firms. They found that characteristics known to predict fraud in other settings, such as a firm's past fraud or legal misconduct, also predicted PPP abuse. They also found that lenders kept approving abnormal loans later in the program, which they suggest happened once it became apparent that little borrower diligence was actually being conducted.

This pattern is explained at a structural level by the SBA Office of Inspector General (2022), which examined the PPP's expedited launch and documented how minimal upfront verification processes enabled applicants to submit falsified payroll documents, inflate employee numbers, or even create fictitious businesses to secure PPP loans. The Inspector General attributed these issues to the agency's failure to establish a sufficient fraud risk framework at the start of PPP implementation, noting that the program relied on borrower self-certifications rather than verification of supporting documentation. Management stated this was partly due to the speed of delivery required for the PPP and the continuous discovery of different fraud schemes. While the intention was to address immediate economic concerns through rapid disbursement, the Inspector General found that this approach ultimately compromised the program's integrity and increased the risk of fraudulent and ineligible applicants receiving PPP loans. The SBA OIG (2022) recommended that the agency establish clearly defined roles, responsibilities, and processes for managing potentially fraudulent loans and provide lenders with formal guidance to improve accountability, enabling the government to recover misallocated funds and protect taxpayer interests.

Griffin, Kruger, and Mahajan (2023) trace this same weakness to a specific channel: FinTech lenders. They find that the PPP's lack of rigorous verification requirements raises questions about the efficiency of its capital allocation and about the consequences of lax oversight more broadly, and they show that FinTech lenders' share of the PPP market grew roughly fourfold in the program's early months, precisely when screening should have been tightening rather than loosening. The Select Subcommittee on the Coronavirus Crisis (2022) reaches a similar conclusion in its own investigation of FinTech lenders, finding that some FinTech executives prioritized loan-approval volume over fraud prevention.

Synthesizing these three sources identify the same underlying problem from three different angles rather than three unrelated findings. The SBA OIG (2022) explains why the vulnerability existed in the first place: the program had no centralized fraud risk framework and gave lenders no clear guidance on verification. Beggs and Harvison (2023) show what that gap looked like in the loan data itself, with abnormal approvals continuing, and even increasing, once weak diligence became apparent. Griffin, Kruger, and Mahajan (2023) show where that gap was most exploited: FinTech lenders, whose market share grew fastest at exactly the moment screening should have tightened. In short, a design gap identified by the OIG shows up as an approval pattern in the lending data, and that pattern is concentrated in a specific, high-risk lending channel. Understanding PPP fraud, then, requires looking at all three levels together, not any one in isolation, which is what the case analysis in this study attempts to do.

The Fraud Framework

This progression, from a design gap to an exploited channel, is also why a purely descriptive account of PPP fraud is incomplete; we need a framework that explains not just where the fraud occurred, but why. The fraud triangle offers supportive framework: opportunity (the control gaps the OIG documented), pressure (the urgency of a global pandemic), and rationalization (the belief that speed justified the risk) combined to enable fraud on this scale. The fraud diamond model builds on the fraud triangle by adding a fourth factor, capability, and this is exactly what Griffin, Kruger, and Mahajan's FinTech finding illustrates: fraud did not simply occur wherever opportunity existed, it concentrated where fraudsters had the capability to exploit fast, low-friction lending channels at scale. Arel, Tomas, and Stark (2023) examine this model by testing capability measures—intelligence, confidence/ego, ability to exploit, and stress immunity—and their influence on fraud occurrence. The study’s experimental design allowed the authors to isolate these capability factors and assess their effect on participants’ decisions to commit fraud. Findings indicate that higher levels of intelligence and confidence/ego significantly increase fraud likelihood, while individuals with greater stress tolerance are less inclined to engage in fraudulent acts. Conversely, the ability to exploit others did not substantially influence fraud likelihood, suggesting that situational pressure may outweigh coercive skills when fraud risks are high.

Arel, Tomas, and Stark's (2023) findings underscore the importance of capability in fraud prevention and detection, supporting previous research that calls for organizations to consider employees' abilities when assessing fraud risk. The authors argue that adopting the fraud diamond model within forensic accounting practices may enable organizations to identify potential fraud risks more effectively than the fraud triangle alone (Arel, Tomas, & Stark, 2023).

Wolfe and Hermanson (2024) describe capability in similar terms, as involving both the opportunity to commit fraud and having the right person, with the right skills, in place to exploit it. Applied to the PPP, this reframes Griffin, Kruger, and Mahajan's FinTech finding: the issue was not simply a regulatory gap, but evidence that the people exploiting the program had the specific capability, technical, financial, or organizational, to operate within FinTech's high-volume, low-scrutiny lending model. This is the same reasoning we apply in Section III to interpret the individual fraud cases examined later in this study.

Methodology

This study uses a qualitative case analysis to examine how governance and control weaknesses in the Paycheck Protection Program (PPP) allowed widespread fraud to occur. We do not test a random or representative sample. Instead, we look closely at a set of cases already prosecuted by the Department of Justice, to show how the deficiencies identified by the SBA Office of Inspector General (2022) transpired in practice.

Case Selection: The four fraud cases discussed in Section V were extracted from publicly available U.S. Department of Justice press releases on PPP fraud convictions and sentencing between 2023 and 2024. We selected cases using three criteria. First, the case needed a completed federal prosecution with publicly available documents, so the facts could be verified. Second, the fraud method needed to be clearly documented, such as falsified payroll forms, fictitious businesses, or false statements, so it could be tied back to a specific control gap identified by the SBA OIG. Third, we chose cases that, together, cover a range of dollar amounts, from about $950,000 to $20 million, and a range of fraud methods, rather than only the largest or most publicized cases. This approach fits an exploratory study like ours, but it does not let us generalize statistically to all PPP fraud cases, a limitation we discuss further below.

Analytical Approach: For each case, we identified the fraud mechanism described in the DOJ documentation and connected it to the specific SBA OIG (2022) deficiency it took advantage of, whether that was the lack of defined roles and responsibilities, the absence of a centralized fraud risk management function, or insufficient guidance to lenders. We then interpreted each case through the fraud triangle (opportunity, pressure, rationalization) and the fraud diamond, which adds capability, similar to the approach used by Arel, Tomas, and Stark (2023), to understand how the pandemic environment heightened each of these elements. Connecting the case facts to a specific control gap, and then to the fraud framework, is what advances our position from simply describing what happened to explaining why it happened and ultimately providing recommended changes.

Limitations: Because our case sample is a purposive selection rather than a random one, and because it is limited to fraud that was actually detected and prosecuted, our findings are illustrative rather than statistically representative. They likely understate the true scope of PPP fraud, since undetected or uncharged schemes are not captured here. Our analysis is descriptive and qualitative; we do not perform formal hypothesis testing. We therefore see our findings and recommendations as a starting point for the larger, more systematic empirical research we call for in Section IX.

Oversight

The Pandemic Oversight (n.d.) was implemented with the mission of promoting transparency. Directly according to the Pandemic Oversight, with an aim to post data and analyze data to detect fraud, waste, abuse, and mismanagement, created by the CARES Act for independent oversight of pandemic relief spending (Pandemic Oversight, n.d.). Also included through the Pandemic Oversight is the SBA Inspector General Inspection Report of SBA's Handling of Potentially Fraudulent PPP Loans Office of the Inspector General (2022). Through the report from the Office of the Inspector General (2022) concerns were identified that could have led to the massive fraud occurring. The results reported the following deficiencies of the SBA in consideration of the PPP loans:

1. Lack of organizational structure with defined roles, responsibilities and processes to manage and handle fraudulent PPP loans.
2. No centralized entity to design, lead, and management fraud risk or a sufficient fraud risk framework

a. It should be noted that management stated this was partly due to the speed delivery of PPP

3. Lenders not clear on how to handle PPP fraud or recover funds obtained fraudulently from the PPP

One major concern is that even though there was a significant increase in lenders requesting guidance from the SBA, the SBA did not provide lenders sufficient specific guidance to handle fraudulent PPP loans. Yet, the concern lies in the fact that SBA officials said lenders had industry regulations for fraud which could have served as guidance for handling PPP fraud (Office of the Inspector General, 2022).

The results of the report of the SBA Inspector General identified key issues that allowed the fraud to occur. One major concern in this area is that the lack of structure, design and fraud risk framework, and unclear handling of fraud are basic guidance set forth by the Government Accountability Office. As identified in the report, the GAO has a Framework for Managing Fraud Risks in Federal Programs, leading to a greater concern that fraud can occur even if the guidance is implicit (GAO-15-593SP, 2015). If the guidance is not correctly implemented, it cannot be effective.

The report leads us to believe that the response to our first research question, how could massive amounts of fraud have occurred in a short time period? lies right in the question, “a short time period.” The PPP loans were intended to provide immediate relief during a global crisis. The immediate nature of the assistance provided gaps for fraud to occur, as the proper protocols were simply not implemented, even with the information available to the SBA. The immediate need for help caused a weakness in the structure of preventing fraud and it is clear that this allowed vast fraud to occur.

PPP Fraud Cases

There are ample examples of PPP fraud cases over the past four years. Providing samples of the cases are critical in understanding how extreme these fraud cases actually are. It also paints the picture of how individuals were able to commit the fraud we are discussing, as well as brings to life the deficiencies found by the SBA Inspector General. The following cases range from a few million dollars to multi-million dollars in PPP fraud, all unique cases stemming from the same program meant to help the small businesses. The methods of committing the fraud range from filing falsified documents, using fictitious businesses, and making false statements and representations. With dollar amounts in the millions, this sample is just a few of many that have substantiated large amounts that were initially intended to do good but only resulted in a mass fraud.

$11 Million Fraud Scheme Filing Fraudulent Form 941: The first case resulted in $11 million in fraud stemming from the PPP fraud scheme. This case involved two individuals, one convicted of bank fraud, wire fraud, conspiracy to commit bank fraud and wire fraud, false statements to a federally insured financial institution and money laundering in connection with 14 loan applications. The next individual was convicted of two counts of money laundering in connection with the proceeds of a PPP loan. In this case, the conspirators submitted or assisted with submitting PPP loan applications on behalf of 14 businesses, filling fraudulent Form 941 which is used to report payroll taxes, thus, the PPP loan proceeds were deposited to the businesses’ accounts and the conspirators laundered the funds. By falsifying payroll tax forms (Form 941) and laundering proceeds, they exploited the lack of due diligence and oversight mechanisms. This case exemplifies the SBA’s failure to establish clear processes for verifying payroll documentation and detecting fraudulent activity (U.S. Department of Justice, February 16, 2024).

This case is an example of a lack of organizational structure with defined roles, responsibilities and processes to manage and handle fraudulent PPP loans. Thus, we see an opportunity to address the concerns of organizational structure and roles that would potentially prevent a future fraud from occurring in the manner of the $11 million fraud case described above. A team with segregated duties, which is critical in fraud detection, who verifies the forms filed, such as Form 941 would have been a measure that could have prevented this fraud from occurring.

$3.5 Million Fraud Scheme Using Fictitious Business: Three conspirators obtained loans by fabricating business entities and submitting false documentation. This was completed by falsifying information and submitting fraudulent documents to financial institutions. In this case, the individuals were able to obtain $3.5 million in fraudulent PPP relief. The SBA's lack of a centralized fraud risk management framework meant that these fraudulent claims were approved without adequate scrutiny. The absence of specific guidance on handling potentially fraudulent applications further exacerbated this issue (U.S. Department of Justice, February 6, 2024).

This case is an example of deficiency in the SBA to provide guidance to the lenders on how to handle PPP fraud and a lack of framework. If the SBA were to have detailed guidance, this could then be relayed to lenders, which would then assist financial institutions in handing out millions to those who are committing fraud. The framework to review the documentation, and verify the information being provided would have been useful in preventing this fraud from occurring. A set process must be in place to prevent a fraud like this from occurring in the future. As well as a set of guiding standards from the SBA to lenders to help them analyze the mass amounts of documentation being received, in a very short period of time.

$950,000 Fraud Ring: A group of ten defendants executed a coordinated effort to defraud both the PPP and the Economic Injury Disaster Loan (EIDL) programs. The defendants obtained the funds by submitting false and fraudulent loan applications that totaled over $950,000, on behalf of businesses and entities with knowingly submitted applications containing materially false statements and misrepresentations. By making materially false statements and leveraging systemic gaps in oversight, they highlighted the PPP's vulnerability to coordinated fraud schemes. This case underscores the critical need for centralized governance and robust inter-agency communication (U.S. Department of Justice, October 11, 2023).

This case is an example of the deficiency of no centralized entity to design, lead, and manage fraud risk or a sufficient fraud risk framework. Once again, a team that analyzes the documentation being submitted, as well as verifying the documentation would have been critical in preventing this fraud ring from occurring.

$20 Million COVID-19 Relief Fraud Ring: A group of six men in Texas were sentenced for their role in a fraud ring that obtained more than $20 million in forgivable PPP loans. In this case, the defendants falsified numbers of employees, average monthly payroll expenses, fraudulent bank records and fake federal tax forms (U.S. Department of Justice, February 12 2024).

This case is an example of a deficiency in checks and balances of the PPP loans. The documents in which were falsified should have been analyzed for accuracy and validity. This is another example of a team to analyze the documents, creating an environment of verification for the documents being submitted would have been critical in identifying the red flag of the falsified documents being submitted.

Discussion

Our second research question questions how this type of fraud can be prevented in the future. It appears the potential occurrence of fraud was not built into the design of the PPP program. Moving forward, consideration for fraud must be implementing when a program is providing such a massive amount of relief to individuals and companies. The deficiencies found by the SBA Inspector General were framed as recommendations (Office of the Inspector General, 2022), yet our case analysis shows what happens when these safeguards are treated as optional rather than required. This cannot be reactive, but must be proactive; too often, we see reactive action taken only after the fraud has already occurred.

The fraud triangle, a simple and longstanding concept in forensic accounting, helps explain why the PPP was so exposed. Opportunity was in place, as protocols were not implemented by the SBA; pressure was in place, as a global crisis was impacting virtually the entire economy; and rationalization was in place, as widespread suffering made it easier for some applicants to justify bending the rules. None of these three conditions is unusual on its own, however, having all three present at once, and at this scale, is what made the PPP so vulnerable.

Heightened Opportunity, Motivation, and Pressure

The fraud diamond model builds on the fraud triangle by adding a fourth element, capability, which encompasses not just the opportunity to commit fraud but having the right person, with the right abilities, in place to exploit it (Wolfe and Hermanson, 2024). Applied to the PPP, this means the people who caused the most damage were not simply those who noticed the weak controls, but those equipped to exploit them systematically, as seen in the FinTech-facilitated fraud discussed earlier in this paper.

We argue that during COVID-19, the fraud diamond was heightened in every area at once. There was heightened motivation, as businesses and individuals needed help quickly, and heightened motivation for fraudsters who saw an opportunity to obtain large amounts of funding with little scrutiny. There was also heightened opportunity, as the government did as much as it could to help people during the pandemic, which left the application process fairly easy to defraud. In accordance with Beggs and Harvison's (2023) findings, once it became clear that little diligence was being conducted, the fraud continued, and even increased, raising the question of how many of these applicants were opportunistic rather than genuinely in need.

This argument is presented in figure 1, in which we present the fraud diamond (opportunity, motivation/pressure, rationalization, and capability) as all overarching the broader environment. By environment, we are referring to the macroenvironment, which is a rich ground for fraud to occur, and we argue that during a period of rapid response, the fraud diamond is heightened in every area.

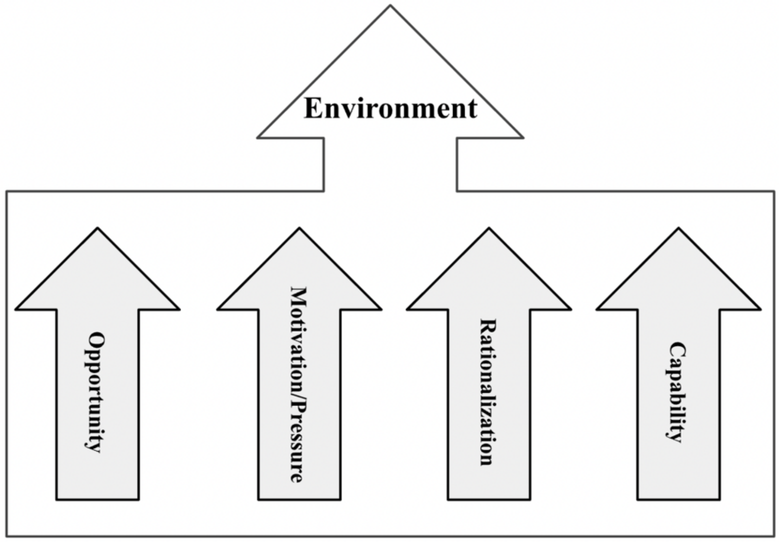

Figure 1. The Environmental (Surrounding) Impact on the Aspects of the Fraud Diamond

This dynamic is not unique to a global pandemic. At the macro level, during a stock market crash, a recession, or even a depression, large groups of individuals may find themselves in a vulnerable state, which increases each of the aspects of the fraud diamond. The environmental changes of their surroundings may be the catalyst that allows someone to alter their normal values and beliefs and make the move to commit fraud.

At the micro level, an organization or small business could be in turmoil, with a volatile work environment, effectively increasing the pressure and, potentially, the rationalization and capability to commit fraud. When businesses need to cut back on staff during difficult times, this may lead to a lack of segregation of duties, which then creates an opportunity that was not present before. The combination of a volatile environment, a new opportunity, and pressure and capability together create the perfect storm for fraud to occur.

Recommendations

Framework must be implemented including a system of checks and balances to better analyze applications in circumstances such as the PPP. Recommendations include analysis of forms filed in connection with the applications, including Form 941, for example, in which individuals were easily able to file fraudulent forms to "prove" their needs. This provides a gap in the process, in which is an opportunity to fill the gap with a check stop to analyze the forms filed, with verifying the organizations from previous documented information. Understanding the gaps in the process of the PPP will lead to a more robust set of checks and balances, necessary in the event of future programs.

Implementing an environment of fraud detection as a normal procedure is another recommendation we provide in this paper. In addition to auditors, specialists in fraud detection should be deployed, largely in scenarios such as the pandemic, with massive amounts of applications and the necessity for quick movement to keep the economy afloat. The sense of urgency outweighed the detection process, and this cannot occur in the future. Fraud detection should be a regular part of the application process when distributing mass amounts of money, to protect the parties involved. While there is a cost to implementing policies and procedures, we believe that the benefits outweigh the cost and long-term effects of mass fraud.

Consistent with Griffin, Kruger and Mahajan (2023), it is important to consider the effects of government programs that remove traditional market-based disciplinary forces. Also consistent with Griffin, Kruger and Mahajan (2023), additional research needs to be conducted in areas of forensic investigation to fully understand the processes that were absent that allowed the rampant fraud to occur. This supports our recommendation that forensic investigators should be implemented in the application process of a heightened environment, such as the PPP.

Policy Recommendations

To mitigate similar issues in future programs, we propose a comprehensive governance overhaul. Thus, in response to the massive PPP fraud, it is critical that policy recommendations be made in order to prevent and detect future fraud, particularly in environments where fraud can be at an even higher risk than usual. This includes four major recommendations that are shown in figure 2 and described in detail below.

Policy Recommendations	
Proactive Fraud Risk Management	Mandatory Fraud Screening and Forensic Integration
Enhanced FinTech Regulation	Comprehensive Applicant Vetting

Figure 2. Major policy recommendations

Based on these major four policy recommendations, it is reflective of the need for risk management, screening and forensic integration, regulation, as well as comprehensive vetting. All four of these policy recommendations directly relate to the fraud perpetrated during the COVID-19 Pandemic and are designed to potentially mitigate, prevent and deter future fraud from occurring.

1. **Proactive Fraud Risk Management:** Develop a centralized entity dedicated to fraud prevention and detection, equipped with the authority and resources to establish stringent fraud risk frameworks. This entity should employ advanced analytics to monitor real-time loan activity and flag irregularities for immediate investigation.

2. **Mandatory Fraud Screening and Forensic Integration:** Require the integration of forensic accountants during loan application processing, especially for high-volume or high-risk scenarios. This would ensure that suspicious applications are scrutinized in real time, reducing the likelihood of fraudulent disbursements.
3. **Enhanced FinTech Regulation:** Implement strict regulatory standards for FinTech companies participating in federal aid programs. These standards should mandate robust fraud prevention measures, periodic audits, and accountability for loan screening practices. Additionally, penalties should be enforced for non-compliance.
4. **Comprehensive Applicant Vetting:** Establish mandatory documentation verification processes, including cross-referencing payroll forms with IRS records, to prevent the submission of falsified documents. Automated systems should be supplemented by human oversight to catch nuanced fraud attempts.

To implement these recommendations, both forensic accountants and artificial intelligence (AI) could be highly beneficial. AI can assist in vetting applications, with forensic accountants overseeing the process and verification with any applications that are identified by AI as a risk. We acknowledge that there can be a cost with AI implementation, including AI software that have the protection and confidentiality protocols in place necessary to protect sensitive data, as well as training necessary for those to utilize AI in both a correct and ethical manner. While there are some barriers to AI implementation, we believe that the benefits outweigh the cost and additional areas of training needed by preventing the massive loss that occurs when fraud is not prevented.

One note we would like to make is that these policy recommendations must be implemented, with a timely completion in mind as well, as to not delay the assistance to those in need. These frauds should not cast shadow on the intent of the PPP and the need to provide help to those who were vulnerable during the global pandemic. The intent of this program was made with the need of urgent help to businesses across the US. During this unprecedented time, many people were trying to help others in need. Thus, we emphasize the importance of giving and sorting through those who are trying to deceive, to not discourage programs such as PPP, but encourage them to be run in a safe manner. This includes the money going to those who truly meet the standards, and not going to those who are committing fraud. We urge policy makers to consider policy recommendations, as well as the workforce behind the recommendations so this does not overly delay getting the money to those who are in need of this for business survival. These recommendations require manpower to make them happen and it is a very important job of a team to determine applications that are valid, and also a thorough verification process, while not slowing down the process that is intended to help the honest businesses in need.

The consideration and implementation of these policy recommendations reflect the evolution of the nature of fraud and the need to continue to adapt to a changing environment. Effective policy is derived from education based on past information, experiences and real world cases that we can learn from. Recommendations here are a direct result of the manner in which the fraud of the PPP program was perpetrated, and we feel as though this can only strengthen and protect those who are trying to help and those who are in need. Our goal is to take what we have learned from the real fraud cases from the PPP program and inform as much as possible of what we believe will help society. Societal impact is of highest importance in scenarios such as the COVID-19 pandemic, such as the PPP program and it is important that these programs are met with integrity and assurance.

Conclusion

The PPP achieved its central goal of dispersing $349 billion in emergency relief to small businesses quickly. However, it did this without the organizational structure, centralized fraud risk framework, or lender guidance that the SBA Office of Inspector General (2022) later said were needed to protect a program of this size. The cases we examined demonstrate how these specific gaps were exploited, through falsified payroll documentation, fictitious businesses, and false statements, and how the pandemic environment made every part of the fraud triangle and fraud diamond worse.

In response to our first research question, the evidence supports our view that acceleration and oversight were treated as competing priorities, and acceleration prevailed. In response to our second research question, the cases and the existing literature point to four concrete reforms: proactive, centralized fraud risk management; mandatory forensic and fraud-screening integration in the application process; stronger regulatory oversight of FinTech lenders; and more rigorous applicant vetting. We do not offer these recommendations as an argument against rapid emergency relief. Rather, we see them as a way to deliver that relief without repeating the same control failures seen in the PPP.

Our study is exploratory and descriptive. Our case sample is a purposive one, not a random one, so our conclusions should be read as a starting point for future, larger-scale research rather than as generalizable findings on their own. Even with that limitation in mind, the deficiencies identified by the SBA OIG (2022), the FinTech lending patterns documented by Griffin, Kruger, and Mahajan (2023), and the mechanisms we observed across these four cases all point in the same direction. This tells us the governance gaps we found are systemic, not isolated, and that closing them should be a design requirement, not an afterthought, in future federal emergency relief programs.

Future Research

Ample knowledge can be gained retrospectively of fraud occurrence. This includes the motive, the opportunity and the process of the fraudsters. From the PPP, individual cases should be analyzed and trends in these cases identified to determine the top reasons that the fraud was allowed to occur. In addition, previous research has discussed that the indicator of fraud, having participated in previous fraud, was also an indicator of PPP is valuable, but we must understand how we can harness this information to useful actionable items. We have yet to determine how understanding previous fraud could have prevented the PPP fraud on an individual basis.

In addition, we must understand what the individual factors can tell us as a whole, including trends among the fraudsters in relation to occurrence, opportunity, and process, as well as motivational trends. Identifying the major trends based on the individual cases will help to further the major policy recommendations with detailed steps to take. This is a continual process that must evolve and adapt to an ever changing environment and we must learn as much as possible from past offenses. We have identified areas of implications for future research and directions to take based on this research.

Implications and Directions for Future Research

This research emphasizes the need for a balance between rapid economic intervention and effective fraud prevention. Future studies should explore the long-term impacts of fraudulent federal aid disbursements on economic stability and develop predictive models to identify fraud risks in real-time. Analyzing individual fraud cases to identify common indicators could inform more sophisticated fraud prevention frameworks. Additionally, further exploration into the role of environmental factors—such as macroeconomic crises—can deepen our understanding of how external pressures influence fraud dynamics.

By dissecting the governance failures and proposing targeted reforms, this research aims to contribute meaningfully to the field of forensic accounting and inform the design of more resilient federal aid programs. Safeguarding public funds requires not only stringent regulatory measures but also a cultural shift towards prioritizing fraud prevention as an integral part of crisis response planning.

In addition, we question the use of artificial intelligence (AI) in the usefulness of analyzing the mass amount of data available on these PPP fraud cases. Future research should implement AI to help analyze and sort the types of PPP fraud, determine the amounts lost and also if they have been prosecuted. Implementing AI can assist authors in analyze a mass amount of data and help to determine areas where safeguards can be included.

Next steps the authors would like to take in examining fraud and governance through the PPP program are through an AI analysis. The opportunity AI brings to an analysis of court cases and findings from these cases are immeasurable. The opportunity to analyze a mass number of cases associated with the PPP fraud would provide further insight to the deficiencies of the PPP program. Through the use of AI, the ability to analyze these cases, identify trends and gaps in procedure and policy can further support the recommendations made in this paper, and further detail the issues from this program, as well as guidance for policy changes.

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