

Department of Justice

U.S. Attorney's Office

Eastern District of Texas

FOR IMMEDIATE RELEASE

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Jefferson County Engineer Sentenced for \$13 Million COVID-Relief Fraud

BEAUMONT, Texas – A Beaumont engineer has been sentenced for his participation in a scheme to file two fraudulent loan applications seeking more than \$13 million in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, announced Eastern District of Texas Acting U.S. Attorney Nicholas J. Ganjei today.

Shashank Rai, 31, pleaded guilty on Feb. 9, 2021, to making false statements to a bank and was sentenced to 24 months in federal prison today by U.S. District Judge Marcia A. Crone. Rai admitted that he sought millions of dollars in forgivable loans guaranteed by the SBA by claiming to have 250 employees earning wages when, in fact, no employees worked for his purported business. In the application submitted to the first lender, Rai sought \$10 million in PPP loan proceeds by fraudulently claiming to have 250 employees with an average monthly payroll of \$4 million. In the second application, Rai sought approximately \$3 million in PPP loan proceeds by fraudulently claiming to have 250 employees with an average monthly payroll of approximately \$1.2 million.

“The Payroll Protection Program was designed to provide financial support during the COVID-19 pandemic to real American businesses with real employees,” said Acting U.S. Attorney Nicholas J. Ganjei. “It was not designed to provide loans to individuals for personal investment purposes. Today’s sentence demonstrates our shared commitment to protecting this important, taxpayer-funded program.”

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, and in December 2020, Congress authorized another \$284 billion in additional 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 for 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 a set time period and use at least a certain percentage of the loan towards payroll expenses.

This case was investigated by the FHFA-OIG, FDIC-OIG, SBA-OIG, and USPIS. Assistant Chief L. Rush Atkinson and Trial Attorney Lou Manzo of the Criminal Division’s Fraud Section, and Assistant U.S. Attorneys Nathaniel Kummerfeld and Frank Coan prosecuted the case.

The Fraud Section leads the department's prosecution of fraud schemes that exploit the PPP. In the months since the PPP began, Fraud Section attorneys have prosecuted more than 100 defendants in more than 70 criminal cases. The Fraud Section has also seized more than \$60 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds. More information can be found at:

<https://www.justice.gov/criminal-fraud/cares-act-fraud>.

Anyone with information about allegations of 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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