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Mid-Year Update: PPP Investigations Continue as DOJ Enforcement Priority

WHAT INDIVIDUALS AND COMPANIES NEED TO KNOW ABOUT CONTINUED INVESTIGATIONS AND ENFORCEMENT UNDER TRUMP 2.0.

As we enter the second half of 2025—over five years now since the COVID-19 pandemic began—federal government scrutiny relating to Paycheck Protection Program (PPP) loans received in the early days of the pandemic is still going strong. Audits and investigations related to the U.S. Small Business Administration’s (SBA) handling of PPP loans, in particular, remain a significant focus of federal agencies.

PPP background and implementation

The PPP was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law during the early days of the pandemic. The program was an immediate hit with business owners, as lockdowns and other public health countermeasures effectively shut down large swaths of the U.S. economy and imperiled the livelihoods of millions of people. Approximately \$800 billion was disbursed by the SBA via PPP loans. By the end of 2022, the SBA reported that 10.5 million loans had been forgiven, accounting for \$755 billion. The SBA has referred more than 10,000 delinquent PPP loans with balances over \$100,000, as well as \$20 billion in delinquent PPP loans with balances of less than \$100,000, to the Treasury Department for collection.

For years now, the government has reported massive amounts of fraud in connection with PPP loans. In May 2023, the U.S. Government Accountability Office “flagged” nearly four million loans “as having warning signs consistent

with potential fraud.” Even the SBA’s own inspector general estimated that the SBA disbursed over \$200 billion, or roughly 17% of all EIDL and PPP funds, “to potentially fraudulent actors.” Amid such breathtaking fraud, the federal government cited the need to deploy cash quickly in order to stave off the most destructive consequences of the pandemic lockdowns. However, the government has also been revisiting the PPP and using its broad authority to claw back money and hold fraudulent individuals to account, including through investigations and prosecutions by the U.S. Department of Justice (DOJ).

SBA audits

The SBA has been continuing to undertake loan reviews, which at times include an investigation into whether the borrower accurately calculated its PPP loan amount eligibility, whether the PPP loan funds were used in accordance with the CARES Act (i.e., the portion of the funds used for payroll costs vs. non-payroll costs), and the borrower’s eligibility for forgiveness based on the information provided in their application for forgiveness. If a borrower fails to respond to an SBA audit inquiry, the SBA may determine that the borrower was ineligible to receive the PPP loan, ineligible to receive the amount of the PPP loan, or ineligible for the loan forgiveness amount claimed by the borrower and may seek repayment of the outstanding PPP loan balance or pursue any other available remedy.

DOJ investigations

In addition to the SBA audit process, DOJ has spearheaded a significant effort across the federal government in recent years to investigate and—as appropriate—prosecute pandemic fraud. Such investigations may include both potential criminal investigations or civil investigations and often include at the early stages the issuance of subpoenas or Civil Investigative Demands (CIDs), including under the False Claims Act (FCA). Notably, under the FCA, individual whistleblowers (known as relators) may also file suit on behalf of the United States, and in the event the United States intervenes and secures a financial recovery, may share in a substantial amount of the proceeds.

In April 2024, then-U.S. Attorney General Merrick Garland relayed in a report detailing the prior three years of enforcement efforts that DOJ had “charged more than 3,500 defendants, seized or forfeited over \$1.4 billion in stolen COVID-19 relief funds, and filed more than 400 civil lawsuits resulting in court judgments and settlements.” That trend built upon several years of focus by DOJ in combatting pandemic-related fraud, including through the creation of DOJ’s COVID-19 Fraud Enforcement Task Force (CFETF) in 2021, in which DOJ has partnered with several other federal agencies, including the SBA.

Such enforcement activities continue today and are unlikely to significantly wane in the near future, both as to corporations (including those with foreign ties) and individuals. For example, on July 14, 2025, DOJ announced a settlement nearing \$3 million by a U.S.-based—but foreign-owned—

manufacturer to resolve allegations that (1) the corporation impermissibly failed to account for its global affiliates, thereby exceeding the congressional limitation for PPP loan eligibility to businesses with fewer than 500 employees; and (2) the corporation failed to disclose that it was owned by a government entity, which also made the business ineligible. The corresponding DOJ press release emphasized that “Congress intended for the PPP to help small businesses, not companies that are part of large multinational corporations owned by foreign governments.” The press release also acknowledged the SBA’s continued partnership with DOJ in investigations, stating: “The settlement in this matter reflects SBA’s commitment to identifying and pursuing those who perpetrated fraud on covid relief programs to the detriment of small businesses.”

As another example of corporate enforcement, on June 25, 2025, three companies collectively settled with DOJ for over \$13 million to resolve FCA allegations also focused on the 500-employee limitation, including resolution of a lawsuit initially filed by an individual relator. There, DOJ highlighted that the relator received over \$2.3 million of the government’s total recovery, noting that “[a]nyone with information about allegations of attempted fraud involving COVID-19 can report it” to DOJ. As one final example, individuals should be mindful that they too—not only corporations—can also be subject to criminal liability relating to PPP loan issues. On June 25, 2025, an individual was sentenced to 51 months imprisonment and ordered to pay over \$900,000 in restitution to the SBA after pleading guilty to commit wire fraud in conspiring to submit false and fraudulent PPP loan applications in that same amount.

How we can help

It appears that PPP enforcement remains alive and well six months into the new Trump administration. Businesses—and individual executives—with exposure to potential PPP-related liability need to remain alert to the federal government’s continuing focus on PPP loans and take steps to mitigate risk. Husch Blackwell attorneys, including in our White Collar and Public Policy practice groups, are experienced in helping clients navigate SBA audits and PPP loan-related DOJ investigations, including those under the FCA. We look forward to continuing to help clients navigate PPP-related government inquiries, as well as providing more updates as government enforcement trends develop.