Whistleblowers and the Department of Justice Unjustly Profiting from the Paycheck Protection Program

By Scott S. Allen, Jr., Michael G. Rossetti, Dennis C. Vacco

May 20, 2026 | **CLIENT ALERTS**

Key Takeaways

- The DOJ is pursuing False Claims Act cases against employers who accepted PPP loans in good faith seeking repayment of up to three times the loan amount plus interest.
- Professional overseas whistleblowers are mining public PPP data for a share of government recoveries.

False Claims Act liability requires significant proof, meaning good-faith borrowers have meaningful defenses. On March 27, 2020, Congress passed and President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Approximately one year later, on March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA), extending much of the CARES Act relief. Together, the $4 trillion economic stimulus was intended to provide direct and fast financial relief during the COVID-19 pandemic to, among others, struggling employers.

These Acts established the Paycheck Protection Program (PPP), intended to provide employers across the nation with over $800 billion in loans with the understanding that some loans would later be forgiven. Years later, however, the Department of Justice (DOJ) has been actively investigating employers across the country that accepted this emergency relief, and now is demanding that some employers pay back their loans with a serious penalty - sometimes up to three times the original amount, plus interest.

During the uncertain fog of the COVID era and the rollout of the PPP, many employers were desperate for financial relief, and these employers, banks, accounting firms, and law firms were interpreting the CARES Act and ARPA in real time with rapidly approaching loan application deadlines. Banks sanctioned by the U.S. Small Business Administration (SBA) reviewed the PPP loan applications, approved them, and in many instances, subsequently forgave them. The guidance issued by the SBA was often issued in the eleventh hour and raised as many questions as it answered. At the time, the rapid application and approval process allowed for PPP funds to be used to maintain payroll, pay rent, pay utilities, and generally keep business open, as Congress expressly intended. Understandably, anti-fraud mechanisms were included in the Acts to protect against bad actors taking advantage of the availability of PPP funds, but the focus of the program was to ensure that COVID did not cause the Country's economy to collapse.

Now, five years later, and without any acceptance of the purpose of PPP and the Government's role in pumping dollars into a staggering economy, the federal government has teams of DOJ attorneys across the nation targeting employers that accepted emergency relief money in the wake of COVID. Indeed, notwithstanding the complex and often confusing legislation, the fact that SBA-approved lenders reviewed and approved applications, and the fact that these loans kept small businesses afloat and citizens employed, the federal government has been using substantial federal resources to scrutinize applications in 2025 and 2026 because it seemingly failed to do so in 2020 and 2021. What's troubling about many of these belated investigations is that many often start with reports from *professional* whistleblowers – some of whom live overseas – who comb through PPP applications online and report alleged violations directly to the DOJ fishing for a percentage of recoveries. And the result is the DOJ making False Claims Act (FCA) allegations against employers who applied for PPP funds in good faith and consistent with their understanding of the law and program when they applied. These are not the intentional fraudsters Congress was concerned about when it created the PPP.

To violate the FCA, an employer must have submitted, or caused the submission of, the false claim, or made a false statement or record, with knowledge of the falsity. Knowledge of false information is defined as (1) actual knowledge, (2) deliberate ignorance of the truth or falsity of the information, or (3) reckless disregard of the truth or falsity of the information.

There is little doubt that most employers who applied for PPP assistance did not have actual knowledge of falsities in their application, a deliberate ignorance of the truth or falsity of the information, or a reckless disregard of the truth or falsity of the information. Rather, across the country, honest employers, banks, accounting firms, and law firms may not have fully understood certain aspects of the Acts and the PPP itself, at the time when employers were desperate for relief under severe PPP deadlines, hoping the SBA and banks would do their part in vetting applications. But in many instances, the SBA and its approved banks failed to do so, applying the proverbial rubber stamp instead. And now, five years later, the federal government is claiming that a broad swath of employers were deliberately ignorant or recklessly disregarded a falsity in their application, and therefore were not eligible for the PPP.

The result, in many cases, is the federal government profiting threefold from a program to which honest employers originally applied out of a desperate need to keep their employees on the payroll, and in many instances, ensuring a windfall to professional whistleblowers. Stated plainly, the actions of the Department of Justice here, in many instances, are at odds with the intent of the Acts and the PPP, and appear so heavy-handed as to be unjust.

Lippes Mathias's government & corporate investigations practice team has the experience and insight to help you navigate the complex proceedings outlined in this client alert and protect your interests. If you or your business has become the subject of a Department of Justice investigation related to a Paycheck Protection Program loan, or you have concerns that you or your organization could become the target of an investigation in the future, contact Lippes Mathias government & corporate investigations practice team members Dennis C. Vacco (dvacco@lippes.com), Michael G. Rossetti (mrossetti@lippes.com), or Scott S. Allen, Jr. (sallen@lippes.com).