

U.S. Secret Service U.S. Attorney

USSS Senior Special Agent Michael Moore, Evansville,
Indiana Domicile Office

USAO Assistant United States Attorney Todd
Shellenbarger, Deputy Chief, Evansville Division



April 14th, 1865

A Short History Lesson

- End of the Civil War
- April 9th, 1865 – Lee surrenders at Appomattox Court House
- April 14th, 1865 – Treasury Secretary McCulloch advises President Lincoln that over 1/3 of currency is counterfeit
- President Lincoln agrees to allow eight “Secret” Operatives under Treasury

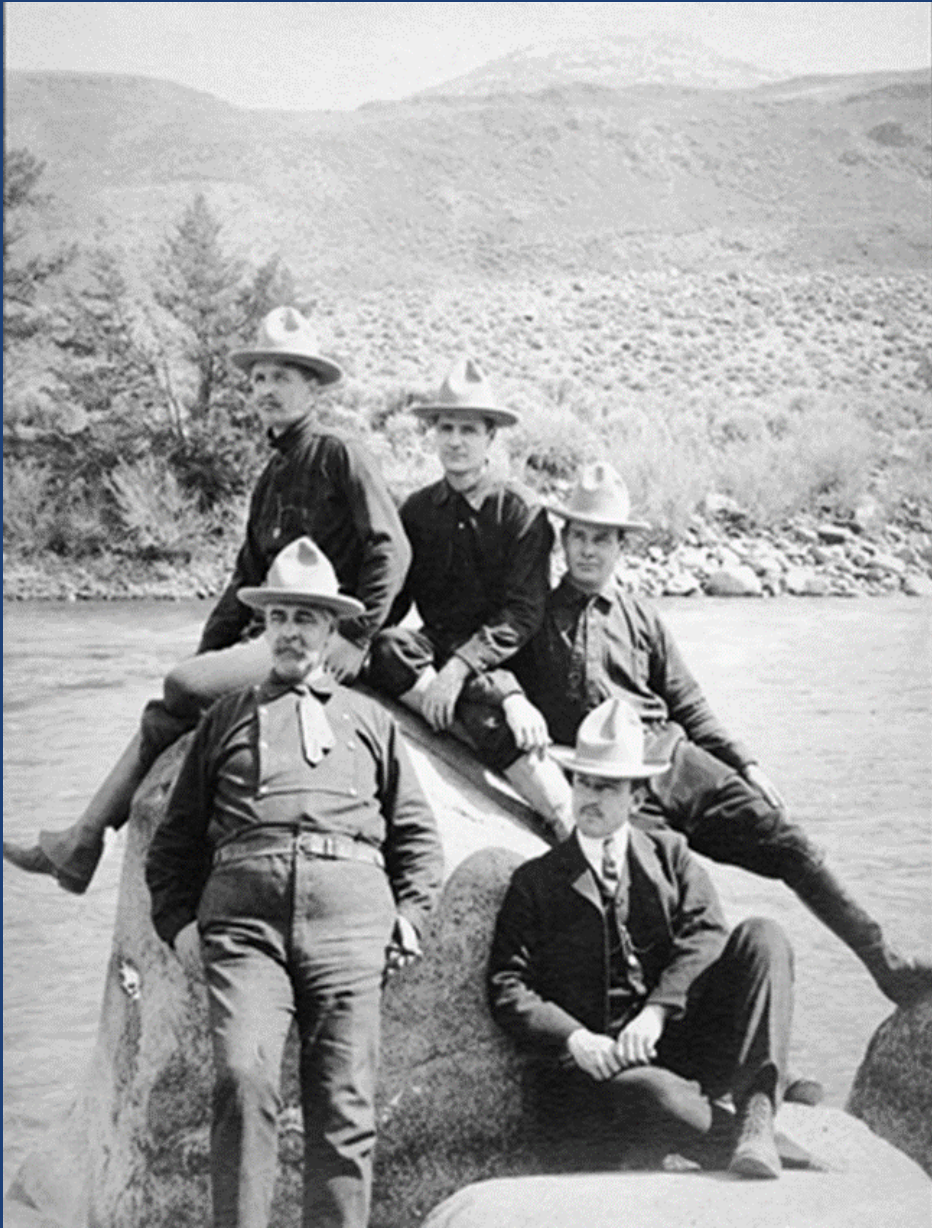


Lincoln Assassination

April 14th, 1865



July 5th, 1865



U//FOUO//LES

PROTECTION



- Abraham Lincoln, Apr. 14, 1865
- James A. Garfield, July 2, 1881
- William McKinley, Sept. 6, 1901
- John F. Kennedy, Nov. 22, 1963*

* Under Secret Service protection

1908 – Nine operatives sent over to start FBI under AG Bonaparte

USSS Investigations and Cyber Fraud Task Force – Established 1995

- Counterfeit Currency
- Network Intrusion/RansomWare
- Identity Theft
- Dark Web Sales of Botnets, Malware
- Credit Card Fraud
- Business Email Comp
- Romance Schemes
- Embezzlement
- Securities Fraud

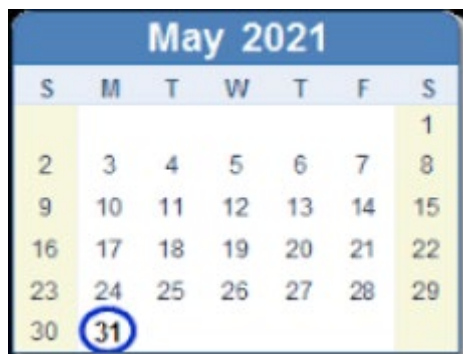


COVID-19 RELATED FRAUD SCHEMES

PPP

PAYCHECK PROTECTION PROGRAM

Designed for payroll costs and benefits, mortgage interest and rent, and utilities



May 2021						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

PPE

PERSONAL PROTECTIVE EQUIPMENT

including masks, hand sanitizer, and sanitizing wipes, for the primary purpose of preventing the spread of COVID-19

EIDL

ECONOMIC INJURY DISASTER LOAN

Designed for working capital (fixed debts, payroll, accounts payable)

For loans approved starting the week of April 6, 2021: 24-months of economic injury with a maximum loan amount of \$500,000.



COVID-19 RELATED FRAUD SCHEMES

EIDG/A

ECONOMIC INJURY
DISASTER
GRANT/ADVANCE

Designed to provide
EIDL applicants with
up to \$10,000 upon
completion of
application - \$1,000 /
employee



UI

UNEMPLOYMENT
INSURANCE
DEPT OF LABOR OIG

States have
experienced a surge in
fraudulent
unemployment claims
filed by organized
crime rings using
stolen identities.
Criminals are using
these stolen identities
to fraudulently collect
benefits across
multiple states.

MULES

USE OF UNWITTING
ROMANCE SCHEME OR
WORK FROM HOME
ACCOMPLICES

In many of the SBA fraud
cases, law enforcement
has often encountered
money mules used to
move the stolen funds.
Money mules can move
funds in various ways,
including through bank
accounts, cashier's checks,
virtual currency, prepaid
debit cards, or money
service businesses.

BITCOIN ATM's are the most
recent trend.



COVID-19 RELATED FRAUD SCHEMES

EIDL/A

ECONOMIC INJURY
DISASTER
GRANT/ADVANCE

Designed to provide
EIDL applicants with
up to \$10,000 upon
completion of
application - \$1,000 /
employee



UI

UNEMPLOYMENT
INSURANCE
DEPT OF LABOR OIG

States have
experienced a surge in
fraudulent
unemployment claims
filed by organized
crime rings using
stolen identities.
Criminals are using
these stolen identities
to fraudulently collect
benefits across
multiple states.

MULES

USE OF UNWITTING
ROMANCE SCHEME OR
WORK FROM HOME
ACCOMPLICES

In many of the SBA fraud
cases, law enforcement
has often encountered
money mules used to
move the stolen funds.
Money mules can move
funds in various ways,
including through bank
accounts, cashier's checks,
virtual currency, prepaid
debit cards, or money
service businesses.

BITCOIN ATM's are the most
recent trend.



Unemployment Insurance

Unemployment fraud in the U.S. has reached dramatic levels during the pandemic—the Department of Labor Inspector General’s Office estimates that more than **\$63 billion** has been paid out improperly through fraud or errors since March 2020.

Criminals are seizing on the opportunity created by the pandemic. Using data stolen from prior data breaches, the criminal makes a claim using someone else’s identity to access an increased pool of benefits. **About \$550 billion was spent in support of those out of work in 2020, compared with an average of \$32 billion in the previous five years.** States, often overwhelmed with claims, navigating new rules and using outdated systems, have struggled to keep up.



Unemployment Insurance Benefits

Approximately \$870 billion by September 2021
No universal audit. Historical fraud rate for UI is 3.5%.

Which would mean: \$30,450,000,000 in fraud

But based on analysis of samples and audits done by
some states... 10%

Which would mean: \$87 billion



Unemployment Insurance

THE DENVER POST

MANAGE SUBSCRIPTION
SIGN UP FOR NEWSLETTERS
DIGITAL REPLICA EDITION
OBITUARIES

News ▾ Sports ▾ Business ▾ Entertainment ▾ Lifestyle ▾ Opinion ▾ Politics ▾ Classifieds ▾

TRENDING: Why have models of Colorado's coronavirus trajectory been off?

BUSINESS

Colorado unemployment insurance fraud cases hit 1.2 million; state to issue letters to victims

Law enforcement, overwhelmed, is asking people to not file police reports



The screenshot shows the website for 'THE LEDGER INDEPENDENT'. The navigation bar includes links for HOME, NEWS, SPORTS, FEATURES, OPINION, OBITUARIES, and EVENTS. The date 'APRIL 10, 2021' is displayed. Below the navigation, there are breadcrumb links for HOME and APNEWS. The main article title is 'Kentucky temporarily shutting down UI system to stop fraud'. At the bottom of the article preview, it shows the date 'April 10, 2021', the source 'Ledger Independent', the category 'apnews', and a count of '0'.



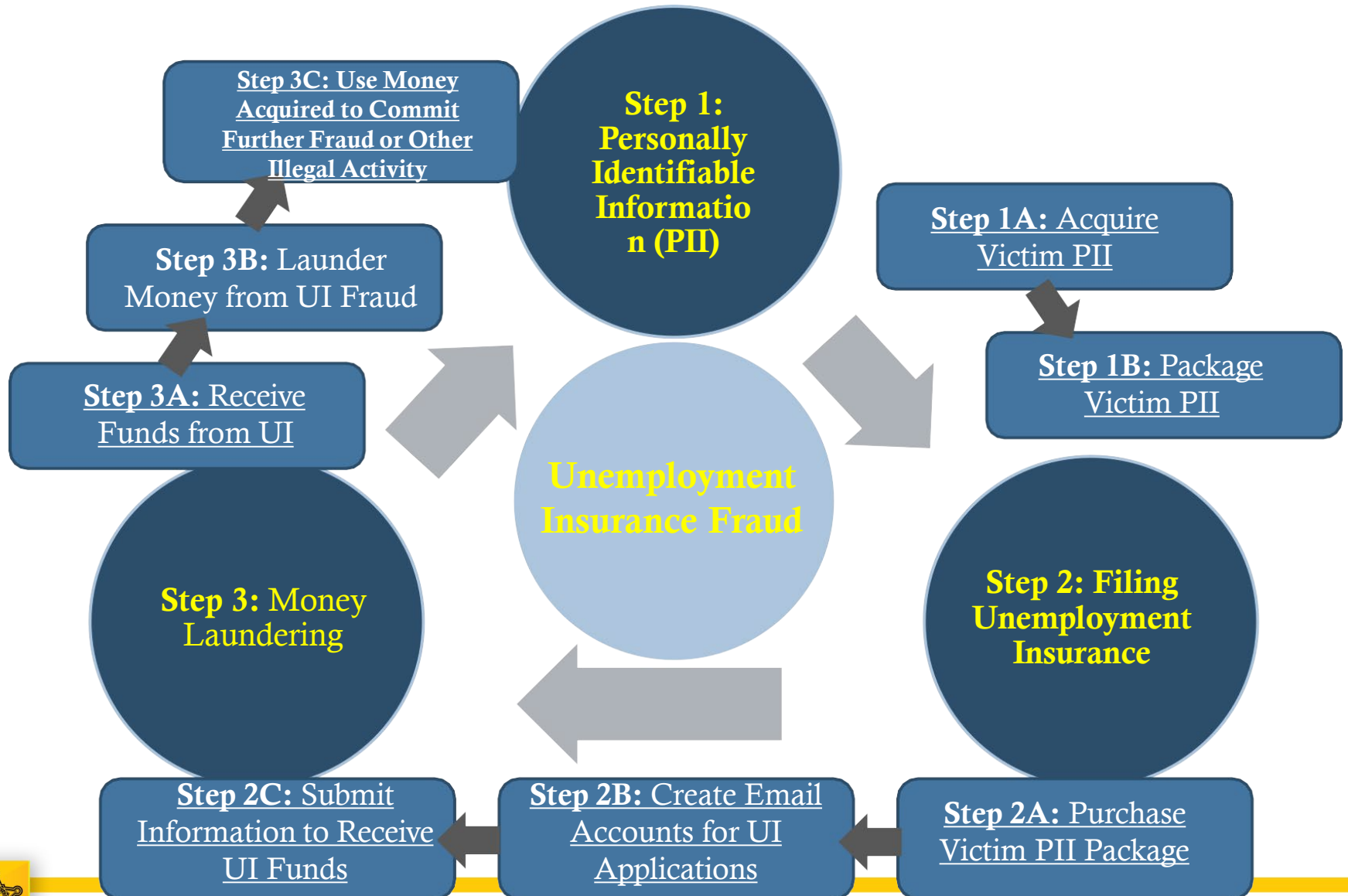
Unemployment Insurance

Unemployment Insurance (UI) fraud: Due to the COVID-19 pandemic, more than **\$860** billion in federal funds has been appropriated for UI benefits through September 2021. Early investigation and analysis indicate that international organized criminal groups have targeted these funds by using stolen identities to file for UI benefits. Domestic fraudsters, ranging from identity thieves to prison inmates, have also committed UI fraud. In response, the department established the **National Unemployment Insurance Fraud Task Force**, a prosecutor-led multi-agency task force with representatives from more than eight different federal law enforcement agencies.

Since the start of the pandemic, over 140 defendants have been charged and arrested for federal offenses related to UI fraud. In one case, [*U.S. v. Leelynn Danielle Chytka*](#), in the Western District of Virginia, a defendant recently pleaded guilty for her role in a scheme that successfully stole more than \$499,000 in UI benefits using the identities of individuals ineligible for UI, including a number of prisoners.



Unemployment Insurance Fraud Lifecycle



Step 1A: Acquiring Victim PII

Criminals acquire PII from victims through:

Malware

Phishing

Business Email Compromise

Data Breaches

Data Brokers

Online Database

Other Types of Fraud (e.g., Romance Scam or Elder Fraud)



Step 1B: Packaging PII

Criminals package victim PII, combining PII with:



Driver's License



Supporting Documents
(e.g., Proof of
Address)

Marketing packages on social media channels or the dark web, such as:



Telegram



WhatsApp



Instagram



Twitter



Snapchat



Dark Web

In packages of “fullz” or “pros”, often accompanied with instructions of how to commit UI Fraud:



Fullz

Packaged PII that does not
include identification documents

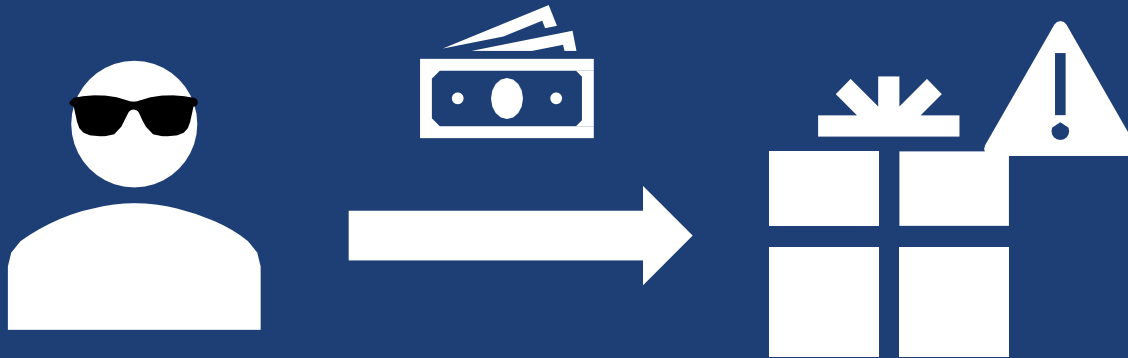


Pros

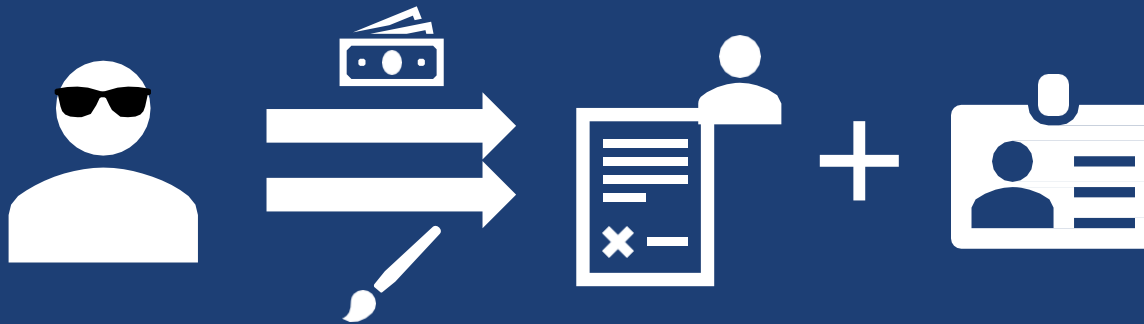
Packaged PII that includes
identification documents

Step 2A: Purchase PII Package

UI fraud filer purchases PII packages online or pulls from existing fraud victims.



UI fraudster purchase or create any needed fraudulent identification documents (e.g., driver's licenses) using websites devoted to generating fraudulent U.S. documents.



During the pandemic, ID requirements were imposed by State Workforce Agencies (SWAs), which resulted in the need for fraudulent ID documents. Previously, fraudsters only needed PII to file claims.

Step 2B: Create Email Accounts



Gmail

The existence and positioning of dots in a Gmail address does not affect the recipient.
Example: hgbrown@gmail.com;
h.gbrown@gmail.com;
hg.brown@gmail.com all go to the same recipient.



Yahoo Mail

Everything after a dash in a Yahoo address does not affect the recipient.
Example: hgbrown@yahoo.com;
hgbrown-1@yahoo.com;
hgbrown-246709@yahoo.com all go to the same recipient.

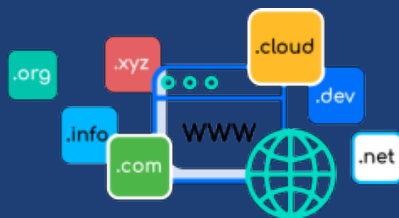


Hotmail



Mail.com

Fraudsters use the created email accounts to file UI claims

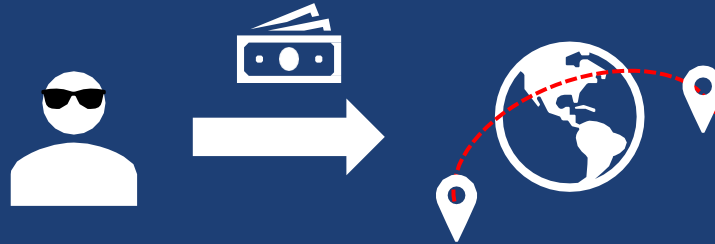


Create novel domains

Fraudsters can create a website and acquire all associated email domains.
Example: www.barber.com = hgbrown@barber.com;
jksmith@barber.com;
wrgreen@barber.com all accessible by the fraudster.

Step 2C: Submit UI Claims

Fraudsters purchase VPN accounts or proxy access to servers purchased from darkweb/ social media marketplaces.



For states that mail prepaid cards, filer must provide a mailing address during the claim.



Use a vacant address

Use address of unwitting 3rd-party

Use money mule's address

Use commercial mailing receiving agency (CMRA)

In some instances, the address provided can be changed with the bank that mails the card before it is sent or with the shipping provider.

For states that direct deposit, filer must provide an active bank account, which means they require a bank account number before filing.



Use a prepaid card that receives wire payment

Money mule opens bank account

Step 3A: Receive UI Funds

For states that mail prepaid cards, fraudster will receive the funds at the mailing address provided to the state workforce agency.



In some instances, the address provided can be changed with the bank that mails the card before it is sent or with the shipping provider.

For states that direct deposit, fraudsters will receive the funds to the bank account provided to the state workforce agency.

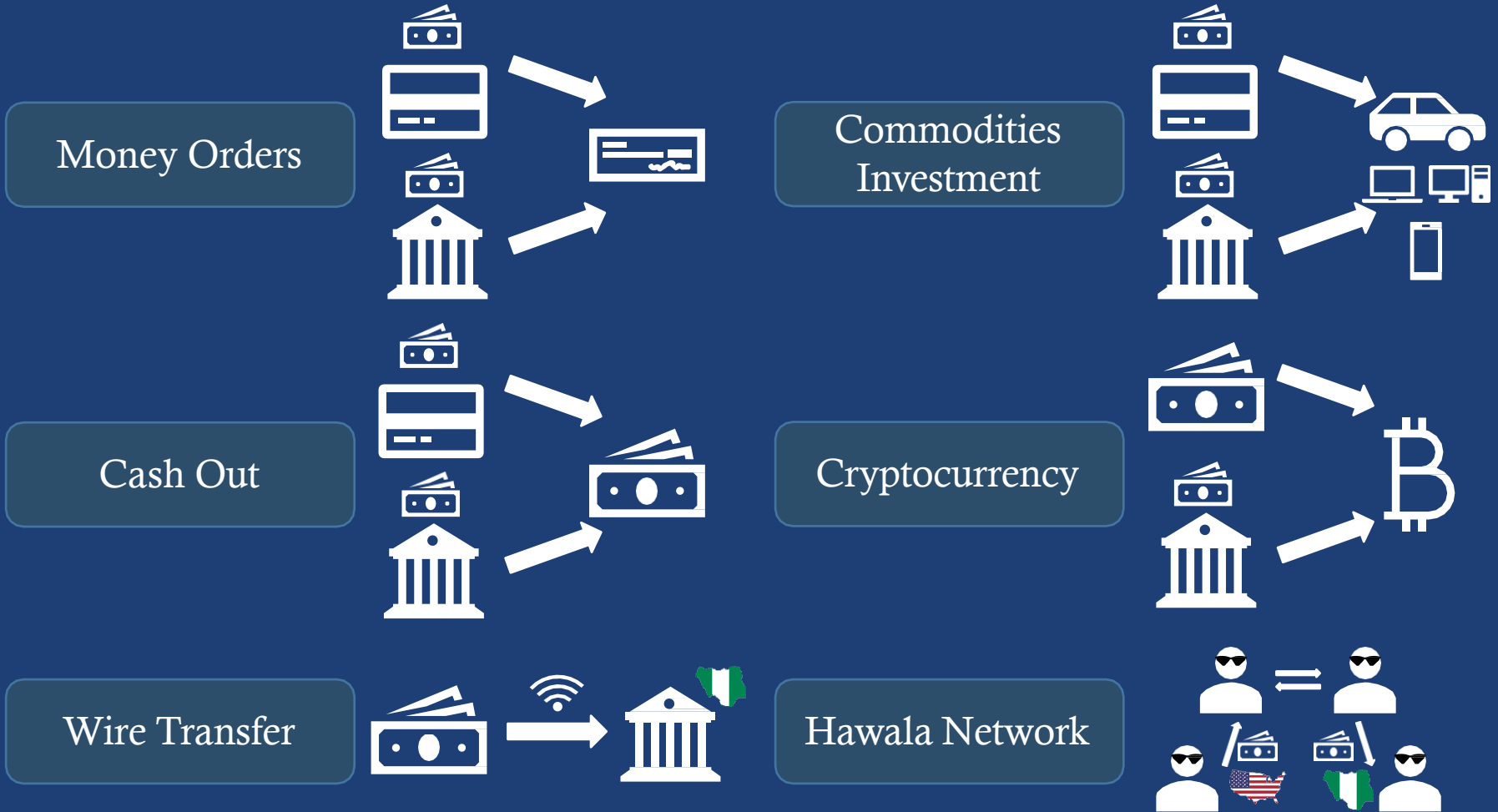


Using online “neobanking” services, such as Paxful, Chime, Square, or Green Dot, fraudsters can open bank accounts with only a victim’s PII.

Laundry UI Funds



Step 3B: Money Laundering from UI Fraud



****Multiple types of money laundering can occur with the same funds, making it harder to identify the destination of UI funds.****

Step 3C: Use UI Funds for Criminal Activity

Original UI fraudster uses the funds acquired from UI fraud to commit other criminal acts, including further UI fraud, or to buy real estate.



USSS/USAO Approach – Funds Seizure

Working directly with Financial Institutions



USSS Approach (2 Prong)

- Old School – Hit the Streets – Interview Mules (FO's & CFTF's)
- Financial Institutions identify blocks of fraudulent activity related to UI, PPP or EIDL
- Agents work directly with USAO to draft seizure warrants for large numbers of accounts under the guise of a single federal seizure warrant
- Agent and USAO applies the same basic criteria to each warrant in an effort recover as much of the stolen funds as possible FIRST, then start identifying the targets and conducting interviews
- Otherwise – the funds are depleted



USSS Approach

- The Secret Service's COVID-19 Fraud Investigative Initiative has seized over \$1.2 B from several FI's and MSB's
- Several offices working on SW's totally over \$150M
- Great partnership – USSS, CFTF, DOL, SBA, FI's and MSB's. The financial institutions have proactively identified suspect accounts, conducted investigations, and voluntarily held funds
- The FI investigators/AML provide any SAR materials, along with a spreadsheet of the effected accounts



USSS Criteria for Warrants

- (1) Newly created accounts with abnormal transaction activity (little to no prior financial transactions) or existing accounts with no activity in past 24 months prior to SBA deposit
- (2) Large SBA loan amounts or deposits with minimal or no other sources of deposits
- (3) Attempts to quickly move funds out of depository accounts (within 1-2 days) ; often in cash
- (4) Inability to positively identify account holders (synthetic or unauthorized accounts); **no return emails or calls**



USSS Criteria for Warrants

(5) No customer inquiries after funds were frozen

(6) No proper identification supplied after a customer inquiry after funds were frozen.

**Subjects may file a Petition for Investigation and an agent will then go out and perform a full background on the case; out of approximately 255,000 individual seizures, we have had 75 petitions, most of those were found to be false claims



Seizure Path



USSS/USAO Approach – Prosecution



Case Study: Origination of Investigation

- A local financial institution reported that the Azzarello and Pitlinski, a mother-daughter team, living in Indiana owned joint bank accounts that were receiving direct deposits of Washington State Unemployment funds for multiple beneficiaries who were not Azzarello or Pitlinski.
- Investigator's canvased local police department and financial intuitions discovered a history of financial irregularities to include, check forgery, counterfeit checks, and similar unemployment deposits for multiple beneficiaries who were not Azzarello or Pitlinski.



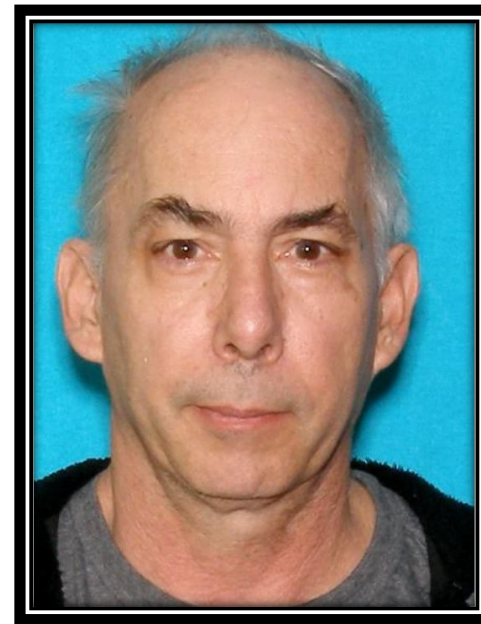
Case Study



Andrea Renee Pytlinski

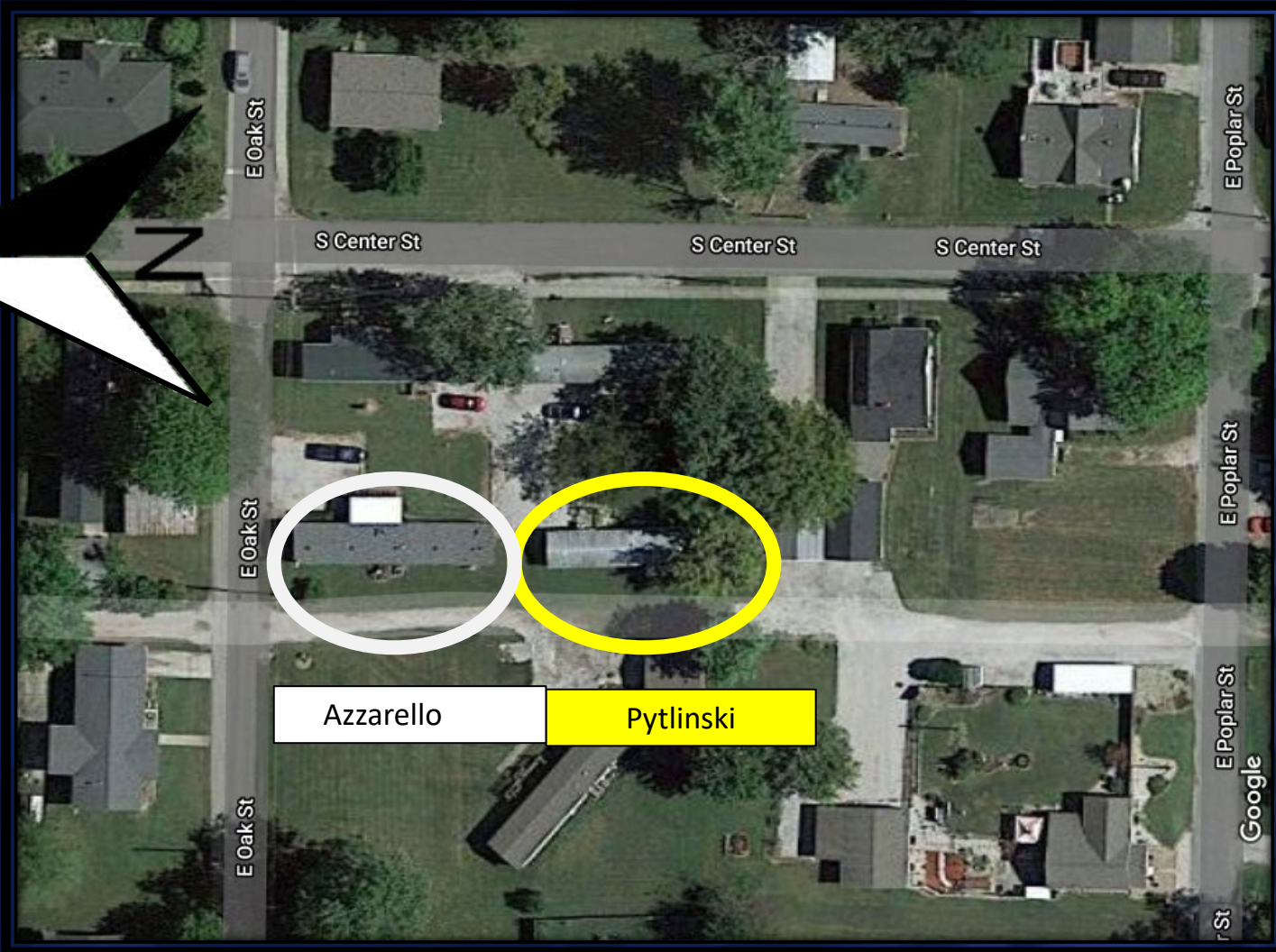


Rose Ann Azzarelo



Joe Azzarelo





THE OVERALL CLASSIFICATION OF THIS PRESENTATION IS:
UNCLASSIFIED//FOR OFFICIAL USE ONLY//LAW ENFORCEMENT SENSITIVE (U//FOUO//LES)

INTERNET CONNECTION IS ENOUGH



Indictment

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
EVANSVILLE DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Cause No. 3:20-cr-18 RLY-MPB
)	
ANDREA RENEE PYTLINSKI and)	-01
)	
ROSE ANN AZZARELLO,)	-02
)	
Defendants.)	

SUPERSEDING INDICTMENT

GENERAL ALLEGATIONS

Banks, Business Entities, and Persons Involved

1. At all times relevant to this Indictment, Field and Main Bank was a financial institution insured by the Federal Deposit Insurance Corporation engaged in banking activities that affect interstate commerce within the Southern District of Indiana. At all times relevant to this Indictment, Unify Financial Credit Union was a financial institution insured by the National Credit Union Administration Board engaged in banking activities that affect interstate commerce within the Southern District of Indiana.
2. The businesses identified in this Indictment, Malinda Properties, LLC and Door Engineering and Manufacturing, LLC, at the times relevant to this Indictment, were organizations that engage in business activities that affect interstate commerce.
3. Persons "BG" "WS" "JD" "FM" "GG" and "JF" are actual persons known to the

[1]



Indictment

		AMOUNT	
		DISPOSITION OF FUNDS	
1	8 May 2020	Field and Main Account Number XX5126 \$8,530 \$8,000 cash withdrawal on 8 May 2020 by PYTLINSKI	Person JD
2	13 May 2020	Field and Main Account Number XX5126 \$9,920 \$9,800 cash withdrawal on 13 May 2020 by PYTLINSKI	Person FM
3	11 May 2020	Unify Financial Credit Union Account Number XX6776 \$8,530 Reversed back to State of Washington	Person JF

All of which is in violation of Title 18, United States Code, Sections 2, 1343 and 1349.

[5]



Indictment

4	12 May 2020	Field and Main Account Number XX5073 \$9,072 \$9,000 cash withdrawal on 12 May 2020 by Individual #1 known to the grand jury	Person BG
5	14 May 2020	Field and Main Account Number XX5073 \$9,103 Reversed back to State of Washington	Person WS
6	11 May 2020	Unify Financial Credit Union Account Number XX7081 \$7,740 Reversed back to State of Washington	Person GG

All of which is in violation of Title 18, United States Code, Sections 2, 1343 and 1349.

[7]



Indictment

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
EVANSVILLE DIVISION

UNITED STATES OF AMERICA,)	
Plaintiff,)	
v.)	Cause No. 3:20-cr-18 RLY-MPB
ANDREA RENEE PYTLINSKI and)	-01
ROSE ANN AZZARELLO,)	-02
Defendants.)	

SUPERSEDING INDICTMENT

GENERAL ALLEGATIONS

Banks, Business Entities, and Persons Involved

1. At all times relevant to this Indictment, Field and Main Bank was a financial institution insured by the Federal Deposit Insurance Corporation engaged in banking activities that affect interstate commerce within the Southern District of Indiana. At all times relevant to this Indictment, Unify Financial Credit Union was a financial institution insured by the National Credit Union Administration Board engaged in banking activities that affect interstate commerce within the Southern District of Indiana.

2. The businesses identified in this Indictment, Malinda Properties, LLC and Door Engineering and Manufacturing, LLC, at the times relevant to this Indictment, were organizations that engage in business activities that affect interstate commerce.

3. Persons "BG" "WS" "JD" "FM" "GG" and "JF" are actual persons known to the

[1]

ANDREA RENEE PYTLINSKI
(Daughter)
18 months imprisonment

ROSE ANN AZZARELLO
(Mother)
Probation



QUESTIONS?

michael.s.moore@usss.dhs.gov
todd.shellenbarger@usdoj.gov

