



By Jack Wagner

PPE Fraud: Buyer Beware

Among the many consequences of the COVID-19 pandemic is the unprecedented demand for personal protective equipment (PPE), typically used by medical professionals, but which now has become a life-or-death necessity for people around the world. This frenzied demand has revealed how easy it is for fraudsters to dupe those who have, often in desperation, sought to procure PPE. Victims include state and local governments and private entities.

Over the past nine months, Nardello & Co.'s Asia-Pacific practice has been retained numerous times on cases involving PPE fraud, regrettably after the fraud was perpetrated. In several cases, the client pre-paid for a shipment of PPE only to find that the purported distributor or manufacturer took the money and ran or delivered sub-optimal products masked by fraudulent paperwork and fake accreditations.

In several of these cases, through local language Internet and media research, as well as a review of litigation and regulatory records, we were able to quickly identify adverse information about the individuals behind the PPE distribution and manufacturing companies. That information, had it been identified by a routine due diligence before the purchase, would have raised serious questions about whether to proceed.

In one case, we found that the PPE manufacturers in Southeast Asia had a history of arrests by police for fraud, bad checks, and assault—not to mention a trail of failed businesses and bankruptcies. In another, we discovered that the PPE distributor's shareholders were very likely linked to organized crime. In yet another, we found a supply chain of fraudsters who could easily have been uncovered as such before the transaction occurred.

Our experience is not unique. Newswires and legal journals are rife with accusations of PPE procurement-related fraud. In April, an Atlanta man attempted to defraud the US Department of Veterans Affairs by having the agency pay \$750 million for phantom orders of 125 million face masks. In September, two Nigerian nationals cloned the website of a Dutch company to defraud the German state of North Rhine-Westphalia by securing a €2.3 million PPE order. In both cases, a combination of open-source research, human intelligence, and deep- and dark-web searches would have exposed the reputations and backgrounds of the fraudsters, and possibly prevented those agencies from losing millions in taxpayer money. As in medicine, an ounce of prevention is worth a pound of cure.

That a vaccine is now available and the possibility of a return to a new version of normal seems on the horizon are not reasons for complacency. The unprecedented spike in demand for PPE is unlikely to subside anytime soon. Accordingly, the need for caution and diligence by risk managers, legal counsel, and the investigators they hire is, as it should be, ever-present.



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Our clients include the world's leading law firms and financial institutions, Fortune 500 and FTSE 100 companies, high-net-worth individuals and family offices, governments, NGOs, sports organizations, and academic institutions.

With offices in New York, London, Washington DC, Hong Kong, Tokyo, Milan, and Dubai, Nardello & Co. maintains a professional staff that includes former US federal prosecutors, US and international lawyers, former law enforcement personnel and intelligence operatives, licensed investigators, research analysts, former journalists, financial crime specialists, forensic accountants, and computer forensic experts.

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