



THE UNITED STATES ATTORNEY'S OFFICE
NORTHERN DISTRICT *of* ILLINOIS

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Department of Justice

U.S. Attorney's Office

Northern District of Illinois

FOR IMMEDIATE RELEASE

Thursday, January 7, 2021

Suburban Chicago Businessman Charged with COVID-Relief Fraud

CHICAGO – A suburban Chicago businessman has been indicted on federal fraud charges for allegedly fraudulently obtaining more than \$420,000 in small business loans under the Coronavirus Aid, Relief, and Economic Security Act.

CARLOS SMITH, 56, of Park Forest, Ill., allegedly engaged in fraud related to the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Program (EIDL), two sources of relief under the CARES Act. Smith was charged in an indictment unsealed Tuesday in the Northern District of Illinois with two counts of wire fraud, one count of making false statements to a financial institution, and one count of money laundering. Arraignment is set for Jan. 14, 2021, at 11:00 a.m., before U.S. District Judge Manish S. Shah.

The indictment was announced by John R. Lausch, Jr., United States Attorney for the Northern District of Illinois; Tamera Cantu, Acting Special Agent-in-Charge of the IRS Criminal Investigation Division in Chicago; and Hannibal Ware, Inspector General of the U.S. Small Business Administration. The government is represented by Assistant U.S. Attorney Kelly Greening.

“The Paycheck Protection Program and the Economic Injury Disaster Loan Program were designed as lifelines for small businesses struggling to survive the COVID-19 pandemic,” said U.S. Attorney Lausch. “Our office is committed to working with our law enforcement partners to root out abuse of the important relief programs established under the CARES Act.”

Pursuant to the CARES Act, a PPP loan allows the interest and principal to be forgiven if businesses spend a certain amount of the proceeds on essential expenses, such as payroll, rent, and utilities, while the EIDL provides loan assistance or grants to cover working capital and other operating expenses.

According to the indictment, Smith applied for and obtained \$270,000 in PPP funds for CLS Financial Services Inc., an Indiana-based company that he owned. In his loan application, Smith stated that the company had 61 employees and an average monthly payroll of \$108,000, even though Smith knew the company had no actual employees and no payroll expenses, the indictment states. Smith also fraudulently represented in the application that he was not convicted of a felony criminal offense within the last five years, even though he knew he had been convicted of such an offense, the indictment states.

Smith similarly obtained \$151,900 in EIDL loans by stating in the application that his company had two employees and \$1.8 million in gross revenue last year, even though he knew the company had no such employees or revenue, the indictment states.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent until proven guilty beyond a reasonable doubt. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory U.S. Sentencing Guidelines.

Anyone with information about attempted fraud involving COVID-19 can report it to the Department of Justice by calling the National Center for Disaster Fraud Hotline at 866-720-5721, or filing an online complaint form at <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

Attachment(s):

[Download Smith indictment](#)

Topic(s):

Coronavirus

Disaster Fraud

Financial Fraud

Component(s):

[USAO - Illinois, Northern](#)

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