

January 31, 2022

Chairman Richard Blumenthal
Subcommittee on Consumer Protection,
Product Safety, and Data Security
420-A Hart Senate Office Building
Washington, DC 20510

Ranking Member Marsha Blackburn
Subcommittee on Consumer Protection,
Product Safety, and Data Security
420-A Hart Senate Office Building
Washington, DC 20510

Dear Chairman Blumenthal and Ranking Member Blackburn,

For many years, manufacturers, distributors, wholesalers, and importers, have been supplying a wide range of cleaning products to small, medium, and large domestic end-users, from schools and churches to hospitals and other essential businesses.

In 2020 and 2021, the COVID-19 pandemic created new and unique circumstances that led to demand for Personal Protective Equipment (PPE) products outpacing supply very rapidly. The urgent need for PPE led to a fast-paced and chaotic effort to quickly identify new sources for PPE. Many of these businesses are small, family-owned companies.

The urgency of the demand, combined with restricted travel forced many of the companies to modify their normal processes for vetting new suppliers – to aid US end-users. This created both opportunity and financial incentive for fraudulent transactions by foreign suppliers. In many cases signed contracts required significant down-payments and large bank transfers to guarantee orders.

Specifically, businesses signed contracts and sent funds to:

- China
- Vietnam
- Thailand
- The Philippines
- S. Korea
- Russia

Many contracts were filled as agreed. However, we bring this to Congress' and the Administration's attention because a significant percentage of contracts were simply abandoned without products delivered or refunds offered. In other cases when contracts were fulfilled, counterfeit, substandard, or even soiled products were sent.

According to CNN, "A months-long CNN investigation has found that tens of millions of counterfeit and second-hand nitrile gloves have reached the United States, according to import records and distributors who bought the gloves -- and that's just the tip of the iceberg. Criminal investigations are underway by the authorities in the US and Thailand."

Additionally, many state governments were also impacted by these same bad actors costing taxpayer dollars. For example, New York State paid Yaron Oren-Pines, \$69.1 million for ventilators for which the state never received. The state was able to recoup all but \$10 million. In an effort to recoup millions of dollars from similar fraudulent actors, the *New York Post* reported, "The state Department of Health signed a \$125,000 contract with the overseas lawyers, Gall Solicitors late last year, according to records posted online by the state Comptroller's Office."

An early assessment is that financial damages total over **\$100 million**. However, as more US companies come forward with their impact from COVID-related foreign financial scams, the impact to US importers, suppliers and others is expected to increase.

PRODUCTS INVOLVED – PPE and Medical Supplies

Protective equipment ordered includes:

- Face masks for general use
- Disposable gloves for foodservice and janitorial supply
- Medical supplies for nursing homes and hospitals

Importers, wholesalers and other suppliers of these devices and items saw COVID-19 supply as a way remain in business, while traditional end-users, such as schools and churches, went virtual. Many saw themselves as an essential part of the overall effort help get the nation back up and running and extended their own credit as part of this effort.

Aside from damages of undelivered product, there has been:

- Tremendous time and effort wasted
- Exposure of front-line workers to Sars-Cov-2
- Lost opportunities to secure legitimate contracts
- Business relationships strained or lost
- Increased costs for facilities purchasing these products

Requested Assistance

► Congressional Hearing

Congress should conduct an investigation into and hold a hearing to look deeper into how these fraudulent actions have impacted U.S. businesses and employees.

► Help Needed with Identification and Prosecution of Criminals

The U.S. governments have an equally strong desire to see that the criminals, who have defrauded U.S. citizens and companies, are prosecuted. These bad actors are still engaged in nefarious behavior and need to be removed from business channels immediately, otherwise they will only continue defrauding U.S. companies and citizens based on the next crisis.

► Financial Recovery

We request assistance with financial recovery efforts in Asia. In many countries, we have found local officials have not, or have been slow to, direct resources to these types of financial crimes. The volume of claims combined with a pandemic that is still in full force in Asia continues to hinder our ability to collect lost funds in Asia.

In addition to our funds, many of our customers provided deposits to us that we passed along to suppliers in Asia for delivery of contracted PPE. U.S. funds tied up in Asia have a negative impact on domestic companies and end-users. The significant loss of cash is hurting efforts to restore business to pre-pandemic levels.

Therefore, we call for the United States' governments help to recover or offset these losses. This would help importers, wholesalers, and other distributors to regain organic economic growth and replace lost funds for end-users, who are forced to cut back on essential programs for target populations.

Sincerely,

John Nothdurft, ISSA, the Worldwide Cleaning Industry Association, on behalf of PPE Fraud Coalition