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TECHNOLOGY

## How one of America's largest employers leans on federal law enforcement

Amazon has increasingly tipped off the Justice Department and FBI to investigate its own employees and the sellers using its platform, according to a POLITICO analysis.



People arrive for work at the Amazon distribution center in the Staten Island borough of New York, Monday, Oct. 25, 2021. | (Craig Ruttle/AP Photo)

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By **EMILY BIRNBAUM** and **DANIEL LIPPMAN**

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Amazon has found a powerful ally to help it protect its sprawling operations from fraud and abuse: the U.S. government.

The company has increasingly tipped off the Justice Department and FBI to investigate Amazon's own employees and the sellers using its platform, according to a POLITICO analysis and a dozen interviews with Amazon employees, former federal prosecutors and financial crime experts. In addition, it has hired dozens of former DOJ and FBI employees, some of whom are filling out its internal teams aimed at policing its platform.

In the process, Amazon has built a closer relationship than many large companies have with federal law enforcement, a deep cooperation with one branch of the federal government that could help the company's reputation in Washington as Amazon faces intensifying scrutiny from Congress and federal agencies over its market dominance and fraud on its platform.

The federal government has also indicted 20 people for crimes related to Amazon in the past year and a half, according to an analysis of public records — a number that exceeds indictments related to other comparably large companies like Walmart and FedEx. Over the same time period, the DOJ has announced three indictments against people committing criminal activity

involving Walmart and two involving crimes related to FedEx.

Meanwhile, 15 more people are under federal investigation for Amazon-related crimes, according to the DOJ's disclosures. Six of the people indicted have pleaded guilty; 14 are awaiting trial. In many of those cases, Amazon either tipped off the government or cooperated closely with the investigations.

J. Kelly Strader, an author and academic focused on how companies deal with the government when they handle white-collar crime, said Amazon's approach suggests a strategy that goes beyond simply reining in criminal activity.

"This looks like a huge and powerful company attempting to generate goodwill and appear to be cooperative with the government," Strader said.

Ankush Khardori, a former federal prosecutor who specialized in financial fraud and white-collar crime, called Amazon's tighter relationship a "smart thing for a company like Amazon to do in the current political climate," in which the major tech companies are coming under greater regulatory scrutiny.

"It's interesting because it's different from a lot of the other tech companies," Khardori said. He added that the other companies have a more "passive" relationship with law enforcement — mostly focused on access to their data.

While federal officials have discretion over which criminal cases they choose to pursue, Amazon has invested significant resources into pushing prosecutors and investigators to take on cases that it prefers. And the company appears to

be getting results.

Many of the law enforcement actions show Amazon attempting to address the [billions of counterfeit goods](#), fraudulent listings and scams on its ever-growing e-commerce platform amid criticism from federal regulators and U.S. lawmakers that it hasn't done enough to curtail criminal activity. (Amazon said in 2019 that it had [more than 8,000 employees fighting fraud](#) on the platform, a number that stands at 10,000 now.) In doing so, Amazon has also built up an apparatus to make sure its issues get quick attention from law enforcement agencies with limited resources, in what some critics argue amounts to outsourcing what should be internal policing of its platform to federal law enforcement.

“This is not the best way for Amazon to deal with these issues,” said Rep. Jan Schakowsky (D-Ill.), the top Democrat on the House Energy and Commerce Consumer Protection Subcommittee. “Amazon’s platform has become a crime scene riddled with dangerous, defective and counterfeit products. While Amazon cooperates with the government in some cases, in others, we have seen it relist its own supply of counterfeit products multiple times even after agreeing to stop.”

The company has [established an internal unit](#) filled with former federal prosecutors and investigators to root out counterfeits on Amazon’s platform. That unit, which Amazon created amid legislative threats from lawmakers, has been busily handing off leads to the government.

One former government official who now works at Amazon said the company has formed “analytical groups” filled with former government officials that are tasked with conducting investigations both into fraud and theft on Amazon’s platform.

Although Amazon is [known to have sway with lawmakers and regulators](#), the company’s successful push for criminal proceedings is meaningful, considering law is traditionally seen as an arena insulated from corporate influence.

For its part, Amazon argues that its referrals to law enforcement show that it is taking forceful action against criminal activity.

“We take our responsibility seriously to protect our customers and selling partners from fraud and abuse,” said Amazon spokesperson Jodi Seth. “We are proud of the industry-leading investments we’ve made in technology and human expertise to prevent criminal activity and deter bad actors.”

“Like any responsible company, when we become aware of activity that is potentially illegal, we refer it to law enforcement to further investigate,” Seth said. She added that Amazon encourages “more companies to help stop fraud at the source by holding bad actors accountable — it’s the right thing to do and it would help protect more people.”

DOJ, meanwhile, said it does not favor any company in deciding what to investigate.

“The Justice Department’s long-standing practice is to encourage tips of criminal wrongdoing from all sources, to not favor one company over another, to follow the facts and evidence where they lead, and to bring criminal prosecutions only in accordance with the Principles of Federal Prosecution,” DOJ spokesperson Dena Iverson said in a statement.

Comparable employers like Walmart and FedEx also struggle with criminal activity across their large operations, though they often face different issues. Former FedEx employees, for instance, have been connected to a [trucking bribery scheme](#) and charged with [mail theft](#). And Walmart has been the victim of [high-profile robberies](#). The DOJ has sued [Walmart](#) for unlawful opioid distribution and [FedEx](#) for drug-related criminal charges. The companies have disputed the charges, and the charges against FedEx were dropped during the trial. The DOJ has not sued Amazon, which has a smaller footprint in pharmaceuticals distribution.

## Amazon builds ties to the feds

Amazon has spent years building a closer relationship with federal law enforcement, by partnering with the DOJ and FBI and hiring many former officials. It’s similar to the approach taken by large financial institutions like banks, which often proactively refer cases of money laundering or fraud to the government in order to avoid liability. “Sometimes when companies or financial institutions uncover fraud, they want to get ahead of it,” said one former federal prosecutor, who spoke on the condition of anonymity to discuss

cases they participated in. “They want to go to the government and say, “This is a one-off.””

Renato Mariotti, a former federal prosecutor in the securities and commodities fraud section of the U.S. Attorney’s office in Chicago, said law enforcement often begins to rely on the groundwork laid by big companies like Amazon, who can afford to invest resources into their partnerships with the government. “If a company is able to put together a case well, they can serve it up on a silver platter with a bow on it to law enforcement to make it very easy for federal law enforcement to take,” Mariotti said.

Amazon has hired people with deep ties to federal law enforcement to bolster its work. The company currently employs at least 21 former federal prosecutors and at least 49 former FBI employees, according to a review of LinkedIn pages of current Amazon employees. Those hires include [Jeffrey Goldberg](#), former deputy chief of the fraud section of the DOJ’s criminal division; Andrew Devore, former assistant U.S. attorney in the Southern District of New York; and [Sean Farrell](#), former chief of the FBI’s cyber unit. Brian Huseman, the vice president of public policy at Amazon and a powerful figure in its Washington office, is a former DOJ trial attorney.

“Amazon’s hiring of former federal law enforcement agents seems like a strategy to avoid liability without seriously addressing the fundamental problems with its marketplace,” Schakowsky said. Amazon did not respond to a question about its hiring of former DOJ and FBI officials.



Aitan Goelman, former assistant U.S. attorney in the Southern District of New York, said former government officials “do get a head start in terms of credibility” in the eyes of current federal prosecutors. “[Prosecutors] are less likely to believe someone’s coming in and misleading [them] if they’re a former FBI agent,” Goelman said.

## Joining forces on big investigations

Amazon has teamed up with the federal government on a slew of cases in recent years.

Amazon extensively supported and publicized the DOJ’s prosecution of six individuals, including two former Amazon employees, who were indicted in the Western District of Washington on charges of bribing co-workers to gain advantages for third-party sellers on the company’s platform. That trial is expected to begin in January.

Amazon has also [invested significant resources](#) into taking on Carl Nelson, a former Amazon Web Services real estate manager whom the company has accused of participating in a complex pay-for-play scheme to steer AWS into entering into certain data center leases. During the FBI’s investigation, which has lasted more than 22 months, the bureau has seized more than \$890,000 from Nelson and his wife, Amy, forcing the couple to sell their house and cars, liquidate their retirement funds and move in with family in Ohio, according to

court filings. Nelson denies all of the allegations, and he has not been charged with any wrongdoing. Nelson sued Amazon in Washington for breach of contract, and while some of his claims are still pending, the court found that Amazon willfully breached its contract with him and awarded him damages. Amazon is pursuing civil racketeering and antitrust claims against Nelson in Virginia, among other allegations.

“I exist in this world where a company can simply accuse someone of a crime ... and as a result a government can take away every dollar a parent has,” Amy Nelson [posted](#) on her [Instagram](#) earlier this year. “No one should have to endure this.”

Although Nelson's case is [uniquely complicated](#), he is only one of several dozen former employees who have faced the combined resources of the U.S. government and Amazon. Amazon [reported one of them, former employee Vu Anh Nguyen, to U.S. authorities in July 2020](#), accusing him of using Amazon's internal tools to produce fraudulent refunds to himself and his associates. Nguyen pled guilty to one count of wire fraud and was sentenced to two and a half years in prison.

Amazon has also teamed up with government investigators to go after sellers who have abused its giant platform.

The company assisted with an investigation into Joseph Sides, a Florida man [accused](#) of creating more than 500 Amazon accounts using false information to

place more than 1,200 orders, which he returned and refunded. Sides ultimately pleaded guilty and was sentenced to five years probation.

The e-commerce company has [touted its cooperation](#) with the U.S. Attorney's Office for the Southern District of New York and the Department of Homeland Security during an investigation into four men accused of wire fraud and money laundering. The men were arrested and charged with engaging in a scheme to systematically defraud Amazon's vendor system, forcing Amazon to pay for goods that the company had not ordered, according to the company statement. Amazon did not offer more details on the company's views on the case.

Ilana Haramati, a lawyer representing one of the defendants in that case, Zishe Abraham, called the government's charges "trumped up civil disputes disguised as purported crimes."

"Taxpayer dollars and government resources should not be used to help Amazon settle a business score," Haramati said in an email.

The Trump administration [launched a campaign](#) led by DHS to force Amazon and other e-commerce platforms to crack down on counterfeits and illicit activity on its platform. One former senior DOJ official told POLITICO that the DOJ and FBI have also been pressing Amazon for years to better police criminal activity. The former official added that the DOJ needs to be "mindful and careful that they're not being used by the company that brings them the complaint and the information — that they're doing so for legitimate law

enforcement reasons and not to gain competitive advantage and some sort of business advantage.”

## Public naming and shaming

Amazon differentiates itself from other large corporations by [publicly touting legal actions](#) it has taken against its employees and users amid accusations from lawmakers and regulators that it has not done enough to police its platform and has allowed employees access to data from third-party sellers.

When a man in Rhode Island pleaded guilty to wire fraud charges for returning products that were of lesser quality to Amazon for refunds, [the company issued a news release](#) expressing gratitude to the U.S. Attorney's Office for the District of Rhode Island. The court sentenced Michael Chaves to 30 months in federal prison for defrauding Amazon of more than \$50,000.

In [a press release about the Western District of Washington case](#) last year, the company wrote, “There is no place for fraud at Amazon and we will continue to pursue all measures to protect our store and hold bad actors accountable.”

Goelman, the former assistant U.S. attorney, said companies are often willing to put up with the bad publicity of criminal proceedings to deter current workers from attempting to take advantage of their positions. “Companies don't want the negative publicity of articles written about fraud on their platform, but they also want to make themselves a harder target,” Goelman

said.

Still, some other big retailers shy away from that approach. A Walmart executive said while the company does sometimes pursue criminal proceedings against employees, it has chosen to keep such legal action out of the press. “I think there are ways to send a signal to our own employee base that these things won’t be tolerated without having to do a press release,” the executive said, requesting anonymity in order to speak candidly about internal company dynamics.

## Deflecting legislative scrutiny

Amazon began partnering more closely than ever with federal law enforcement as it [came under fire](#) in recent years for the masses of counterfeit products on its platform — and particularly after Congress began considering legislation that would [force the company to take more responsibility](#) for the counterfeits on its site.

One congressional aide involved in negotiations around the INFORM Consumers Act, which would require Amazon and other e-commerce platforms to implement more anti-counterfeit measures, said Amazon set up a unit focused on counterfeit issues only after the legislation was introduced.

“The sequencing of it could make it appear” that Amazon set up its Counterfeit Crimes Unit, which was established specifically to aid law enforcement

investigations, in response to the legislative threat, the aide said, requesting anonymity to speak about private discussions with Amazon. Amazon did not respond to a question about whether the unit was established in response to legislative pressure.

The aide said lawmakers backing the legislation believe law enforcement can help reduce the number of counterfeits but “one-off, after-the-fact enforcement actions” are not enough to solve the issue. “There’s too much volume of illicit sales on these sites for that to be an adequate deterrent,” the aide added.

For now, legislation that would force Amazon to take more measures to police crime on its platform is moving slowly through Congress. And in the meantime, Amazon is only continuing to strengthen its ties to federal law enforcement — including by recently hiring Matthew Alcoke, a senior FBI official who was in charge of counterterrorism for the bureau’s D.C. field office during the Jan. 6 insurrection, as senior manager for physical security at AWS, according to a person familiar with the matter who requested anonymity to discuss personnel. Alcoke didn’t respond to a request for comment.

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