



John A. Carey  
Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



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*“Enhancing Public Trust in Government”*

**Redacted per § 119.071(5)(b), F. S.**

# Investigative Report

## 2021-0019

# Fritz Denochamps - False Statements on CARES Act Restart Grant Applications

## February 23, 2023



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## INVESTIGATIVE REPORT

DATE ISSUED: February 23, 2023



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## FRITZ DENOCHAMPS - FALSE STATEMENTS ON CARES ACT RESTART GRANT APPLICATIONS

### SUMMARY

#### WHAT WE DID

The Palm Beach County (County) Office of Inspector General (OIG) conducted a review in which we cross-checked Small Business Administration (SBA) Paycheck Protection Program (PPP) recipients with Palm Beach County (County) Coronavirus Aid, Relief, and Economic Security (CARES) for Business Restart Business Grant (Restart Grant) recipients. The review revealed that Fritz Denochamps may have submitted an application for a \$25,000.00 County Restart Grant on behalf of 7 Eagles Capital LLC (7 Eagles) after the SBA had approved 7 Eagles for a PPP forgivable loan for \$4,104.00. If Mr. Denochamps had disclosed in 7 Eagles' Restart Grant application that it had received a PPP forgivable loan, as required, 7 Eagles would have received \$4,104.00 less for its Restart Grant.

Our review also revealed a Restart Grant application for another business associated with Mr. Denochamps named My FD Financial Group LLC (My FD Financial).

Based upon our review of the Restart Grant applications and available PPP databases, the OIG initiated an investigation of the following allegation:

**Allegation (1):** Mr. Denochamps made false statements on Restart Grant applications, which resulted in improper grant funding from a County program funded by the CARES Act.

Our office reviewed Mr. Denochamps' Restart Grant applications to the County; PPP loan records for Mr. Denochamps' businesses; the funding agencies' program eligibility guidelines; and 7 Eagles' financial records. We also interviewed Mr. Denochamps.

#### WHAT WE FOUND

**Allegation (1) is supported.** 7 Eagles' received PPP funding of \$4,104.00 on May 8, 2020, through Wells Fargo Bank. The 7 Eagles owner and manager, Fritz Denochamps, completed and submitted a County Restart Grant application on behalf of 7 Eagles on June 16, 2020. Mr. Denochamps did not disclose the receipt of the PPP funds on his Restart Grant application, and the County awarded 7 Eagles a Restart Grant of \$25,000.00. Had Mr. Denochamps reported the PPP funding, as required, 7 Eagles' Restart Grant would have been reduced by 4,104.00, the amount of the PPP loan. 7 Eagles' receipt of Restart Grant funds in excess of the amount for which it was

eligible resulted in **Identified Costs<sup>1</sup> of \$4,104.00.**

Mr. Denochamps also submitted a Restart Grant application on behalf of My FD Financial in which he falsely certified that the business was operating on or before October 1, 2019, which was a grant eligibility requirement. That application was denied by the County.

We found sufficient information to warrant referring our finding that Mr. Denochamps made a false statement on 7 Eagles' Restart Grant applications to law enforcement (with notification to the State Attorney's Office) for a determination of

whether the facts arise to a criminal act under section 817.03, Florida Statutes.

We also found sufficient information to warrant referral of our finding to the United States Attorney's Office for a determination of whether the 7 Eagles application constitutes a violation of Title 18, Chapter 47, section 1001, United States Criminal Code.

#### WHAT WE RECOMMEND

We make one recommendation; that the County seek reimbursement of \$4,104.00 in improperly issued funds.

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<sup>1</sup> Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

## BACKGROUND

### The CARES Act

On March 1, 2020, Florida Governor Ron DeSantis directed the State Health Officer to issue a public health emergency in the State of Florida due to the COVID-19 pandemic. On March 13, 2020, then-Palm Beach County Mayor Dave Kerner declared a state of emergency in the County due to COVID-19.

On March 27, 2020, the President signed the CARES Act into law. The CARES Act allocated \$2.2 trillion in economic relief to individuals, businesses, and governments affected by COVID-19. State governments were allocated a total of \$139 billion based on their populations (as measured by the U.S. Census Bureau in 2019), with no state receiving less than \$1.25 billion. Florida received a total of \$8.328 billion, with \$261,174,832 of that total provided to Palm Beach County.



On May 15, 2020, the Palm Beach County Board of County Commissioners approved the Restart Grant Program. The County dedicated \$50 million of the approximately \$261 million allocated to it for businesses with 25 or fewer employees and dedicated \$10 million to businesses with more than 25 employees. Businesses located in the County that met certain criteria, to include the following, were eligible to apply:

- Operating since October 1, 2019, and still operating on February 29, 2020;
- Not a publicly traded company;
- Not a non-profit organization; and
- Had not received any COVID-19 relief funds in the form of a grant or forgivable loan exceeding \$25,000.

Eligible businesses included:

- Agriculture;
- Child Care Centers;
- Gyms and Fitness Studios;
- Hair Salons, Nail Salons, Barber Shops;
- Health Care Services and Medical Offices;
- Professional Services;
- Retail - Physical Brick/Mortar Stores; and
- Restaurants, Caterers, Bakeries.

Eligible uses of Restart Business Grant Program funds included:

- Salaries/Payroll;
- Inventories;
- Commercial lease, mortgage, or rent payments;

- Utilities; and
- Other expenses incurred due to new safety provisions.

### Restart Business Grant Applications

The County accepted online applications for the Restart Grant program during the following periods:

- May 22, 2020 - June 12, 2020;
- September 25, 2020 - October 9, 2020; and
- October 26, 2020- November 6, 2020.

The maximum grant was \$25,000 for the first two of the three application periods. The maximum grant was \$15,000 for the third period. The form of the application differed slightly throughout the program, but each included eligibility questions and acknowledgements. Before accessing, completing, and submitting the grant application, users were required to register with the Restart Grant portal by creating a user name and password and answering an Eligibility Questionnaire. If the applicant's answers to the questionnaire indicated that the applicant met the eligibility requirements, the applicant would then fill out an 18-question application.

The application asked for information including the business' name, address, type, and number of employees. The application also asked for the name, title, and percentage of ownership for each person with an ownership interest in the business. Applicants were required to affirm statements in the certifications, affirmations, and acknowledgements sections by digitally checking a box next to each one.

Included among those certifications were the following:

- **I certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate.** I understand that **knowingly making a false statement** in this application may subject me to criminal prosecution and penalties in accordance with applicable law, including, but not limited to, Chapter 817, Florida Statutes, and Chapter 47, United States Code, which may include up to five years' imprisonment and/or up to a \$250,000 fine. **I further understand that, if it is determined that any of the requirements of the federal CARES Act are found to not be satisfied in connection with my application and/or grant award, Palm Beach County retains the right to seek reimbursement of any disbursed funds.** [Emphasis added]

The final page of the application required the applicant's digitally typed signature.

The County Department of Housing and Economic Development (DHED) assigned submitted applications to a contracted first reviewer, who ensured that applicants entered all required information and included all supporting records. If an application lacked a required document, the first reviewer called the primary contact listed on the application.

The first reviewer then returned the application via the portal, and a system-generated email was sent to the applicant that provided instructions on logging in and resubmitting the application with the additional information. Returning an application removed the checks in the boxes next to the certifications, affirmations, and acknowledgements, and removed the name from the signature line. The applicant had to re-check each certification, affirmation, and acknowledgement, and re-type the name on the signature line before re-submitting it with all required information.

First reviewers calculated the grant amount for eligible applicants. The amount of revenue listed in the tax return provided with applications was the primary factor in determining the need for the requested grant amount.

A second reviewer who worked for either DHED or the Office of Equal Business Opportunity then confirmed that the application was completed properly and that the applicant's tax identification number (TIN)<sup>2</sup> matched the documents submitted. Once the grant applications were reviewed by DHED twice, the applications went to the County Purchasing Department, which has access to the Internal Revenue Service database, to ensure the TIN on the grant application was legitimate and matched information in the IRS database. If the TIN matched, the Purchasing Department would notify DHED so that DHED could complete its approval process. If the application was approved, DHED emailed a request for payment to the County Finance Department of the Clerk and Comptroller's Office. The Clerk and Comptroller's Office issued checks payable to the business and mailed them to the address provided in the application.

### Question 17 of the County Restart Business Grant Application

There were 18 questions in the General Information section of the online application. Question 17 asked the following:

Has your business received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program?\*

Yes  No

For example a Payroll Protection Program (PPP) forgivable loan or a grant from federal, state and/or local government where your business is located

← Go Back      Save      → Save & Continue

If the answer was “Yes,” an "Enter Amount" box opened and additional text appeared, stating the following:

- If “YES”, please provide documentation (such as executed Promissory

<sup>2</sup> According to the County's grant application, the TIN could be either an employer identification number (EIN) or a social security number (SSN).

Notes, Grant Agreements etc.) to verify how much relief your business received.

- If “YES”, **any amounts your business received will be deducted** from any potential award your business may receive from the Restart Business Grant Program. [Emphasis added]

Has your business received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program?:\*

Yes  No

For example a Payroll Protection Program (PPP) forgivable loan or a grant from federal, state and/or local government where your business is located

Enter Amount:\*

\$

- If “YES”, please provide documentation (such as executed Promissory Notes, Grant Agreements etc.) to verify how much relief your business received
- If “YES”, any amounts your business received will be deducted from any potential award your business may receive from the Restart Business Grant Program

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### SBA PPP Forgivable Loans

The SBA PPP is a \$953 billion business loan program established by the United States federal government in 2020 through the CARES Act to provide forgivable emergency loans to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue to keep and rehire employees. As a result, if the business spends the PPP loan on eligible expenses, such as payroll, rent, mortgage interest, or utilities, and the business timely applies for loan forgiveness, the United States government will forgive the loan.



### Mr. Denochamps' Businesses<sup>3</sup>

- **7 Eagles Capital LLC**

7 Eagles' Articles of Organization were filed with the Florida Secretary of State on August 13, 2015, with Fritz Denochamps listed as the president, manager, and registered agent, and Guedel Dorsainvil as the Vice President. On June 16, 2020, the date of the 7 Eagles' Restart Grant Application, Mr. Denochamps was still listed with Sunbiz as 7 Eagles' president, manager, and registered agent. Mr.

<sup>3</sup> In addition to 7 Eagles and My FD Financial, Mr. Denochamps was the Manager, Registered Agent, and Authorized Member of My FCIGroup LLC in July of 2021, after that company's Restart application. Mr. Denochamps was also the President and Registered Agent of FCI Group Inc. both before and after that company's Restart Grant application, but not at the time of their application.

Denochamps described himself as 7 Eagles' owner in the Restart Grant Application.

- **My FD Financial Group LLC**

My FD Financial Group's Articles of Organization were filed with the Florida Secretary of State on October 14, 2019, with Fritz Denochamps listed as the Manager and Registered Agent, and Juderns Denochamps as an Authorized Member. On October 15, 2020, the date of My FD Financial's Restart Grant Application, Mr. Denochamps was still listed with Sunbiz as My FD Financial's Manager and Registered Agent. Mr. Denochamps described himself as My FD Financial's owner in the Restart Grant Application.

## ALLEGATIONS AND FINDINGS

### Allegation (1):

***Mr. Denochamps made false statements on a Restart Grant application, which resulted in improper grant funding from a County program funded by the CARES Act.***

### Governing Directives:

Palm Beach County CARES for Business Restart Grant application guidelines.

### Finding:

The information **supports** the allegation.

The OIG's review of the relevant facts established the following timeline:





## 7 Eagles PPP Forgivable Loan

The OIG examined open source records that revealed that on May 8, 2020, the SBA approved a \$4,104.00 PPP forgivable loan to 7 Eagles. The SBA confirmed approval of 7 Eagles' PPP loan and its funding on May 8, 2020, to the OIG.

The screenshot shows the 'Paycheck Protection Program (PPP) Database' search interface. A search box contains '7 eagles capital' and a magnifying glass icon. Below the search box, the text reads 'Enter a business name above.' and 'Page 1 of 1'. A table lists the search results:

Business Name	Type	Loan Details	Lender
<b>7 EAGLES CAPITAL LLC</b> 3141 S MILITARY TRAIL LAKE WORTH, FL 33463	Limited Liability Company(LLC)	\$4,104 Jobs Retained: 0	Wells Fargo Bank, National Association Date Approved: 05/08/2020

Below the table, it states 'Data Source: Department of Treasury and Small Business Administration'. At the bottom, there is a notice: 'Looking to report potential fraud associated with the Paycheck Protection Program? Please contact the US Treasury or Small Business Administration (SBA)'.

7 Eagles received the loan through Wells Fargo Bank. The OIG's review of 7 Eagles' financial records showed that on May 8, 2020, the funds were deposited into 7 Eagles' business bank account. Mr. Denochamps was the only signer for this account.

The screenshot shows a bank statement entry for a PPP loan disbursement. The entry is dated 5/8 and is labeled 'Ppp Loan Disbursement'. The amount is 4,104.00, and the balance is 44,312.98.

Date	Description	Amount	Balance
5/8	Ppp Loan Disbursement	4,104.00	44,312.98

## 7 Eagles Restart Business Grant Application

On June 10, 2020, Mr. Denochamps signed and submitted a Restart Grant application on behalf of 7 Eagles, and listed himself as 100 percent owner of the business. Mr. Denochamps responded "No" to Question 17 on the application, "Has your business received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program? For example a Payroll Protection Program (PPP) forgivable loan..."

17. Has your business received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program?

For example a [Payroll Protection Program](#) (PPP) forgivable loan or a grant from federal, state and/or local government where your business is located

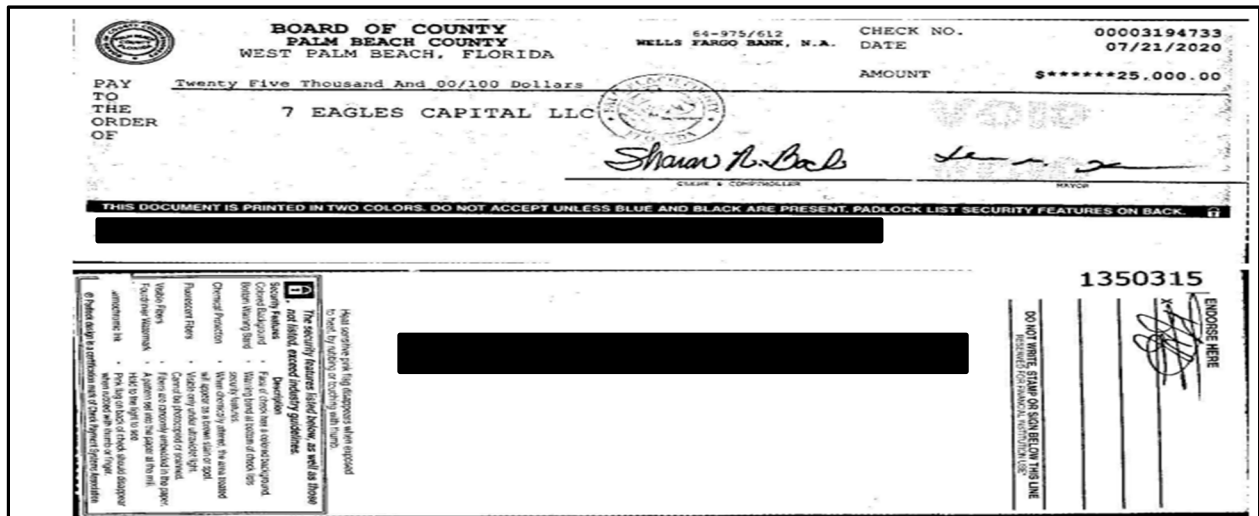
No

Mr. Denochamps acknowledged and electronically signed the Restart Business Grant application, number 4533.

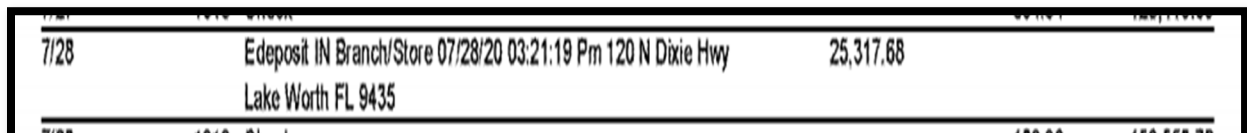
On June 16, 2020, DHED's first reviewer returned the application to 7 Eagles for additional information. On that same date Mr. Denochamps resubmitted the application with his electronic acknowledgements and signature. His answer to Question 17 remained "No." DHED approved the application on July 13, 2020.

### Restart Business Grant Payment to 7 Eagles

On July 21, 2020, the County Clerk & Comptroller issued check #00003194733 for \$25,000.00 to 7 Eagles.



On July 28, 2020, this check was deposited into 7 Eagles' business bank account.<sup>4</sup>



<sup>4</sup> An additional, unrelated check in the amount of \$317.68 was deposited into 7 Eagles' account along with the County Restart Grant check.

## My FD Financial Restart Business Grant Application

On October 9, 2020, Mr. Denochamps signed and submitted a Restart Grant application on behalf of My FD Financial Group LLC, and listed himself as 100 percent owner of the business.<sup>5</sup> Mr. Denochamps responded “Yes” to Question 12 of the application’s Eligibility Questionnaire, “Was the business operating in Palm Beach County on or before October 1, 2019.”

	
<b>PALM BEACH COUNTY CARES FOR BUSINESS</b>	
11. Did this business receive a PBC Cares for Business Restart Business Grant?	
Yes	No ✓
12. Was the business operating in Palm Beach County on or before October 1, 2019	
Yes ✓	No

Question 8 on the application asks “Date Business Filed its Registration with the State of Florida Division of Corporations as Shown (sic) SunBiz.Org” (Business must show an Active Status on their Sunbiz Registration. The Date Filed must be on or before October 1, 2019). The application reflects the following response: “10/14/2018.”

<b>8. Date Business Filed its Registration with the State of Florida Division of Corporations as shown</b> <a href="http://SunBiz.Org">SunBiz.Org</a> (Business must show an Active Status on their Sunbiz Registration. The Date Filed must be on or before October 1, 2019)
10/14/2018

OIG’s review of Sunbiz records, however, showed that My FD Financial Group’s Articles of Organization were actually filed with the Florida Secretary of State on October 14, 2019.

<b>Electronic Articles of Organization For Florida Limited Liability Company</b>	L19000257601 FILED 8:00 AM October 14, 2019 Sec. Of State kbrumbley
<b>Article I</b>	
The name of the Limited Liability Company is: MY FD FINANCIAL GROUP LLC	

<sup>5</sup> The application log reflects that the application was submitted by “Kerby Denochamps.” However, the application was electronically signed “Fritz Denochamps”, and Fritz Denochamps told the OIG that he submitted the application with assistance from his son, Kerby Denochamps.

The application for My FD Financial included the following certification: ***I certify that my business was established and operating in Palm Beach County on or before October 1, 2019.***

Mr. Denochamps digitally affirmed this statement by checking a box next to it. Mr. Denochamps acknowledged and electronically signed the Restart Business Grant application, number 6400.

DHED's first reviewer returned the application to Mr. Denochamps for additional information on October 13, 2020. On October 15, 2020, Mr. Denochamps resubmitted the application with his electronic acknowledgements and signature. His answers remained the same. DHED denied the application on October 16, 2020, stating "The applicant is required to have active registration on Sunbiz but did not register on or before 10/1/2019." The County did not issue any funds as a result of this application.

### **OIG Interview of Fritz Denochamps**

Mr. Denochamps confirmed that he completed the Restart Grant application for 7 Eagles, and said he did so with assistance from his son. Mr. Denochamps told the OIG he did not receive a PPP forgivable loan prior to filling out the Restart Grant application for 7 Eagles, stating that he received \$4,000 for the PPP loan after filling out the Restart Grant application.

The OIG then showed Mr. Denochamps his bank statement reflecting that he received the PPP loan proceeds on May 8, 2020, and he confirmed that it was accurate. Mr. Denochamps stated that he submitted 7 Eagles' Restart Grant application prior to receiving the PPP money, but after his initial submission, the application was sent back to him for corrections. He said that by the time he received the application back for corrections, he had received the PPP proceeds but did not go back to change or review other parts of the application; only those parts that he needed to correct per the DHED reviewer.

The OIG then showed Mr. Denochamps the application log from the County, reflecting that he applied to the County for the first time almost a month after he received the PPP loan. Mr. Denochamps then said he started the application the day that the portal opened, but it took him about a month to complete it.

Mr. Denochamps stated he owns the company My FD Financial Group LLC, and that he completed the Restart Grant application for it with assistance from his son. Mr. Denochamps answered "Yes" to Eligibility Question 12, "Was the business operating in Palm Beach County on or before October 1, 2019." Mr. Denochamps told the OIG that, "This business, when it started, when the stated date you see, in um, Sunbiz? That's the date, the time we created that business. As an entity." He also acknowledged listing October 14, 2018, as the business' Sunbiz registration date. Mr. Denochamps said that he made a mistake in doing so.

## OIG Conclusion

7 Eagles was approved for a \$4,104.00 PPP forgivable loan on May 8, 2020. The business' bank statements show these funds were deposited into 7 Eagles' bank account on May 8, 2020.

Mr. Denochamps certified that the information he provided on the Restart Grant application was "true and accurate." The PPP forgivable loan proceeds were deposited into 7 Eagles' bank account approximately 33 days before Mr. Denochamps initially submitted, and 39 days before he resubmitted the Restart Grant application for 7 Eagles.

Question 17 on the application specifically asked whether the applicant business had received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program, and specifically listed "Payroll Protection Program (PPP) forgivable loan" as an example of relief that needed to be disclosed. Mr. Denochamps answered "No" to Question 17, both on the original Restart Grant submission on June 10, 2020, and on the final submission on June 16, 2020. Mr. Denochamps' answer to Question 17 was untrue and inaccurate.

Mr. Denochamps also applied for a Restart Grant for My FD Financial Group LLC. Although the County eventually denied the application, Mr. Denochamps falsely answered "Yes" to Eligibility Question 12, which asked whether the business was operating in Palm Beach County on or before October 1, 2019. Mr. Denochamps' acknowledged to the OIG that My FD "started" and was "created" on the date of its Sunbiz registration, October 14, 2019. He provided an inaccurate date of October 14, 2018, as the date the business filed its registration with the State of Florida Division of Corporations in response to application Question 8. Mr. Denochamps certified that the information he provided on the Restart Grant application was "true and accurate." Mr. Denochamps' information provided for Eligibility Question 12 and Application Question 8 was untrue and inaccurate.

The fact that 7 Eagles had already received PPP proceeds at the time of its Restart Grant application submission rendered it ineligible to receive the entire \$25,000.00 County grant. If Mr. Denochamps had answered that question truthfully, 7 Eagles' Restart Grant would have been reduced by the \$4,104.00 it had already received in PPP funds. As a result, 7 Eagles improperly received \$4,104.00.

Information provided by Mr. Denochamps on both 7 Eagles' and My FD Financial's Restart Grant applications was not true and accurate as he certified and as required. The allegation is **supported**.

### IDENTIFIED COSTS

**Identified Costs:** \$4,104.00

### ACKNOWLEDGEMENT

The Inspector General's Investigations Division would like to thank the County Department of Housing and Economic Development staff for their cooperation throughout this investigation.

### RECOMMENDED CORRECTIVE ACTIONS

The OIG recommends that the County seek reimbursement of \$4,104.00 in issued funds.

### RESPONSE FROM MANAGEMENT

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, DHED was provided the opportunity to submit a written explanation or rebuttal to the findings as stated in this Investigative Report within ten (10) calendar days. Their written response is as follows:

The Department of Housing & Economic Development concurs with the findings in Office of Inspector General Report 2021-0019 regarding false statements made on CARES Act Restart Grant application submitted by Fritz Denochamps. Upon release of the report by the OIG, Palm Beach County will contact the business for repayment and will subsequently report the issue to Collections if the repayment of \$4,104 is not submitted.

### RESPONSE FROM MR. DENOCHAMPS

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, Fritz Denochamps was provided the opportunity to submit a written explanation or rebuttal to the findings as stated in this Investigative Report within ten (10) calendar days.

Mr. Denochamps telephonically contacted the OIG, stated that he had received the OIG Draft Report for this investigation, and that he would not be submitting a written response for inclusion in the Final Report. During this call, Mr. Denochamps requested and was provided a contact to initiate repayment of the Report's Identified Costs.

*This Investigative Review has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles & Quality Standards for Investigations.*