



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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“Enhancing Public Trust in Government”

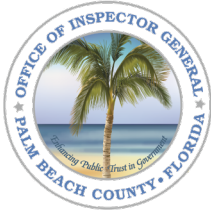
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Investigative Report

2021-0005

Kahna BG 2015, LLC - False Statements on CARES Act Grant Application

June 8, 2021



John A. Carey
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PALM BEACH COUNTY
INVESTIGATIVE REPORT

DATE ISSUED: JUNE 8, 2021



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KAHNA BG 2015, LLC -

SUMMARY

WHAT WE DID

On February 19, 2021, the Palm Beach County (County) Office of Inspector General (OIG) Contract Oversight and Evaluations Division (COED) referred a Coronavirus Aid, Relief and Economic Security (CARES) Act Restart Business Grant compliance review of Kahna BG 2015, LLC, DBA Horizon Inn & Suites (Kahna) to the OIG's Investigation Division.

The COED's initial review revealed that Kahna's President and Owner Dilip Patel submitted applications for the County's Restart Business Grant Program after the Small Business Administration (SBA) approved Kahna for a Paycheck Protection Program (PPP) loan. If Kahna had disclosed on its CARES Act application that it had received funds from the PPP loan, as required, Kahna's \$25,000 Restart Business Grant award would have been decreased by \$15,212.00.

Based upon our review of disclosures in the application and relevant documents, the OIG's Investigations Division initiated an investigation of the following allegation:

Allegation: Mr. Patel knowingly made a false statement in Kahna's Restart Business Grant application that resulted in improper grant funding to Kahna from a County program funded by the CARES Act.

Our office reviewed Kahna's Restart Business Grant application to the County and Kahna's SBA PPP loan submission, the funding agencies' program eligibility guidelines, and Kahna's financial records. We also interviewed Mr. Patel.

WHAT WE FOUND

The Allegation is supported. We found sufficient evidence to support the allegation. Mr. Patel received an SBA PPP loan through the Bank of Belle Glade for \$15,212.00. The SBA PPP loan proceeds were deposited into Kahna's business checking account on May 5, 2020. Mr. Patel completed the County's Restart Business Grant application on June 9, 2020 and submitted an amended version of that application on June 19, 2020. On both occasions he failed to disclose the PPP loan Kahna received. As a result of Mr. Patel's failure to disclose the PPP loan, on June 30, 2020 the County awarded Kahna a \$25,000 Restart Business grant. That check was deposited in a Kahna

account on July 10, 2020. Kahna was only eligible to receive \$9,788.00 from that Restart Business grant.

The inappropriate expenses resulted in Identified Costs¹ of **\$15,212.00**, which Kahna should reimburse to the County.

We found sufficient information to warrant referring our finding that Mr. Patel knowingly made a false statement on Kahna's Restart Business grant application 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 Kahna 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 seeks reimbursement from Kahna of inappropriately issued funds.

¹ Identified costs are costs that have been identified to be 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, 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 Act² 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 Business 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;
- Retail - Physical Brick/Mortar Stores; and
- Restaurants, Caterers, Bakeries

Eligible uses of Restart Business Grant Program funds included:

² The legislation is the largest economic stimulus package in U.S. history, amounting to 10% of total U.S. gross domestic Product.

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

Restart Business Grant Applications

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

- May 22, 2020 - June 12, 2020
- September 25, 2020 - October 9, 2020
- 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. Before accessing the grant application, users were required to register with a portal and answer a ten-question eligibility questionnaire. The application asked for information including the businesses 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.

The application listed 11 certifications, affirmations, and acknowledgements. Applicants were required to affirm these statements by digitally checking a box next to each one.

Included among those certifications was 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 Sustainability (DHES) 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 record, 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 also calculated the grant amount for eligible applicants. The amount of revenue listed in the corporate 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 DHES or the Office of Equal Business Opportunity then confirmed that the application was properly completed and that the business's tax identification number matched the documents submitted. If the application was approved, a request for payment was emailed 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 business at 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 on-line 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

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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 Notes, Grant Agreements etc.) to verify how much relief your business received.
- If “YES”, **any amounts your business received will be deducted** [Emphasis added] from any potential award your business may receive from the Restart Business Grant Program.

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 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 help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue to pay their workers.



The PPP provides forgivable emergency loans so that businesses can keep and rehire employees. As a result, if a PPP loan's proceeds are spent on payroll, rent, mortgage interest, or utilities, the United States government will forgive the loan.

ALLEGATIONS AND FINDINGS

Allegation:

Mr. Patel knowingly provided a false statement in Kahna's Restart Business Grant application that resulted in improper grant funding from a County program funded by the CARES Act.

Governing Directives:

Palm Beach County CARES for Business Restart Business Grant application.



Finding:

The information obtained **supports** the allegation.

OIG Initial Review of Kahna

On February 19, 2021, the OIG COED completed limited-scope reviews of County businesses, including Kahna, that accepted CARES Act Restart Business grant funds. COED reviewed Kahna's County Restart Business Grant application, financial records, and documented expenditure of funds received. Additionally, COED conducted an on-site business inspection. The review also included verification of the business's application information. The application submitted for Kahna listed Mr. Patel as its primary contact, president, and sole owner with a 100% ownership interest in the company.

Mr. Patel electronically signed and submitted the application for Kahna to DHES on June 9, 2020. In answer 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..." Mr. Patel responded "No."

| |
|--|
|   |
| PALM BEACH COUNTY CARES FOR BUSINESS |
| <p>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</p> |
| <input type="text" value="No"/> |

Mr. Patel acknowledged and electronically signed the application.

On June 9, 2020, DHES' first reviewer approved the application. The reviewer noted four items that needed correction prior to granting final approval for the application:

1. Incorrect business registration date with State; must match Sunbiz.
2. Provide a signed tax return.
3. Incorrect number of employees on W-3 Form.
4. W -9 incorrectly completed for fictitious/dba name.

The reviewer log showed that Mr. Patel was contacted on June 9, 18, and 19, 2020 about the corrections.

On June 19, 2020, Mr. Patel provided additional information for the County Restart Business Grant application, uploaded documents, and again acknowledged and electronically signed the application. His answer to Question 17 remained "No." DHES

issued the final approval for Kahna's Restart Business Grant application on June 19, 2020.


Kahna's PPP Loan

The OIG examined open source records to determine if Kahna had applied for and received PPP loan funding. Federalpay.org records showed that on April 28, 2020, SBA approved a \$15,212.00 loan to Kahna:

PPP Loan Data — Kahna Bg 2015 LLC, *Belle Glade, FL*

Kahna Bg 2015 LLC

Entity: Limited Liability Company (LLC) (Business legal structure)
 Industry: Hotels (except Casino Hotels) and Motels
 Location: Belle Glade, FL

 Tweet This • Search All PPP Data

Kahna Bg 2015 LLC is a limited liability company (LLC) located at 1075 S Main Street in Belle Glade, Florida that received a Coronavirus-related PPP loan from the SBA of **\$15,212.00** in April, 2020.

The company has reported itself as a male owned business, and employed at least two people during the applicable loan period.

\$ PPP Loan Information

| | |
|----------------------------|-----------------------|
| Loan Size: | Jobs Retained: |
| \$15,212 | 2 |
| Loan Approved: | |
| 2020-04-28 | |
| Lender: | |
| BANK OF BELLE GLADE | |

Kahna Bg 2015 LLC received a Paycheck Protection Loan of \$15,212 through BANK OF BELLE GLADE, which was approved in April, 2020.

April 16, 2020 Kahna PPP Loan Application Submission

After learning of the PPP loan approval, the OIG obtained records for Kahna's PPP loan application. The OIG discovered that Mr. Patel had submitted an application for a SBA PPP loan for Kahna on April 16, 2020, through the Bank of Belle Glade. The application was hand-signed by Mr. Patel.

**Paycheck Protection Program
Borrower Application Form**

Check One: Sole proprietor Partnership C-Corp S-Corp LLC
 Independent contractor Eligible self-employed individual
 501(c)(3) nonprofit 501(c)(19) veterans organization
 Tribal business (sec. 31(b)(2)(C) of Small Business Act) Other

KAHNA BG 2015 LLC

1075 S. MAIN ST

BELLE GLADE FL 33430-4907

Signature of Authorized Representative of Applicant: *[Signature]* Date: 05/16/2020
Print Name: Dilip PATEL Title: President

2

May 5, 2020 Kahna PPP Loan Funds Received

On May 5, 2020, PPP loan proceeds were deposited into the Kahna BG 2015, LLC (Horizon Inn & Suites) Bank of Belle Glade business checking account:

| | |
|---|--|
| KAHNA BG 2015, LLC (HORIZON INN & SUITES) 1075 S MAIN STREET BELLE GLADE, FL 33430 | Page Number 1 of 6 <hr style="border: 2px solid black;"/> Date 05/31/20 |
| PAYMENTECH DEPOSIT 05/05/2020 15,212.00 Miscellaneous Credit PPP LOAN PROCEEDS 8738597206 | |

May 6, 2020 Kahna New Account Opening

The day after receiving the funds from the SBA PPP loan, on May 6, 2020, Mr. Patel opened a new Kahna business checking account at the Bank of Belle Glade:

| | | Bank of Belle Glade 108 SE Avenue D Belle Glade, Florida 33430-3430 (561)996-6711 https://www.bankofbelleglade.com | | |
|--|---|--|---------------------------|-----------------|
| ACCOUNT TITLE AND ADDRESS | | | | |
| KAHNA BG 2015, LLC 1075 S MAIN STREET BELLE GLADE, FL 33430 | | | | |
| ACCOUNT OPEN DATE | ACCOUNT NUMBER | OWNERSHIP TYPE | PRODUCT NAME | INITIAL DEPOSIT |
| May 6, 2020 | | Limited Liability Company Tax Classification: S | Regular Business Checking | \$15,212.00 |
| BUSINESS ENTITY INFORMATION | | | | |
| Name: | KAHNA BG 2015, LLC | | Business Filing State: | FL |
| Address: | 1075 S MAIN STREET BELLE GLADE, FL 33430 | | Date Established: | April 10, 2015 |
| | | | Resolution Date: | July 5, 2016 |
| | | | OFAC: | No |
| One Signer Required for Withdrawals | | | | |
| KAHNA BG 2015, LLC | | | | |
|  By: DILIP PATEL | | 5/6/2020 Date | | |
| Its: SIGNER | | | | |

Also on May 6, 2020, Mr. Patel transferred the entirety of the \$15,212.00 PPP loan money into the newly opened account:

| Summary of Activity Since Your Last Statement | | | |
|--|------------|--|--|
| Balance Forward From | 05/06/2020 | .00 | Images Enclosed..... 0 |
| 1 Deposits/Credits..... | | 15,212.00 + | Minimum Balance..... 15,182.43 |
| 1 Withdrawals/Debits..... | | 29.57 - | Average Balance..... 15,207.45 |
| Ending Balance As Of | 05/31/2020 | 15,182.43 | Average Available Balance..... 15,207.45 |
| OTHER CREDITS | | | |
| DATE | AMOUNT | DESCRIPTION | |
| 05/06/2020 | 15,212.00 | Miscellaneous Credit PPP LOAN PROCEEDS 8738597206 | |

June 30, 2020 Restart Business Grant Payment to Kahna

On June 30, 2020, County Restart Business Grant check #00003191561 for \$25,000 was issued to Kahna.

The OIG showed Mr. Patel a printed version of his County Restart Business grant application. After he reviewed it, he stated it was accurate and as he remembered it as filed.

Mr. Patel was shown Question 17. He confirmed he had answered “No” to it. He stated he applied for the PPP loan but he had not received funding from it before he applied for the County Restart Business Grant.

The OIG told Mr. Patel the OIG had records that showed he had received the PPP loan on May 5, 2020, a little over a month before he first applied for the County Restart Business grant. The OIG asked Mr. Patel if he could explain why he answered “No” to Question 17. He then answered, “I don’t remember” and that he did not remember the timing of when he received the PPP funding.

The OIG then showed Mr. Patel his bank statement reflecting the May 5, 2020 receipt of \$15,212.00 in PPP funding. He was again asked if the PPP funding was received prior to his Restart Business Grant submission, and he answered, “It’s possible, yes.”

Mr. Patel again stated when he completed the County Restart Business Grant application he did not remember he had received a PPP loan. He said he did not look at his bank account every day to see what came into his account. He stated that he looked at his account every week or two when he made deposits.

Mr. Patel reviewed bank records showing that on May 6, 2020, he opened a new business checking account at the Bank of Belle Glade and transferred the PPP loan money into it. Mr. Patel stated he opened this account for the PPP loan so he could keep that loan money separate to keep track of expenses paid from it.

Mr. Patel added that he did not deliberately “lie” on the Restart Business Grant application and he wished he had remembered relevant dates when he filled out the application.

OIG Conclusion

The OIG’s review of records shows that Kahna received \$15,212.00 in federal PPP forgivable loan proceeds on May 5, 2020. On May 6, 2020, Mr. Patel opened a Bank of Belle Glade new account with his hand-signature, and deposited this funding into the newly opened bank account. The opening of the new account and transfer of funds indicates that he was aware on May 6 that Kahna had been approved for **and received** a PPP loan from SBA.

Mr. Patel received this \$15,212.00 PPP loan approximately 35 days before he first completed the County Restart Business Grant application. He answered “No” to Question 17 on that application, both when he made his original Restart Business Grant submission on June 9, 2020, and when he made his final, corrected submission on June 19, 2020. Question 17 specifically asked if his applicant business had received any COVID-19 relief

in the form of a grant or forgivable loan from any federal, state, or local program. Question 17 specifically listed “Payroll Protection Program (PPP) forgivable loan” as an example of relief that needed to be disclosed. Mr. Patel’s answer to that question was false. If he had answered that question truthfully, his Restart Business Grant would have been \$15,212.00 less.

Information provided by Mr. Patel on Kahna’s Restart Business grant application was not true and accurate as he certified, and as required per the application. The allegation is **supported**.

IDENTIFIED, QUESTIONED, AND AVOIDABLE COSTS

Identified Costs: \$15,212.00

Questioned Costs: \$0

Avoidable Costs: \$0

ACKNOWLEDGEMENT

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

RECOMMENDED CORRECTIVE ACTIONS

The OIG recommends that the County consider pursuing action to recoup \$15,212.00 in funding granted to Kahna based on false declarations in their Restart Business application.

RESPONSE FROM MANAGEMENT

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, DHES was provided the opportunity to submit a written explanation or rebuttal to the finding and recommendation as stated in this Investigative Report within ten (10) calendar days. Their written response was submitted as, “The County concurs with the IG recommendation that the County pursue action to recoup the \$15,212 in Restart Business funding granted to Kahna due to false declarations included in the application.”

RESPONSE FROM DILIP PATEL

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, Dilip Patel was provided the opportunity to submit a written explanation or rebuttal to the finding as stated in this Investigative Report within ten (10) calendar days. Mr. Patel did not submit a response.