



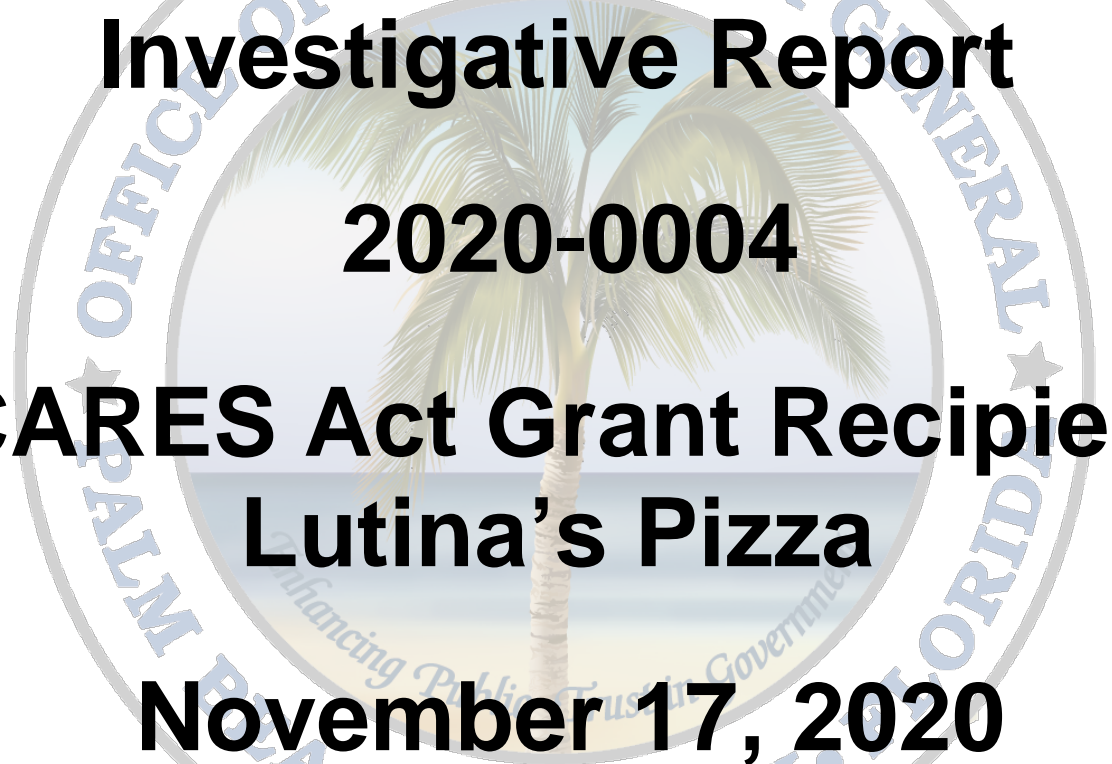
John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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Investigative Report
2020-0004
CARES Act Grant Recipient
Lutina’s Pizza
November 17, 2020



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INVESTIGATIVE REPORT 2020-0004

DATE ISSUED: November 17, 2020



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CARES ACT GRANT RECIPIENT LUTINA'S PIZZA

SUMMARY

WHAT WE DID

On June 23, 2020, the Palm Beach County Department of Housing and Economic Sustainability (DHES) contacted the Palm Beach County Office of Inspector General (OIG) concerning "irregularities" with Lutina's Pizza and Subs GBD Corporation's (Lutina's Pizza) application for a grant from the Palm Beach County CARES for Business - Restart Business Grants Program (Program). Additionally, DHES received information that Lutina's Pizza may have been sold during the period of the application and the issuance of the grant check. The Program, which DHES manages, was funded by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Program provides economic aid to businesses in Palm Beach County (County) not permitted to open or told to limit their services based on Governor Ron DeSantis's Executive Order 20-72 or Palm Beach County's Emergency Order 20-002a.

The application in question resulted in a \$25,000 grant to Lutina's Pizza, a pizzeria and sandwich shop in West Palm Beach, and identified Nebojsa Mingovski as the sole business owner. Based upon our review of disclosures in the application and

relevant documents, the OIG initiated an investigation of the following allegation:

Allegation: The Restart Business Grant application submitted on behalf of Lutina's Pizza and Subs GBD Corporation did not accurately identify the business owners and their percentage of ownership, in violation of Program requirements.

Our office reviewed the grant application, eligibility guidelines, and business and financial records for Lutina's Pizza. We also interviewed the current business owner, the former business owner, the former company president, and the individual who prepared the grant application.

WHAT WE FOUND

The Allegation is supported. The Restart Business Grant application submitted on behalf of Lutina's Pizza and Subs GDB Corporation did not accurately reflect the business owners and their percentage of ownership, in violation of Program requirements.

WHAT WE RECOMMEND

We make one recommendation that can assist DHES in strengthening Restart Grant application controls.

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 COVID-19. 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 Act¹ into law. The CARES Act allocated \$2.2 trillion in economic relief to individuals, businesses, and governments affected by COVID-19. Governments in the fifty states 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 coming to Palm Beach County.

On May 15, 2020, the Board of County Commissioners for Palm Beach County approved the Restart Business Grant Program. The Program used a portion of the \$261 million allocated to the County from the CARES Act, with \$50 million dedicated to businesses with 25 or fewer employees and \$10 million dedicated 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 was still operating on February 29, 2020;
- Was not a publicly traded company;
- Was 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
- Restaurants, Caterers, Bakeries

Eligible uses of the money included:

- Salaries/Payroll

¹ The legislation is the largest economic stimulus package in U.S. history, amounting to 10% of total U.S. gross domestic product.

- Inventories
- Commercial lease, mortgage, or rent payments
- Utilities

Restart Business Grant Application

Restart Business Grant applications were submitted via an online portal that was accessible from the DHES website during the periods that applications were accepted. To date, DHES has accepted online applications during three periods:

- May 22, 2020 - June 12, 2020
- September 25, 2020 - October 9, 2020
- October 26, 2020 – November 6, 2020

The maximum award was \$25,000 for the first two of the three application periods. Before accessing the application, users were required to register with the portal and answer a ten question eligibility questionnaire. The application asked for information such as the name, address, business type, and number of employees. The application also asked for the name and title of each person with an ownership interest in the business and the percentage of ownership share. The application submitted for Lutina's Pizza listed Nebojsa Mingovski as the primary contact, president, and sole owner with 100% ownership interest in the company.

The application listed 11 certifications, affirmations, and acknowledgements. The applicant was required to signal the understanding of these statements by 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 signature. Only typed names were accepted and it was not possible to digitally apply and embed a scanned handwritten signature into the application. Nebojsa Mingovski's name was typed on the document on the signature line above the title "president."

DHES assigned submitted applications to a First Reviewer. First Reviewers were contractors who were responsible for ensuring that all the required information was

entered and all supporting records were included.² First Reviewers also calculated the amount of the grant to be awarded to a successful applicant. The formula was based largely on the figures in the corporate tax return provided with the application.

Once the first review was completed, the application was assigned to a Second Reviewer. Second Reviewers were County employees who worked for either DHES or the Office of Equal Business Opportunity. The Second Reviewer was responsible for confirming that the application was completed properly, and that the business's tax identification number matched the documents submitted. Once the second review was completed, a request for payment was emailed to the County Finance Department of the Clerk and Comptroller's Office. Checks were issued payable to the business and mailed to the business at the address provided in the application.

ALLEGATIONS AND FINDINGS

Allegation:

The Restart Business Grant application submitted on behalf of Lutina's Pizza and Subs GBD Corporation inaccurately identified the owner of the business and percentage of ownership, in violation of Program requirements.

Governing Directives:

PALM BEACH COUNTY CARES FOR BUSINESS Restart Business Grant application dated 05/24/2020.

Finding:

The information obtained **supports** the allegation.

OIG Record Review and Analysis

In June 2014, Lutina's Pizza filed articles of incorporation with the Florida Department of State- Division of Corporations (Division of Corporations). Certain documents filed with the Division of Corporations can be publicly viewed using the website <https://dos.myflorida.com/sunbiz/> (Sunbiz). The incorporator and President was Dashmir Shabani.

The company's 2019 federal tax return reported that it was an S Corporation³, and that Mr. Shabani owned 100% of the company's shares. On May 17, 2020, a "Stock Purchase

² 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 it removed the name from the signature line. The applicant had to recheck each certification, affirmation and acknowledgement, and retype the name on the signature line before resubmitting it with the additional information.

³ A corporation that qualifies and elects to be an S corporation under the Internal Revenue Code typically do not pay corporate income taxes to the federal government. Instead, most S corporations are taxed indirectly through their

Agreement” was executed that transferred ownership of 100% of the shares of Lutina’s Pizza from Mr. Shabani to the buyer, Lazaros Chasomeris. The Stock Purchase Agreement listed Mr. Mingovski and Dixon Li as witnesses and did not provide for their acquisition of any shares in the company. The sales price was \$150,000, with \$30,000 to be paid at closing, and the balance to be paid in \$40,000 installments over each of the next three years. The parties agreed that Mr. Shabani would retain a lien on certain restaurant equipment until the last payment was made and that the transaction would close no later than March 28, 2020. Mr. Shabani received \$30,000 at the closing of the sale of the shares per the Stock Purchase Agreement.

On May 17, 2020, the corporate annual report for Lutina’s Pizza was filed with the Division of Corporations listing Mr. Mingovski as President and Registered Agent. No other corporate officers or directors were listed.

DHES records show that after Mr. Chasomeris purchased Lutina’s Pizza, a Restart Business Grant application for Lutina’s Pizza was initially submitted on May 22, 2020, listing Mr. Mingovski as 100% owner. On May 24, 2020, the First Reviewer returned the application because it lacked a required tax document. That same day, the application was resubmitted with the additional document and the first review was completed. The second review was completed and the application was approved on May 26, 2020. A \$25,000 check was issued to Lutina’s Pizza on May 28, 2020, and mailed to the address of the restaurant listed on the application.

As a result of a dispute between the parties, on June 21, 2020, Mr. Shabani and Mr. Chasomeris signed a “Mutual General Release and Settlement Agreement” that terminated the original Stock Purchase Agreement, and returned ownership of Lutina’s Pizza to Mr. Shabani as of that same day.

On June 21, 2020, an Amended Annual Report was submitted to the Division of Corporations designating Mr. Shabani’s son, Bunjamin Shabani, as Registered Agent and President of Lutina’s Pizza. No other corporate officers or directors were listed.

Deposit of the Grant Check

Financial records show that on June 9, 2020, Mr. Mingovski opened an account at Bank of America in the name of Lutina’s Pizza, and deposited the entire grant check. The bank signature card listed Mr. Mingovski as the only authorized signatory on the account. Mr. Chasomeris and Mr. Shabani signed a Mutual General Release and Settlement Agreement returning 100% of the shares of the company to Mr. Shabani on June 21, 2020. However, the CARES Act grant funds were still in the Bank of America account opened by Mr. Mingovski as of June 30, 2020.

shareholders. An S corporation must have a limited number of shareholders, giving rise to the related statutory term "small business corporation."

OIG Interviews

Interview of Dashmir Shabani

Mr. Shabani told the OIG that he decided to sell Lutina's Pizza in 2019. There was little interest until the next year when Mr. Li, whom Mr. Shabani had met prior to acquiring Lutina's Pizza, introduced Mr. Shabani to Mr. Chasomeris and Mr. Mingovski.

On May 17, 2020, Mr. Shabani and Mr. Chasomeris executed the Stock Purchase Agreement. At closing, Mr. Shabani received a check for \$30,000. To assist with the transition, Mr. Shabani agreed to continue working at the restaurant temporarily.

In mid-June 2020, Mr. Shabani told Mr. Mingovski, who was managing the restaurant, that he would be willing to buy back the business. On June 21, 2020, Mr. Shabani refunded the \$30,000 deposit, and he and Mr. Chasomeris signed the Mutual General Release and Settlement Agreement.

Interview of Lazaros Chasomeris

Mr. Chasomeris told the OIG that he, Mr. Li, and Mr. Mingovski invested varying amounts of personal funds into the acquisition and operation of Lutina's Pizza. Mr. Li provided the initial \$30,000 purchase funds at closing, while Mr. Chasomeris and Mr. Mingovski together invested approximately \$15,000.

Mr. Chasomeris said that he and Mr. Mingovski met with Lucila Vega, a bookkeeper utilized by Mr. Shabani, shortly before the County started accepting applications through the Restart Business Grant Portal and asked her to complete an application for Lutina's Pizza. He did not recall discussing with Ms. Vega the new ownership structure of the business. Mr. Chasomeris speculated that Ms. Vega saw on Sunbiz that Mr. Mingovski was the sole corporate officer, and thus, stated on the grant application that he was the sole owner.

Mr. Chasomeris said that, after executing the Stock Purchase Agreement, he, Mr. Li and Mr. Mingovski executed a handwritten partnership agreement reflecting that each had an equal ownership share of the business. About a week after the OIG's interview of him, Mr. Chasomeris advised the OIG that he was unable to locate this partnership agreement. However, he provided emails with Charles Straub, an attorney who prepared the Stock Purchase Agreement and the Mutual General Release and Settlement Agreement. An email sent by Mr. Straub to Mr. Li on June 22, 2020 mentioned a partnership agreement, stating in part:

The documents I prepared only listed Lazaros as the purchaser. It was my understanding once the sale closed a partnership agreement was entered between yourself, Nino⁴ and Lazaros.

⁴ A text from Mr. Li to Mr. Mingovski, and Mr. Shabani's interview statements both refer to Mr. Mingovski by the nickname "Nino" or "Neno."

Mr. Chasomeris also provided text messages relating to the acquisition of Lutina's Pizza. In an email to the OIG, Mr. Chasomeris contended that the texts show that they "...were working on this deal since January of 2020." For example, on January 28, 2020, Mr. Li sent a group text to Mr. Chasomeris and Mr. Mingovski that stated in part:

Hi guys, what is the next step for the Pizza place...

In his reply text, Mr. Chasomeris said that he was sending someone to "check out" Lutina's Pizza the next day.

Interview of Nebojsa Mingovski

Mr. Mingovski told the OIG that he became aware of the opportunity to purchase Lutina's Pizza from Mr. Li. Mr. Mingovski previously managed a restaurant that Mr. Li and Mr. Chasomeris co-owned. Mr. Mingovski learned of the opportunity to apply for a Restart Business Grant from Mr. Chasomeris.

After May 17, 2020, Mr. Mingovski managed the daily operations of Lutina's Pizza. He was present at the restaurant six days per week. He made many of the purchases in support of the restaurant, and he paid the employees in cash.

The OIG showed Mr. Mingovski a copy of the Restart Business Grant application, which showed him as the owner of Lutina's Pizza, and a copy of the Stock Purchase Agreement, which showed Mr. Chasomeris as the owner. Mr. Mingovski said that before the Stock Purchase Agreement was executed, he, Mr. Li and Mr. Chasomeris verbally agreed that once the business was acquired, each would serve as one-third owner and receive one-third of the profit.

After reviewing the grant application that identified him as the 100% owner, Mr. Mingovski explained that he and Mr. Chasomeris met with Ms. Vega around the time that Restart Business Grant applications were first accepted. Mr. Mingovski asked Ms. Vega to apply for a grant on behalf of Lutina's Pizza. Mr. Mingovski said that he did not recall what, if anything, he or Mr. Chasomeris told Ms. Vega concerning the ownership structure of Lutina's Pizza. Ms. Vega completed the application using information provided by Mr. Mingovski verbally and in emails and text messages. Mr. Mingovski told the OIG that he did not review the application before Ms. Vega submitted it.

During the period that Mr. Mingovski managed Lutina's Pizza, the business's bank accounts were maintained at SunTrust Bank. Mr. Mingovski deposited the \$25,000 grant check into an account at Bank of America to keep it separate from the restaurant's daily operational activities. It was intended to be used only for business emergencies.

Mr. Mingovski said that the entire \$25,000 was still in the Bank of America account. Mr. Mingovski stated that he was leaving the country soon. Therefore, if the County wanted the money back, it needed to be arranged soon.

Interview of Lucila Vega

Ms. Vega told the OIG that she has provided bookkeeping and tax preparation services for Lutina's Pizza since 2014. When Mr. Shabani sold the business in May 2020, he told Ms. Vega that he was sending the new owner to meet her. Ms. Vega met twice with Mr.

Mingovski and another man whose name she did not remember. Mr. Mingovski requested that Ms. Vega prepare a Restart Business Grant application for Lutina's Pizza. Ms. Vega was not aware of the Program, so on May 20, 2020, Mr. Mingovski texted her a link to a County website for it.

During a meeting on May 21, 2020, Ms. Vega told Mr. Mingovski that she needed business ownership information for the grant application. Mr. Mingovski promptly photographed his driver's license and social security card, and sent the images to her by email. Ms. Vega inferred from his response that Mr. Mingovski was an owner of Lutina's Pizza. She did not ask, and Mr. Mingovski did not volunteer, whether there were additional owners. Ms. Vega was unaware of the Stock Purchase Agreement at that time.

Later, as she was preparing the grant application, Ms. Vega viewed the May 17, 2020 Sunbiz report for Lutina's Pizza. It showed that Mr. Mingovski was the president and sole corporate officer. From this, Ms. Vega inferred that Mr. Mingovski was the sole owner of Lutina's Pizza, and stated so on the application.

Ms. Vega said that she checked all the boxes next to each of the 11 certifications, affirmations and acknowledgements on the grant application. She had Mr. Mingovski's authorization to complete the application, but she acknowledged that she did not discuss the certifications, affirmations and acknowledgements with him prior to checking the certification boxes.

Ms. Vega said that she typed Mr. Mingovski's name on the signature line of the grant application. She did not contact Mr. Mingovski to afford him the opportunity to review the application before she submitted it on May 22, 2020. After submitting it, she texted Mr. Mingovski a message from the DHES portal confirming receipt of the application.

Ms. Vega was shown records for the return of the application on May 24, 2020 because it lacked a required tax document. Ms. Vega believed that the reviewer called Mr. Mingovski, whose phone number Ms. Vega had put on the application, and then Mr. Mingovski called her. When Ms. Vega returned to the portal to add the required document, she believed that the boxes next to each of the certifications, affirmations and acknowledgements had been unchecked. She rechecked them and retyped Mr. Mingovski's name on the signature line. Ms. Vega did not contact Mr. Mingovski to afford him the opportunity to review the application before she submitted it a second time.

OIG Conclusion

The Restart Business Grant application that resulted in the issuance of a \$25,000 check to Lutina's Pizza on May 28, 2020 inaccurately identified the owner of the business, in violation of Program requirements. The Restart Business Grant application required the applicant business to list the owner(s) of the business and percentage of ownership. Ms. Vega filled out the application on behalf of Lutina's Pizza. As part of the application process, she made certain certifications, affirmations, and acknowledgements on behalf of Lutina's Pizza, including a representation that Mr. Mingovski held a 100% ownership interest in the company. She indicated that she made this representation because she believed, after seeing Mr. Mingovski's name on Sunbiz records as president and director, that he was the sole owner. Also, Mr. Mingovski provided his driver's license and social

security card in response to her inquiry regarding ownership of the business. She acknowledged, however, that she did not have him review her certifications, affirmations, and acknowledgements on behalf of Lutina's Pizza, nor did she ask him whether there were other owners.

Although no one the OIG interviewed could provide any documents showing that Mr. Mingovski owned any interest in Lutina's Pizza, both he and Mr. Chasomeris contend that they entered into a written partnership agreement after Mr. Chasomeris acquired 100% of the shares in the company from Mr. Shabani. Despite this representation to our office, Mr. Chasomeris could not produce a written agreement. Mr. Chasomeris did not at any time indicate to Mr. Shabani that he no longer owned 100% of the shares of the company or that the ownership structure had changed after the original Stock Purchase Agreement was signed. Mr. Chasomeris-- solely in his name individually-- executed a Mutual General Release and Settlement Agreement agreeing to "return all stock certificates, business records, equipment, intellectual property" of Lutina's Pizza.

We attribute the inaccuracies in the application to miscommunication between Mr. Mingovski and Ms. Vega. Additionally, we did not find evidence that would support that grant funds were misused.

Regardless of whether Mr. Mingovski ever acquired a partnership interest in Lutina's Pizza, it is undisputed by the documents produced and the testimony provided to the OIG that Mr. Mingovski was never the 100% owner of Lutina's Pizza. Because he was not the sole owner of Lutina's Pizza at the time Ms. Vega submitted the Restart Business Grant application, the allegation is **supported**.

Additional Issue

A review of the records from the SunTrust Bank account of Lutina's Pizza for the five-week period that Mr. Chasomeris owned the business (Sunday, May 17, 2020 to Sunday, June 21, 2020) identified total expenditures of \$28,010.12 consistent with the operation of a restaurant.

As noted above, in June 2020, Mr. Chasomeris and Mr. Shabani executed a Mutual General Release and Settlement Agreement. The grant funds were not provided to Mr. Shabani as a part of the Mutual General Release and Settlement Agreement. Instead, the funds remained in the Bank of America account controlled by Mr. Mingovski. After Lutina's Pizza was returned to Mr. Shabani, Mr. Mingovski had no actual or apparent authority as either an owner or director to make any expenditures⁵ allowable under the Program on behalf of the business.

Because of the inaccuracies in the Restart Business Grant application and the fact that the proceeds are currently in an account controlled by a person not authorized to act on

⁵ Eligible uses of the money included; salaries/payroll, inventories, commercial lease, mortgage, or rent payments, and utilities.

behalf of Lutina's Pizza, the OIG has referred this matter to DHES to consider seeking reimbursement of any of the disbursed funds.

ACKNOWLEDGEMENT

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

RECOMMENDED CORRECTIVE ACTIONS

The OIG recommends that DHES consider the addition of a written declaration under penalty of perjury and handwritten, or time-stamped digital signature by an owner of the business applying for a Restart Business Grant, and requiring the disclosure of, and handwritten or digital signature by preparers who assist with applications.

RESPONSE FROM MR. MINGOVSKI

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, Mr. Mingovski 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. No response was submitted by Mr. Mingovski.

RESPONSE FROM MANAGEMENT

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, the County Department of Housing and Economic Sustainability 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 response is as follows:

Finding: The Restart Business Grant application submitted on behalf of Lutina's Pizza and Subs GBD Corporation inaccurately identified the owner of the business and percentage of ownership, in violation of Program requirements.

DHES Response

DHES agrees with the OIG Finding. As stated in the OIG's Investigative Report, the program required the applicant to certify that the information provided in the application including supporting documents is true and accurate and making a false statement may be subject to criminal prosecution and penalties according to law (page 4) with a typed signature.

DHES also agrees with the Recommended Corrective Actions. For future program use, DHES will implement the requirement of an additional handwritten or time-stamped digital signature by an owner of the business applying for the Restart

Business Grant and requiring disclosure of, and handwritten or digital signature by preparers who assist with applications.

Palm Beach County is currently taking action to recapture the \$25,000 in Restart Business Grant funds from Mr. Nebojsa Mingovski.