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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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Investigative Report

2021-0018

Spa Tique Nails

**False Statement on CARES Act
Grant Application**

December 19, 2022



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INVESTIGATIVE REPORT 2021-0018

DATE ISSUED: DECEMBER 19, 2022



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SPA TIQUE NAILS

FALSE STATEMENT ON CARES ACT GRANT APPLICATION

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) CARES for Business Restart Business Grant (Restart Grant) recipients. The review revealed that Thuy Hoang submitted an application requesting a \$25,000.00 County Restart Grant on behalf of Spa Tique Nails By TH LLC (Spa Tique) after the SBA had approved Spa Tique and Spa Tique had received a PPP forgivable loan for \$10,600.00. If Ms. Hoang had disclosed in Spa Tique's Restart Grant application that it had received a PPP forgivable loan, as required, Spa Tique would have received \$10,600.00 less for its Restart Grant.

Based upon our review of Spa Tique's Restart Grant application and available PPP databases, the OIG initiated an investigation of the following allegation:

Allegation: Ms. Hoang made a false statement in Spa Tique's Restart Grant application, which resulted in improper grant funding from a County program funded by the CARES Act.

Our office reviewed Spa Tique's Restart Grant application, its SBA PPP loan records, the funding agencies' program eligibility guidelines, and Spa Tique's financial records. We also interviewed Ms. Hoang.

WHAT WE FOUND

Allegation (1) is supported.

On May 8, 2020, the SBA approved Spa Tique for a \$10,600.00 PPP forgivable loan through Equity Bank. Those funds were deposited into Spa Tique's business bank account on May 26, 2020. Spa Tique's Authorized Member Thuy Hoang completed and submitted a County Restart Grant application on behalf of Spa Tique on June 18, 2020. Ms. Hoang listed herself as the business' owner, and did not disclose the receipt of PPP funds on the Restart Grant application, as required. Had Ms. Hoang reported the PPP funding, Spa Tique's Restart Grant would have been reduced by \$10,600.00, the amount of the PPP forgivable loan. Spa Tique's receipt of Restart Grant funds in excess of

the amount for which it was eligible resulted in Identified Costs¹ of \$10,600.00.

We found sufficient information to warrant referring our finding that Ms. Hoang made a false statement on Spa Tique's Restart Grant application 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 notification of our finding to the

United States Attorney's Office for a determination of whether the Spa Tique 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 \$10,600.00 in improperly issued funds.

¹ 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 United States 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 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;
- 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
- 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, 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 a ten-question Eligibility Questionnaire. 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.

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.

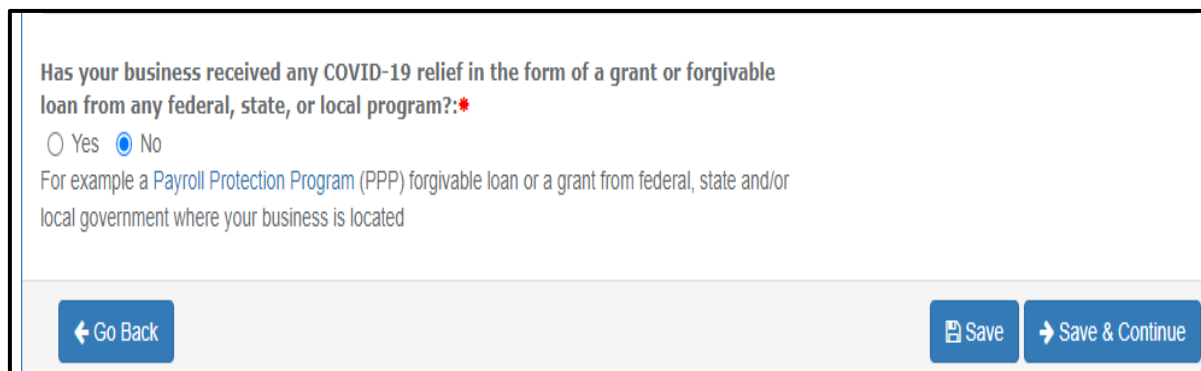
The County Department of Housing and Economic Development (DHED) assigned submitted applications to a contracted first reviewer, who ensured that applicants entered all required information and included all supporting records. If an application lacked required information or documentation, the first 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 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)² 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

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

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** 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 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. If the business spends the PPP loan on eligible expenses, such as payroll, rent, mortgage interest, personal protective equipment, or utilities, and the business timely applies for loan forgiveness, the United States government will forgive the loan.



Spa Tique Nails By TH LLC

Spa Tique's Articles of Organization were filed with the Florida Secretary of State on February 19, 2019, with Thuy Hoang listed as the Manager and Registered Agent. In May of 2019, Ms. Hoang amended the Articles of Organization to change her title from Manager to Authorized Member, and add Hung Bach as an Authorized Member and the new Registered Agent. The business was administratively dissolved in September 2020 for failure to file an Annual Report. It was reinstated on March 5, 2021 upon filing an Annual Report, with Mr. Bach as Owner and signatory of the filing, and Ms. Hoang

remaining an Authorized Member. Spa Tique was administratively dissolved in September 2022. At the time of Spa Tique’s PPP loan application and its Restart Grant application, Ms. Hoang was an Authorized Member of Spa Tique.

ALLEGATIONS AND FINDINGS

Allegation (1):

Ms. Hoang made a false statement in Spa Tique By TH LLC’s Restart Business 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 Business Grant application guidelines.

Finding:

The information obtained **supports** the allegation.

Spa Tique’s PPP Forgivable Loan

The OIG examined open source records that revealed that on May 8, 2020, the SBA approved a \$10,600.00 PPP forgivable loan to Spa Tique. Spa Tique received the loan through Equity Bank.

SPA Tique Nails By Th LLC

Entity: Limited Liability Company (LLC)
 Industry: **Nail Salons**
 Location: **Boynton Beach, FL**

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SPA Tique Nails By Th LLC is a limited liability company (LLC) located in Boynton Beach, Florida that received a Coronavirus-related PPP loan from the SBA of \$10,600.00 in May, 2020.

\$ **PPP Loan Information**

Loan Size: Loan #3972447409

\$10,600

Jobs Retained: 1

Loan Approved: 2020-05-08

Loan Status: **Paid in Full or Forgiven**

Lender: Equity Bank

SPA Tique Nails By Th LLC in Boynton Beach, FL received a Paycheck Protection Loan of \$10,600 through Equity Bank, which was approved in May, 2020.

The SBA confirmed approval of Spa Tique's PPP loan and its funding on May 8, 2020 to the OIG. The OIG's review of Spa Tique's financial records showed that on May 26, 2020, \$10,600.00 was deposited into Spa Tique's business bank account.

Spa Tique's Restart Grant Application

5/26	Bankcard Comb. Dep. Term 0000	Mobile Deposit : Ref Number :914230213444	10,600.00	45,000.00
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On June 12, 2020, Thuy Hoang electronically signed and submitted a Restart Grant application on behalf of Spa Tique. She did not respond to Question 15, which asked for the business' ownership, but she signed the application as "Owner" of the business. Ms. Hoang 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..."

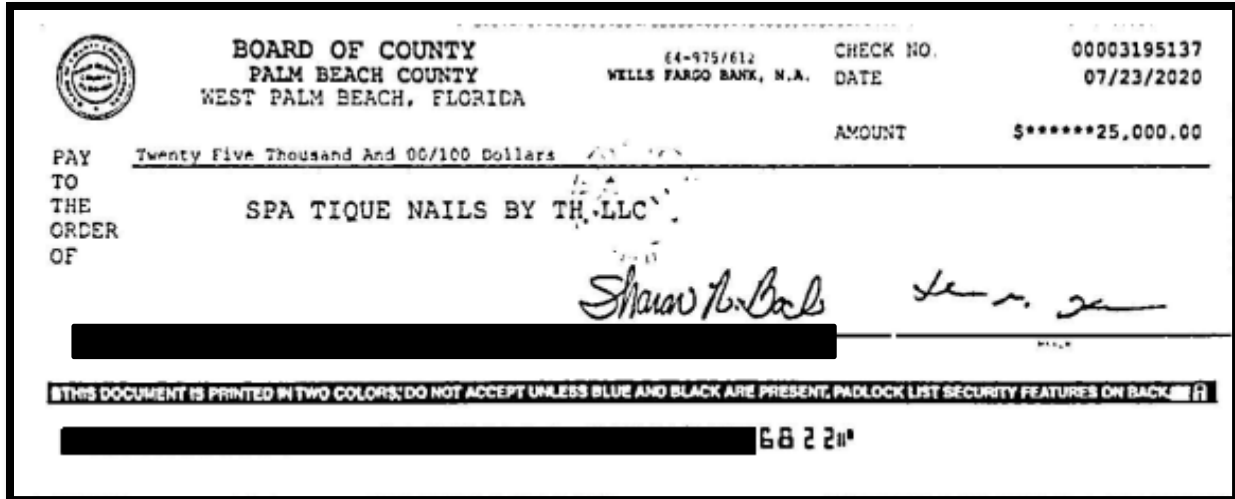
Ms. Hoang acknowledged and electronically signed the Restart Business Grant application, number 4828.

<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?</p> <p>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> <p>No</p>

On June 18, 2020, DHED's first reviewer returned the application to Spa Tique for additional information. On that same date, Ms. Hoang resubmitted the application with her electronic acknowledgments and signature. Her answer to Question 17 remained "No." DHED approved Spa Tique's Restart Grant application on July 19, 2020.

Restart Business Grant Payment to Spa Tique

On July 23, 2020, the County issued check #00003195137 for \$25,000.00 to Spa Tique.



On August 26, 2020, this check was deposited into Spa Tique's business bank account.



OIG Interview of Thuy Hoang

Ms. Hoang told the OIG that she was the owner of Spa Tique when she submitted a Restart Grant application to the County on Spa Tique's behalf. She said the County issued Spa Tique a \$25,000.00 Restart Grant check about two months later, which she personally deposited into Spa Tique's business bank account.

Ms. Hoang stated she applied for Spa Tique's PPP loan about a month before submitting the County application, but did not receive the PPP funds prior to submitting the County application. Ms. Hoang said when she finally received the PPP check, she deposited it into Spa Tique's bank account.

Ms. Hoang provided the OIG copies of Spa Tique's business bank account statements, which showed a \$10,600.00 "Mobile Deposit" on May 26, 2020. Ms. Hoang stated she believed that deposit to be the PPP loan funds. However, she reiterated she did not receive the PPP loan prior to submitting the County application, and said she did not know why the bank statements showed that she did.

OIG Conclusion

Spa Tique was approved for a \$10,600.00 PPP forgivable loan on May 8, 2020. The business' bank statements Ms. Hoang provided to the OIG show a \$10,600.00 mobile deposit to Spa Tique's bank account on May 26, 2020. Ms. Hoang told OIG she believed this to be the PPP forgivable loan deposit.

Ms. Hoang certified that the information she provided on the Restart Grant application was "true and accurate." The PPP forgivable loan proceeds were deposited into Spa Tique's checking account on May 26, 2020, approximately 17 days before her initial submission and 23 days before Ms. Hoang resubmitted Spa Tique's Restart Grant application to the County. On both the initial and resubmission Ms. Hoang attested that the company had not received a PPP loan.

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. Ms. Hoang answered "No" to Question 17, both on the original Restart Grant submission on June 12, 2020, and on the final submission on June 18, 2020.

We find that Ms. Hoang submitted a Restart Grant application with an untrue and inaccurate statement. The fact that Spa Tique had already received PPP proceeds at the time of its Restart Grant application submission rendered Spa Tique ineligible to receive the entire \$25,000.00 County grant. If Ms. Hoang had answered that question truthfully, Spa Tique's Restart Grant would have been reduced by the \$10,600.00 it had already received in PPP funds.

Information provided by Ms. Hoang on Spa Tique's Restart Grant application was not true and accurate as she certified, and as required per the application. As a result, Spa Tique improperly received \$10,600.00. The allegation is **supported**.

IDENTIFIED, QUESTIONED, AND AVOIDABLE COSTS

Identified Costs: \$10,600.00

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 \$10,600.00 of inappropriately issued funds from Spa Tique.

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:

The Department of Housing and Economic Development concurs with finding and recommendation included in the Draft Investigative Report for Case Number 2021-0018 regarding Spa Tique.

Upon release from the OIG of the final report, the Department of Housing & Economic Development will immediately begin the process of seeking reimbursement of the \$10,600 of Restart Business Grant funds due to untrue and inaccurate statements made and certified by Spa Tique in their application.

RESPONSE FROM MS. HOANG

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, Thuy Hoang 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. Ms. Hoang did not submit a response.

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