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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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

Investigative Report

2021-0014

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

September 20, 2021



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INVESTIGATIVE REPORT 2021-0014

DATE ISSUED: SEPTEMBER 20, 2021



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KAHNA SB 2015, LLC -

FALSE STATEMENTS ON CARES ACT GRANT APPLICATION

SUMMARY

WHAT WE DID

On June 8, 2021, the Palm Beach County (County) Office of Inspector General (OIG) published an Investigative Report detailing false statements on the County's Coronavirus Aid, Relief and Economic Security (CARES) Act Restart Business Grant application by Dilip Patel, the President and Owner of Kahna BG 2015, LLC d/b/a Horizon Inn & Suites. In June of 2021, the OIG also reviewed preliminary information alleging that Mr. Patel submitted an application for the County's CARES Act Program on behalf of Kahna SB 2015, LLC, d/b/a Okeechobee Inn (Kahna SB) after the Small Business Administration (SBA) had approved Kahna SB for a Paycheck Protection Program (PPP) forgivable loan. Had Mr. Patel disclosed on the Restart Business Grant application that Kahna SB received a forgivable PPP loan, as required, Kahna SB's \$25,000 Restart Business Grant award would have been decreased by \$3,750.00.

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

Allegation: Mr. Patel submitted Kahna SB's Restart Business Grant application

with untrue and inaccurate statements, which resulted in improper grant funding to Kahna SB from a County program funded by the CARES Act.

Our office reviewed Kahna SB's Restart Business Grant application to the County and Kahna SB's SBA PPP loan submission, the funding agencies' program eligibility guidelines, and Kahna SB'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 \$3,750.00. The SBA PPP loan proceeds were deposited into Kahna SB's business checking account on May 5, 2020. Mr. Patel completed the County's Restart Business Grant application for Kahna SB on June 8, 2020. He failed to disclose the PPP loan Kahna SB had already received. As a result, on July 2, 2020, the County awarded Kahna SB a \$25,000.00 Restart Business grant. That check was deposited into the Kahna SB account on July 10, 2020. Kahna SB was only eligible to receive \$21,250.00 from that Restart Business grant.

The inappropriate funding resulted in Identified Costs of **\$3,750.00**,¹ which Kahna SB should reimburse to the County.

We found sufficient information to warrant referring our finding to the State Attorney's Office for a determination of whether the facts support a finding that Mr. Patel knowingly made a false statement in violation of 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 facts support a finding that Mr. Patel knowingly made false statements in a violation of Title 18, Chapter 47, Section 1001, United States Criminal Code.

WHAT WE RECOMMEND

We make one (1) recommendation, that the County seek reimbursement from Kahna SB for \$3,750.00.

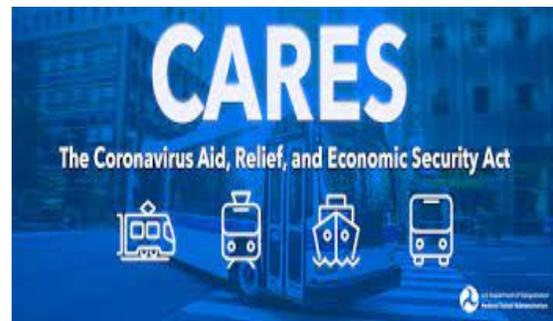
¹ Identified costs are costs that have been identified to be dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

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 Sustainability³ (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

³ The County Department of Housing and Economic Sustainability has since been re-named the Department of Housing and Economic Development.

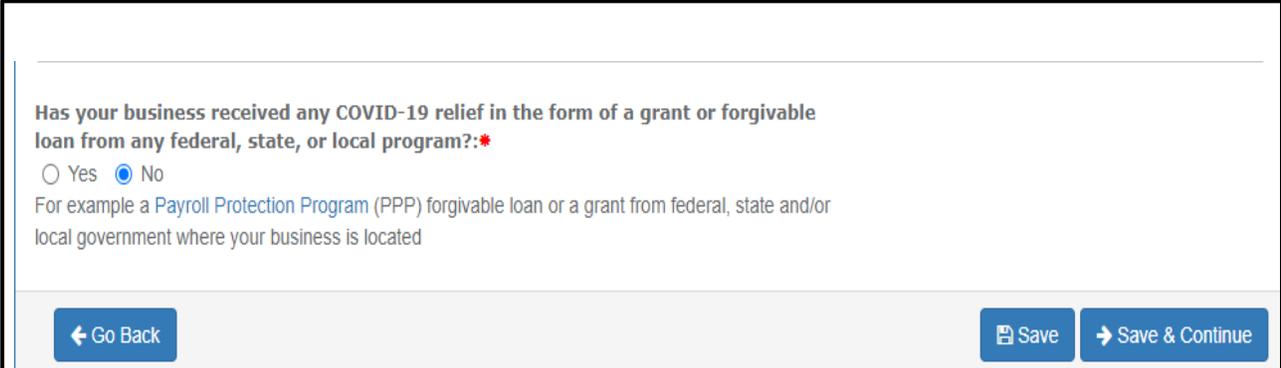
applicant that provided instructions on logging in and resubmitting the application with the additional information. Returning an application removed the checks in the boxes next to the certifications, affirmations, and acknowledgements, and removed the name from the signature line. The applicant had 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.

There were 18 questions in the General Information section of the on-line application. Mr. Patel filled out the Restart Business Grant application as follows:

Question 17.



The screenshot shows a question in an online application system. The question text is: "Has your business received any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program?*" Below the question are two radio button options: "Yes" and "No". The "No" option is selected. Below the options is a note: "For example a Payroll Protection Program (PPP) forgivable loan or a grant from federal, state and/or local government where your business is located". At the bottom of the question area are three buttons: "Go Back", "Save", and "Save & Continue".

If Mr. Patel had answered "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

[← Go Back](#) [Save](#) [→ Save & Continue](#)

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 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 business may submit a loan forgiveness application requesting that the United States government forgive the loan.

ALLEGATION AND FINDING

Allegation:

Mr. Patel submitted Kahna SB's Restart Business Grant application with untrue and inaccurate statements, which resulted in improper grant funding to Kahna SB 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 SB

Mr. Patel electronically signed and submitted the application for Kahna SB to DHES on June 8, 2020. In answering question 17 on the application regarding receipt of any COVID-19 relief in the form of a grant or forgivable loan from any federal, state, or local program, Mr. Patel responded “No.” DHES’s view of Mr. Patel’s response was as follows:

  <p style="text-align: center;">PALM BEACH COUNTY CARES FOR BUSINESS</p> <hr/> <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> <p style="border: 1px solid black; padding: 2px; display: inline-block;">No</p>
--

On June 8, 2020, DHES’s first reviewer reviewed the application. The reviewer noted two items that needed correction prior to granting final approval for the application:

1. Provide a signed and dated tax return
2. Resubmit updated W-9 form with date and signature

Mr. Patel re-submitted the Kahna SB application with the requested corrections, and DHES issued a final approval for Kahna SB’s Restart Business Grant application on June 27, 2020.

Kahna’s PPP Loan

The OIG examined open source records to determine if Kahna had applied and been approved for PPP loan funding. Federalpay.org records showed that on April 28, 2020, the SBA approved a \$3,750.00 PPP forgivable loan to Kahna SB:

Kahna Sb 2015 LLC
 Entity: Limited Liability Company (LLC) (Business legal structure)
 Industry: Hotels (except Casino Hotels) and Motels
 Location: South Bay, FL
 Tweet This • Search All PPP Data

Kahna Sb 2015 LLC is a limited liability company (LLC) located in South Bay, Florida that received a Coronavirus-related PPP loan from the SBA of **\$3,750.00** in April, 2020.
 The company has reported itself as a male owned business, and employed at least one person during the applicable loan period.

PPP Loan Information
 Loan #8786467207

Loan Size: \$3,750	Jobs Retained: 1
Loan Approved: 2020-04-28	Loan Status: Paid in Full or Forgiven
Lender: Bank of Belle Glade	

Kahna Sb 2015 LLC in South Bay, FL received a Paycheck Protection Loan of \$3,750 through Bank of Belle Glade, which was approved in April, 2020.

April 16, 2020 Kahna SB PPP Loan Application Submission

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

Paycheck Protection Program Borrower Application Form
 OMB Control No.: 3245-0497
 Expiration Date: 09/30/2026

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

DBA or Tradename if Applicable

KAHNA SB 2015 LLC

265 US HWY 27 N
SOUTH BAY FL 33493

Average Monthly Payroll: \$ 1500 Total Payroll: \$ 3750 Number of Employees: 1

Payroll Lease / Mortgage Interest Utilities Other (explain):

Program Requirements and all SBA reviews.

[Signature]
 Signature of Authorized Representative of Applicant

Dilip Patel
 Print Name

4/16/2020
 Date

Proprietor
 Title

May 5, 2020 Kahna SB PPP Loan Funds Received

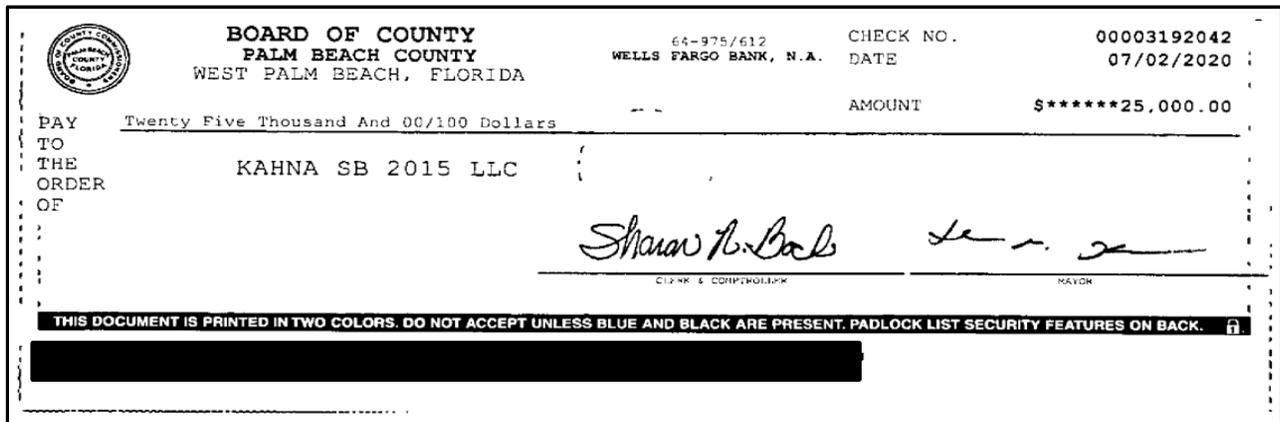
On May 5, 2020⁴, PPP loan proceeds were deposited into the Kahna SB 2015, LLC (Okeechobee Inn) Bank of Belle Glade business checking account:

KAHNA SB 2015, LLC 265 US HWY 27 N SOUTH BAY, FL 33493		Page Number 1 of 5
		Date 05/31/20
05/05/2020	3,750.00	PAYMENTECH DEPOSIT Miscellaneous Credit PPP LOAN PROCEEDS 8786467207

In the 34 days between the May 5, 2020 deposit of the PPP loan proceeds and Mr. Patel's Restart Business Grant application submission on June 8, 2020, Mr. Patel signed seven checks issued from the Kahna SB bank account. The only signatories on that account are Mr. Patel and Dharmista Patel. Dharmista Patel did not sign any of those seven checks, but she was the recipient of two of them.

July 2, 2020 Restart Business Grant Payment to Kahna SB

On July 2, 2020, County Restart Business Grant check #00003192042 for \$25,000 was issued to Kahna SB.



On July 10, 2020, this check was deposited into the Kahna SB Bank of Belle Glade account.

⁴ On the same day, PPP loan proceeds were deposited into the Kahna BG 2015, LLC (Horizon Inn & Suites) Bank of Belle Glade business checking account. On June 8, 2021, the OIG published an Investigative Report detailing that Mr. Patel did not disclosed those PPP loan proceeds on the County's CARES Act Restart Business application for Kahna BG 2015, LLC.

Interview of Dilip Patel

Mr. Patel confirmed to the OIG that he completed the Kahna SB County Restart Business application on June 8, 2020. Mr. Patel told the OIG he completed and electronically signed the application online without assistance. Mr. Patel stated when Kahna SB received the \$25,000.00 from the County in July of 2020, he used the funds to pay utilities and employees.

Mr. Patel confirmed to us that he completed the Kahna SB PPP Loan Application in April of 2020, but stated he was not aware the PPP funds had been deposited into his business account prior to submitting the County Restart Business Grant application.

The OIG told Mr. Patel that records showed he received the PPP Loan on May 5, 2020 and showed Mr. Patel his bank statement reflecting the May 5, 2020 receipt of \$3,750.00 in PPP funding. The OIG asked Mr. Patel if he could explain why he answered “no” to Question 17 on his County Restart Business Grant application. He stated he was aware he made mistakes on the application because he did not read the application in its entirety and he did not understand all of the questions. He stated his business was not doing well financially; therefore, he rushed through the application because it was his understanding that only a certain amount of applicants would be accepted for assistance. In addition, he was not aware the PPP Loan was a forgivable loan.⁵

OIG Conclusion

The OIG’s review of records shows that Kahna SB received \$3,750.00 in federal PPP forgivable loan proceeds. Mr. Patel certified in the application that he was aware the PPP funds were a forgivable loan, if certain requirements were met. On May 5, 2020, this funding was credited to the Kahna SB Bank of Belle Glade account.

Kahna SB received this \$3,750.00 PPP loan approximately 34 days before Mr. Patel first completed Kahna’s County Restart Business Grant application. Mr. Patel utilized those funds for 34 days, issuing seven checks from the account during that time period.

Question 17 of the County Restart Business Grant application specifically asked if 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. Question 17 also specifically listed “Payroll Protection Program (PPP) forgivable loan” as an example of relief that needed to be disclosed. He answered “No” to Question 17 on that application. Mr. Patel’s answer to that question was inaccurate and untrue. If he had answered that question truthfully, his Restart Business Grant would have been \$3,750.00 less.

Information provided by Mr. Patel on Kahna SB’s Restart Business grant application

⁵ On the PPP application that Mr. Patel hand signed on April 16, 2020, Mr. Patel initialed the application section that stated, “**I understand that loan forgiveness will be provided** [*emphasis added*] for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.

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: \$3,750.00

Questioned Costs: \$0

Avoidable Costs: \$0

ACKNOWLEDGEMENT

The Office of 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 ACTION

The OIG recommends that the County consider pursuing action to recoup \$3,750.00 in funding granted to Kahna SB based on inaccurate and untrue declarations in their Restart Business Grant application.

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 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 included in OIG Investigation 2021-0014 that the County pursue action to recoup the \$3,750.00 in Restart Business funding granted to Kahna SB based on inaccurate and untrue 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. On September 15, 2021, Mr. Patel telephoned the OIG and stated that he had made "a mistake," and that he wanted to reimburse the County for any funding that should not have been issued to Kahna SB. Mr. Patel also stated that this telephone call was the entirety of his response.

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