

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

jewelry boxes with diamond- and gold-studded necklaces, bracelets and watches. South Florida was a fraudster's feast.

Mar. 26, 2024



By Jay Weaver, Miami Herald (via TNS).

When the coronavirus threatened to turn the nation into a graveyard of failed businesses, Congress rushed through an emergency loan program: about \$800 billion — roughly the size of the annual defense budget — was doled out in a matter of months to millions of companies.

There were few strings attached: the U.S. Small Business Administration offered full guarantees to borrowers and agreed to forgive the loans approved by banks as long as they were used for paying employee wages and other overhead costs.

“It was a free-for-all,” said Michael Brown, an FBI supervisory special agent who

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

By the end of the fiscal year in September, federal prosecutors brought fraud charges against nearly 3,200 defendants nationwide — including about 250 in South Florida, the worst-hit region — for stealing close to \$1.7 billion from the PPP and other pandemic relief loan services, according to the Justice Department.

The easy money lured a cross-section of society, from business people and bankers to police officers and young people just starting their careers. Now, they're all convicted felons.

Among those ensnared: 17 Broward Sheriff's Office deputies and correctional officers posing as sole business owners were charged in October with pocketing an average of \$25,000 each in pandemic loans. All have lost their jobs, and so far most have pleaded guilty.

In January, South Florida developer Eric Sheppard was found guilty in Miami federal court of wire fraud involving falsifying paperwork and forging signatures on applications to obtain about \$900,000 in loans. Sheppard, 53, who grew up on Miami Beach and has raised his family in Bal Harbour, faces several years in prison at his sentencing in April.

The FBI's Brown and other federal investigators say the convergence of a public health crisis and a Congressional bailout gave rise to a “perfect storm” exploited by criminals and everyday people. While authorities credit the pandemic loan programs with propping up the U.S. economy, they also say the government system lacked safeguards and fell prey to widespread theft.

“Back then, we all knew it was coming and we tried to get ahead of it,” said Michael Buckley, the former acting special agent in charge of Homeland Security Investigations in Miami. “They were going after easy money.

“There was either outright fraud where the business made up everything or the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

He spent more than \$600,000 on two Teslas, a Lamborghini Urus and a Porsche Panamera GTS, according to Homeland Security Investigations.

Like several of the PPP loan-fraud offenders, Lorquet, 39, posted photos of himself and his bling on Instagram, with his company name and such comments as “keep your eyes on the prize.”

Here's how Lorquet, who pleaded guilty to money laundering in 2023 and was sentenced this month to six years in prison, pulled off his pandemic loan scheme, according to federal court records.

Lorquet, who attended high school in Miami Springs but did not graduate, submitted an online Paycheck Protection Program loan application on June 3, 2020, for Miami ENT to BlueVine, a California loan processor, claiming he had 10 employees and an average monthly payroll of \$86,258. He also claimed his company's payroll was \$1,035,091 in the previous year on an IRS tax form.

His loan application was for \$215,645, the maximum he could request. It took only two days for him to receive the funds.

Although Lorquet fabricated the claims and paperwork, his loan request was approved by BlueVine and \$215,645 was deposited into his account at TD Bank on June 5, 2020. Five days later, Lorquet transferred \$93,439 to Tesla Motors to purchase a 2020 S model.

Lorquet, who ran his bogus business out of a West Kendall residence, acknowledged that he repeated his pandemic loan scheme three more times through that year and in 2021, according to a statement filed with his plea agreement. He admitted using his same company, Miami ENT, to obtain another PPP loan and two others from an

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

a greedy criminal who reaped his country at one of its weakest moments in history.

“We were in the middle of a pandemic and a national crisis,” said Assistant U.S. Attorney Jonathan Bailyn. “There were many people who saw this as an opportunity for charity; this defendant saw it as an opportunity for exploitation and opportunism.”

“Things the defendant purchased were vain, personal accouterments,” Bailyn told U.S. District Judge K. Michael Moore. “But the defendant’s crime was fraud against the taxpayers, and it was fraud against a limited pool of money — money that the defendant stole, money that could not go to companies and to people who needed it.

“This was a time where if the photographs were taken in black and white, the breadlines would have looked like the Depression,” he added.

Moore asked Bailyn how much of the pandemic loan proceeds were returned by Lorquet.

“None,” Bailyn said, noting that the U.S. government seized his four luxury cars and various pieces of jewelry he bought.

Among them: a diamond-encrusted Audemars Piguet watch (\$30,900), a gold chain-link “Cuban” bracelet with a diamond-studded Miami logo (\$30,000), and a custom-made diamond-gold necklace with a pendant featuring the city of Miami skyline and his company’s name (\$129,600).

The prosecutor also said that Lorquet, who claimed to have a learning disability, wasn’t the only person to profit from his rip-off scheme: “This wasn’t just an opportunity for the defendant to get rich; he facilitated other people in getting rich, too.”

'Kickback' scheme

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

computer.

Records further show that Lorquet's company, Miami ENT, received check payments from at least five loan applicants that the prosecutor described as "kickbacks," with each averaging about \$30,000.

Lorquet's defense lawyer, Henry Bell, who took over his case when a prior attorney stepped aside after the defendant tried to withdraw his plea agreement, admitted that Lorquet abused the SBA's pandemic loan program. But Bell said Lorquet did not act alone, as he tried to obtain a lower sentence of about five years for his client, whose bond was revoked in the months after his arrest.

"All the money didn't go to him," Bell told Judge Moore, who was not persuaded by his argument. "The discovery (of evidence) shows there were other people involved — other people are being investigated and very well may be indicted as part of the scheme."

Lorquet's case is part of an ongoing investigation, according to the U.S. Attorney's Office in Miami. So far, it has led to at least one other PPP fraud conviction, and other suspects are expected to be charged in the coming months.

Real estate broker in prison

One of the loan applicants who paid Lorquet a kickback was Daniela Rendon, who immigrated to the United States a decade ago, according to court records. Last year, the former Miami real estate broker pleaded guilty to wire fraud and was imprisoned for fleecing a pair of COVID-19 loan programs, including using some of her ill-gotten funds to lease a Bentley.

Rendon, who also was ordered to pay back \$198,990 to the U.S. government, used her job as a Miami real estate broker to carry out her crime with Lorquet's assistance,

Bailyn said. She paid him a \$34,400 commission with a corporate check, records

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

obtain a sentence of three and a half years from Judge Moore, who could have given her another year in prison.

“It’s not as easy to see that you’re really stealing from your neighbors, your friends and other citizens,” Moore said, crediting Rendon with recognizing her true victims as he condemned her crime. “It’s their money that goes to the Treasury that makes it possible to have these kinds of programs.”

At the height of the pandemic, Rendon pretended to be a Miami real estate developer who desperately needed relief loans from the federal government to stay afloat. Rendon fabricated records for her real estate business, Rendon PA, saying it had collected about \$92 million in revenues, according to an indictment.

But, in reality, Rendon was a sales associate for A3 Development LLC, which paid her company, Rendon PA, \$2,000 on a biweekly basis over a year before the pandemic struck in March 2020, according to a factual statement filed with her plea agreement.

Rather than spend the money on legitimate business expenses, Rendon used the pandemic loans to lease a 2021 Bentley Bentayga (sales price, \$181,000), rent a Biscayne Bay apartment, pay for cosmetic dermatology procedures and refinish her designer shoes, according to court records.

In 2020, she even taught her then-boyfriend, Eliasib Reyes, how to bilk the pandemic loan system. He pleaded guilty to wire fraud last year and was sentenced to seven months.

Reyes, who had worked in finance and sales at Braman Motors in Miami over the previous decade, admitted that he lied about being an independent contractor who ran a body repair shop when he applied for \$40,000 from the SBA’s Economic Injury Disaster Loan program in July 2020. He received that money.

He then used another bogus company, Reyes Aviation, to apply for a second

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

spreading coronavirus, Congress passed a \$2.2 trillion stimulus bill called the CARES Act that aimed to blunt the damage to businesses during the inevitable economic downturn. The SBA's Paycheck Protection Program was included in that emergency legislation. But the first round of PPP loan money ran out so quickly that lawmakers allocated more money, bringing the total pandemic loan fund to about \$800 billion.

The central goal of the SBA's loan program and other pandemic services was to help struggling businesses with fewer than 500 employees make their payroll and cover other overhead costs to remain viable during the public health crisis. Major banks and other financial institutions reviewed the applications, many of which were submitted by regular customers. They collected 1% to 5% in fees from the SBA for processing the pandemic business loans.

A system built on honor, however, attracted hordes of thieves.

Notably, the SBA's COVID-19 loan relief program injected billions into the economy between 2020 and 2021 without setting up an internal system to manage the potential fraud. In turn, that failure led to "control gaps" allowing thousands of loan applicants with fictional businesses and falsified paperwork to hoodwink lenders and cash in, according to an SBA Office of Inspector General report.

From the start, the agency's Office of Inspector General was called on to investigate cases of suspected fraud, receiving more than 54,000 complaints to the PPP fraud hotline by December 2021, according to the report.

"SBA did not have an organizational structure with clearly defined roles, responsibilities and processes to manage and handle potentially fraudulent PPP loans across the program," the report said.

A spokesperson for the SBA declined to comment about its investigations of fraud and noncompliance with the Paycheck Protection Program.

“Congress designed the Paycheck Protection Program to be a forgivable loan that was

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Program loan fraud, federal prosecutors across the nation have launched thousands of criminal and civil investigations into individuals and businesses accused of stealing billions from the pandemic relief system.

A white Lamborghini

Lorquet's taste for fast cars and fancy jewelry was shared by several South Florida scammers charged with bilking the U.S. government's pandemic loan programs.

In August, Valesky Barosy was sentenced to six years in prison after a federal jury found that he bought a Lamborghini and other luxury goods with \$2 million in PPP and other relief loans.

Barosy, 29, of Pembroke Pines, dropped out of high school and became president of a company known as VBarosySolutions Inc. He was found guilty of wire fraud, money laundering and identity theft by a Fort Lauderdale federal jury in a rare COVID-19 loan scheme case that went to trial.

The jury found that he falsified prior-year business expenses, employee payrolls and IRS tax forms to secure the government funds for himself and other people. Then, he went on a shopping spree, snapping up a Lamborghini Huracán EVO, Rolex and Hublot watches, and designer clothing from Louis Vuitton, Gucci and Chanel.

On Instagram, Barosy posed often with the white Lambo, pitching himself as an inspiring mentor.

“It's not the Lamborghini or the million dollar home that will inspire the world but the trials and tribulations you overcame,” Barosy, who was born in Haiti and immigrated to South Florida as a teen, wrote in one post.

In one of the earlier PPP loan fraud cases, Miami businessman David T. Hines, 34,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Checking bank accounts, tax records

Even though the Miami bling is what gives the PPP loan schemers a bad name, investigators say that's not how they usually get caught for ripping off the government program.

Soon after Congress passed the CARES Act, federal investigators across the country — especially in its fraud capital, South Florida — began preparing for the onslaught of phony pandemic loan applications. The bad actors ranged from shady business owners to pseudo tax preparers to internet-type criminals, according to law enforcement officials.

'The new dope'

"Fraud for a lot of these guys is the new dope," said Eric Weindorf, an acting deputy special agent in charge of Homeland Security Investigations in Miami. He said investigators would uncover criminal suspects with "playbooks" on how to fleece the PPP loan system by fabricating a company's profile, from the number of employees to payroll expenses.

The most informative allies for law enforcement agencies such as the FBI and Homeland Security Investigations were the banks and other financial institutions that vetted the loan applications, which were largely submitted by regular customers who kept accounts with them.

As a result, even if bad customers slipped through the application process, their banks could catch them on the back end because of their conspicuous consumption. The money would not be spent on employee payroll or office rent, as required by law, but on personal things, including credit card debt, home mortgages and luxury goods.

In addition, the Small Business Administration eventually began checking on tax

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Case in point: In 2023, an executive who oversaw all of TD Bank's branches in Miami-Dade County was sent to prison for 10 years after pleading guilty to a wire-fraud conspiracy in which he directed an inside job that swindled millions from the Paycheck Protection Program.

Daniel Hernandez, a 51-year-old retail marketing manager who supervised 80 bank employees at 27 TD branches, admitted that he pocketed kickback-like “commissions” as he collaborated with TD Bank customers, a former bank employee and others to submit falsified paperwork for 90 PPP loans worth up to \$25 million, according to a factual statement filed with his plea agreement.

In total, Hernandez and his illicit network received \$15 million in fraudulent loans approved by TD Bank — described by federal prosecutor Eli Rubin as “one of the largest COVID-19 relief cases in the country.” Three of Hernandez’s co-conspirators in the TD Bank fraud case also pleaded guilty and were sentenced to lesser prison sentences.

Hernandez’s defense attorney, Bell, who also represented Lorquet, pointed out that his client turned over a significant portion of his share of the tainted proceeds — kickback fees totaling \$606,060 — to the FBI at his law office.

“It’s unusual that someone sitting on that amount of cash admits it and then turns it over,” Bell told Judge Moore at Hernandez’s sentencing last March.

FBI investigators agreed.

“In most of these cases, the money is frittered away pretty quickly,” the FBI’s Brown, who heads a financial crimes squad, told the Miami Herald. “The best way to recover any of it is through the courts.”

Brown said Hernandez, a veteran banker, did not make any showy purchases with

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

©2024 Miami Herald. Visit miamiherald.com. Distributed by [Tribune Content Agency, LLC](#).

Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved