

## DOJ Further Pursues False Claims Act Violations Related to Fraudulent Paycheck Protection Program Loans

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The U.S. Department of Justice (DOJ) has vowed to hold accountable the individuals and entities who “knowingly and improperly sought PPP loans or forgiveness of those loans.”<sup>[1]</sup> In furtherance of this promise, the DOJ has reached settlement with two companies and prosecuted two individuals, all of whom were suspected of fraudulently seeking relief from the Paycheck Protection Program (PPP).

On March 21, 2023, DOJ, the U.S. Attorney’s Office for the Middle District of Florida, and the Small Business Administration’s (SBA) Office of General Counsel (OGC) and Office of the Inspector General (OIG) announced a settlement that resolves alleged violations of the False Claims Act (FCA) and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) related to inaccurate reporting of paid wages and employee headcount by two Florida companies in their PPP loan applications.<sup>[2]</sup>

The two companies, Orlando Reunion and Crystal River, have agreed to pay \$325,000 in damages and penalties to settle allegations that they knowingly violated the FCA and the FIRREA when they improperly sought PPP loan forgiveness on behalf of Crystal River. As part of the loan forgiveness application, Crystal River represented that the PPP loan was spent on wages that were not, in fact, paid to employees.

This settlement resolves a *qui tam* lawsuit brought by the former Director of Human Resources for Kingwood Resorts on behalf of the United States to recover money that was fraudulently obtained from the government.<sup>[3]</sup>

Further, on April 11, 2023, representatives from the DOJ, the U.S. Attorney’s Office for the Southern District of Florida, the Federal Deposit Insurance Corporation Office of Inspector General Atlanta Region, and the FBI Miami Field Office announced that two brothers, Dumarsais Blaise Jr. and Alexander Blaise, were sentenced for their violations of the FCA related to fraudulently submitted PPP loan applications.<sup>[4]</sup> The Blaise brothers were convicted and sentenced for their effectuation of a fraudulent scheme designed to improperly obtain PPP loans. According to court documents, the Blaise brothers manufactured tax documents to receive PPP loans for companies that did not exist and significantly inflated employee headcount for a company with only one employee.

### KEY TAKEAWAYS:

- The detection of fraudulently obtained loans related to COVID-19 relief funds remains a critical focus area for the government.

- Though many actions brought under *qui tam* provisions of the False Claims Act have settled out of court, the DOJ is clearly not backing down from prosecuting the most egregious violators to the fullest extent of the law.

If you have additional questions or need further assistance, please reach out to Reed Stephens (Partner, White Collar, Regulatory Defense & Investigations), Christopher Parker (Associate, White Collar, Regulatory Defense & Investigations), or your Winston & Strawn relationship attorney.

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<sup>[1]</sup> The DOJ press release is available here: <https://www.justice.gov/opa/pr/florida-resorts-agree-pay-325000-settle-false-claims-act-allegations-relating-false>.

<sup>[2]</sup> *Id.*

<sup>[3]</sup> See *U.S. ex rel. Falzarano v. Kingwood International Resort, LLC, et al.*, Dkt. No. 6:20-cv-976-ORL-37EJK (M.D. Fla.).

<sup>[4]</sup> The DOJ press release is available here: <https://www.justice.gov/opa/pr/brothers-sentenced-16m-covid-19-fraud-scheme>.

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