

Middlesex County Man Sentenced to 33 Months in Prison for Role in COVID-19 Fraud Schemes Totaling Over \$2.1 Million

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For Immediate Release

U.S. Attorney's Office, District of New Jersey

NEWARK, N.J. – A Middlesex County, New Jersey, man was sentenced today to 33 months in prison for his role in fraudulently obtaining over \$2.1 million in federal Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loans (EIDL), U.S. Attorney Philip R. Sellinger announced.

Arlen G. Encarnacion, 38, of Perth Amboy, New Jersey, previously pleaded guilty before U.S. District Judge Georgette Castner in Trenton federal court to a two-count information charging him with conspiracy to commit wire fraud and money laundering.

On Aug. 8, 2023, Jacquelyn Pena, 38, and Kent Encarnacion, 30, both of Perth Amboy, also separately pleaded guilty before Judge Castner to informations charging each of them with conspiracy to commit wire fraud and money laundering and were each sentenced to probation.

“This defendant fraudulently obtained funds earmarked for struggling Americans who needed financial relief during the COVID 19 pandemic. Today’s sentence demonstrates that those who used the pandemic to illegally enrich themselves will be held accountable. My office will continue to bring to justice individuals who have engaged in COVID-related fraud.”

U.S. Attorney Philip R. Sellinger

"Brazen schemes have callously defrauded COVID-19 relief programs and caused undue financial harm to both hardworking Americans and businesses alike," Christopher A. Nielsen, Inspector in Charge, U.S. Postal Inspection Service, Philadelphia Division, said. "Today's sentencing illustrates that Postal Inspectors will continue its efforts to identify and hold accountable, those individuals who steal pandemic funds to fulfill their own greed."

"IRS Criminal Investigation and our law enforcement partners are committed to investigating and prosecuting those who engage in acts of COVID-related fraud," said Tammy Tomlins, Special Agent in Charge of Newark Field Office. "Today, Mr. Encarnacion was held accountable for fraudulently obtaining over \$2.1 million in federal Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loans (EIDL). His conscious decision to participate in this illicit scheme has cost him his freedom."

According to the documents filed in these cases and statements made in court:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted in March 2020 and was designed to provide emergency financial assistance to the millions of Americans who were suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of hundreds of billions of dollars in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. The CARES Act also authorized the Small Business Administration to provide EIDLs of up to \$2 million to eligible small businesses that were experiencing substantial financial disruption due to the COVID-19 pandemic.

To obtain a PPP or EIDL loan, a qualifying small business was required to apply and provide information on its operations, including the number of employees and expenses. In addition, businesses generally had to provide supporting documentation.

Arlen Encarnacion submitted 11 fraudulent PPP loan applications and three fraudulent EIDL applications on behalf of purported businesses. Kent Encarnacion helped submit one of the fraudulent PPP applications, and Pena helped submit three of the other fraudulent PPP applications. Each application contained false representations, including bogus federal tax return documentation and fabricated information about the number of employees and wages paid. Based on these alleged misrepresentations, lenders, Federal Home Loan Bank members, and the Small Business Administration collectively provided the purported businesses with approximately \$2.1 million in federal COVID-19 emergency relief funds meant for distressed small businesses. Arlen Encarnacion received the bulk of the fraudulent proceeds, and together with Kent Encarnacion and Pena, they misappropriated all of the funds.

In addition to the prison term, Judge Castner sentenced Encarnacion to three years of supervised release and ordered restitution of \$2.18 million.

U.S. Attorney Philip Sellinger credited postal inspectors of U.S. Postal Inspection Service in Newark, under the direction of Postal Inspector in Charge Nielsen, Philadelphia Division; special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Tomlins; special agents of the U.S. Attorney’s Office for the District of New Jersey, under the direction of Special Agent in Charge Thomas Mahoney; special agents of the Social Security Administration – Office of the Inspector General, New York Field Division, under the direction of Special Agent in Charge Sharon MacDermott; special agents of the Federal Housing Finance Agency – Office of Inspector General, under the direction of Special Agent in Charge Robert Manchak; special agents of the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau New York Regional Office, under the direction of Special Agent in Charge Brian Tucker; special agents of the Federal Deposit Insurance Corporation – Office of the Inspector General, under the direction of Special Agent in Charge Patricia Tarasca in New York; and special agents of Homeland Security Investigations Newark, under the direction of Acting Special Agent in Charge Michael Alfonso; with the investigation leading to today’s sentencing. He also thanked the Middlesex County Prosecutor’s Office and the Perth Amboy Police Department for their assistance.

The government is represented by Assistant U.S. Attorney Mark C. Orlowski of the U.S. Attorney’s Office’s Health Care Fraud Unit in Newark.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice’s National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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