

PRESS RELEASE

Three Middlesex County Individuals Admit 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. – Two men and one woman of Middlesex County, New Jersey, have pleaded guilty on separate charges related to their roles 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 today.

Arlen G. Encarnacion, 37, of Perth Amboy, New Jersey, pleaded guilty today 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, 37, 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.

“Enormous amounts of financial relief went to those Americans who were struggling with this unprecedented pandemic, but, sadly, a number of people saw this difficult time as an opportunity to enrich themselves illicitly. Our office is focused on combating all types of fraud, especially when it involves exploiting the suffering of others.”

U.S. Attorney Philip R. Sellinger

“The CARES Act was created to assist to American citizens and businesses that were impacted financially by the COVID-19 Pandemic,” Christopher A. Nielsen, Inspector in Charge, U.S. Postal Inspection Service, Philadelphia Division, said. “However, as alleged,

Arlen Encarnacion, and his co-conspirators, manipulated this critical lifeline through a complex scheme that fraudulently obtained more than \$2 million dollars in Paycheck Protection Program (PPP) loans. Postal inspectors will continue to work with the U.S. Attorney's Office, and our law enforcement partners, to identify and hold accountable, those individuals who steal pandemic relief to fulfill their own greed."

"IRS Criminal Investigations and our law enforcement partners will not tolerate criminal exploitation of this national emergency for personal gain," Tammy Tomlins, Special Agent in Charge of IRS – Criminal Investigation, Newark Field Office, said. "Today's plea sends a clear message that we remain vigilant and will vigorously pursue those who attempt to enrich themselves through fraudulent means."

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.

Each count of conspiracy to commit wire fraud carries a maximum penalty of 20 years in prison, and each count of money laundering carries a maximum penalty of 10 years in

prison. Both the wire fraud and money laundering counts carry a maximum fine of \$250,000 or twice the gross gain to the defendant or gross loss to the victim, whichever is greatest. Sentencing for Arlen Encarnacion is scheduled for Feb. 13, 2024. Sentencing for Kent Encarnacion is scheduled for Dec. 12, 2023, and for Pena, Dec. 13, 2023.

U.S. Attorney Philip Sellinger credited postal inspectors of U.S. Postal Inspection Service in Newark, under the direction of Christopher A. Nielsen, Philadelphia Division; special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Tammy 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 Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau – Office of Inspector General, 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 Robert Kurtz; with the investigation leading to the guilty pleas. 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>.

[encarnacion.information.pdf](#) (158.68 KB)

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