

THE UNITED STATES ATTORNEY'S OFFICE
DISTRICT *of* VERMONT

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Department of Justice

U.S. Attorney's Office

District of Vermont

FOR IMMEDIATE RELEASE

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Dennis Duffy Pleads Not Guilty to CARES Act, American Express Frauds

The United States Attorney for the District of Vermont announced that Dennis Duffy II, 38, of Winooski, pleaded not guilty today in United States District Court in Burlington to two sets of fraud charges. U.S. District Judge William Sessions III released Duffy on conditions pending trial, which has not been scheduled.

On July 8, a federal grand jury in Burlington returned a three-count indictment that charged Duffy with fraud and money laundering. The first fraud charge accused Duffy of making false statements and providing forged documents to North Country Federal Credit Union in the summer of 2020 in connection with Duffy's application for a \$416,000 Paycheck Protection Plan loan for Duffy's commercial cleaning business, Night Owl Cleaning, Inc. The Paycheck Protection Plan loan program was established by Congress in the spring of 2020 as part of the Coronavirus Aid, Relief, and Economic Security Act. The CARES Act contained many provisions that were intended to address the medical, economic and social impacts of the COVID-19 epidemic. The Paycheck Protection Program was an economic stimulus program intended to help small businesses keep employees on payroll during the pandemic. It provided billions of dollars in low-interest, unsecured loans that were to be administered through and guaranteed by the U.S. Small Business Administration. Applicants had to certify that the loan proceeds would be used to maintain payroll and pay other business-related expenses. If applicants were able to demonstrate that proceeds were used to keep workers employed, some or all of a loan could be forgiven. Applicants had to provide the lending financial institution with certain documentation demonstrating their entitlement to and qualifications for a PPP loan.

According to the indictment, in late June 2020, Duffy applied for and received a \$416,000 loan for Night Owl Cleaning from North Country. As part of the application process, Duffy gave NCFCU tax records, rent invoices and utility bills that purported to be for Night Owl. For example, Duffy gave the credit union what purported to be a federal corporate tax return for 2019 that indicated Night Owl had gross revenues that year that exceeded \$7.3 million and had taxable income of about \$382,000. In fact, according to the indictment, the actual returns Duffy filed with IRS that year reported gross revenues of \$79,000 and taxable income of only \$15,700. According to the indictment, other Night Owl financial information that Duffy submitted to NCFCU in support of the loan application was similarly fraudulent.

In early July 2020, NCFCU funded the PPP loan by depositing the \$416,000 into a Night Owl Cleaning account. Instead of using those funds for Night Owl payroll, however, Duffy used more than \$390,000 to buy

a house in Milton.

The indictment accuses Duffy of committing an unrelated fraud against American Express in 2017. In April 2017, Duffy allegedly applied for and obtained an American Express credit card for Night Owl Cleaning.

Between May and August 2017, Duffy used the AMEX to make three fraudulent purchases, totaling \$125,000, from a business purportedly named Vermont Aerial. In fact, according to the indictment, the transactions were fraudulent transfers of American Express funds to another company that Duffy owned named Pet Stop. Immediately after the AMEX funds were deposited into the Pet Stop account, Duffy retransferred them to a Night Owl Cleaning account, then used those monies for his own benefit. Duffy allegedly purchased two cars and trucks with the AMEX funds; the indictment seeks forfeiture of the vehicles as proceeds of the federal crime of wire fraud.

The United States Attorney emphasizes that the charges in the indictment are merely accusations and that the defendant is presumed innocent unless and until he is proven guilty.

If convicted, Duffy faces up to 30 years of imprisonment and a fine of up to \$1,000,000. The actual sentence would be determined with reference to federal sentencing guidelines.

This case was investigated by the Burlington office of the Federal Bureau of Investigation.

Duffy is represented by the office of the Federal Public Defender. The prosecutor is Assistant U.S. Attorney Gregory Waples.

On May 17, 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Department of Justice in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The Task Force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by, among other methods, augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts. For more information on the Department's response to the pandemic, please visit <https://www.justice.gov/coronavirus>.

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 (NCDF) Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

Topic(s):

Coronavirus

False Claims Act

Financial Fraud

Component(s):

USAO - Vermont