



The City of New York
Department of Investigation

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DOI ARRESTS 711 IN 2010 – HALTING SIGNIFICANT CORRUPTION SCHEMES

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (“DOI”), announced today that the agency’s accomplishments in Calendar Year 2010 (“CY 2010”) included shuttering large-scale corruption networks in three separate arenas: the implementation of the City’s computerized timekeeping system, publicly-funded and regulated day care programs, and the City’s food stamp program. In addition, DOI untangled complicated financial schemes and arrested a sitting City Councilman and a former City Councilman on charges of stealing discretionary funds from City-funded nonprofits. DOI invested considerable time and resources into these probes to follow the money and expose the frauds. Through its investigations, DOI arrested 711 individuals, turned off their spigots, and held them accountable.

Arrests are one component of the agency’s multi-pronged approach to fighting corruption that includes making policy and procedure recommendations (“PPRs”) to City agencies to prevent recurring corruption and presenting corruption prevention lectures. Since 2002, DOI has issued nearly 2,300 policy and procedure recommendations to City agencies – issuing 269 in 2010 – with the majority of recommendations implemented by City agencies. DOI has also waged a consistent and targeted educational campaign, conducting more than 4,000 corruption prevention lectures since 2002, presenting 520 in 2010. In addition, DOI received more than 13,300 complaints and closed nearly 1,200 cases this calendar year.

DOI Commissioner Rose Gill Hearn said, “DOI’s work in 2010 produced major cases with significant results that demonstrate the agency’s value as the City watchdog. Investigators employed their expertise in City operations to bore into pernicious fraud schemes, stop the corruption, and arrest those responsible. The agency’s broad docket of cases reflects its comprehensive strategy: halt corruption in its tracks, share its findings of vulnerabilities it uncovers to strengthen City operations, and educate the City workforce on its obligation to report corruption. I congratulate DOI’s hard-working staff and the fellow law enforcement and City agencies we worked with in 2010 to protect New York City taxpayers.”

2010 SIGNIFICANT CASES THAT STOPPED FRAUD

- **CityTime Investigation**

Using subpoena power and the skill of its investigators and auditors to track money, DOI exposed a massive \$80 million fraud scheme in the implementation of the CityTime project, which led to federal felony charges against six individuals, including four consultants on the project. The intense probe is characteristic of DOI’s investigations, which employ investigators’ expert knowledge of City operations and how fraudsters conceal their crimes and use the proceeds to benefit themselves and associates. The investigation has already resulted in the freezing of more than 100 bank accounts and seizure of more than \$850,000 from defendants’ safe deposit boxes. The ongoing investigation includes the continuing pursuit of assets tied to the multi-million-dollar scheme.

- **Day Care Investigation**

Investigators exposed a prolific criminal network exploiting the City’s publicly-funded and regulated day care program that touched at least three City agencies – Human Resources Administration (“HRA”), Department of Health and Mental Hygiene (“DOHMH”), and Administration for Children’s Services (“ACS”) – and more than 30 day care centers. Seven City employees and four day care directors were charged. This investigation exemplifies DOI’s unique combination of law enforcement expertise and insight into City practices and procedures, which allows it to step in quickly and safeguard the public, while also balancing the momentum of the criminal investigation. So even as the criminal probe advanced, DOI was there to immediately close the fraud gaps it found at the various City agencies, recommending unannounced site visits at the day care centers to confirm that the children for whom the City was paying were actually in attendance, rotating work locations of City employees to reduce the risk of fraternization between staff and clients and conducting audits of files. In addition, DOI alerted the appropriate DOHMH officials to the need for prompt and thorough inspections of the day care facilities associated with the

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investigation. More than 20 day care centers were closed due to violations that were part of the fraud exposed by the investigation, and one of the defendants – a day care director – has already pleaded guilty to a federal bribery charge.

- **\$8 Million Food Stamp Fraud**

When HRA notified DOI about discrepancies in 19 food stamp cases, DOI investigators set out to understand how and why these discrepancies occurred. What they found was a sophisticated criminal scheme that resulted in the arrest of two HRA employees, including a supervisor, and two others on charges of illegally obtaining \$8 million in food stamp benefits in connection with approximately 1,500 fraudulent cases. According to the charges, the City supervisor used her computer access at HRA and addresses provided by some of the defendants to process and approve fraudulent food stamp cases and generate food stamp cards that were later sold.

- **Discretionary Funding Probe**

Several years ago, DOI joined with the U.S. Attorney's Office for the Southern District of New York and began examining the way that the City Council dispersed millions of dollars in discretionary funds to nonprofits, with little oversight. DOI's work in this arena yielded a series of criminal cases, reforms, and dispositions, including these results in 2010:

- DOI investigators exposed the abuse of City discretionary funds that were funneled to an array of nonprofits controlled by City Councilman Larry Seabrook. DOI's investigation led to a federal indictment charging Seabrook with fraudulently steering more than \$1 million in discretionary funds to these nonprofits to benefit his friends and family and with receiving \$50,000 in corrupt payments from a Bronx manufacturer who sold boilers to the Yankees with Seabrook's behind-the-scenes help.
- Former City Councilman Hiram Monserrate was charged with abusing more than \$100,000 in discretionary funds to support his political campaign rather than the community he represented. Many City-funded nonprofits lawfully provide essential community-based services to New Yorkers. But when individuals treat these organizations as a source of personal cash, DOI's Not-for-Profit / Vendor Fraud Unit awaits, exposing those who devise schemes to swindle the taxpayers.
- DOI's mission is to share with City entities the corruption vulnerabilities we uncover during our investigations so corrective action can be taken. It is within that vein that DOI met several times with City Council Speaker Christine Quinn and her staff to share our observations and recommendations stemming from DOI's ongoing examination into this complicated area. DOI's investigative findings have led to City Council reforms that include restrictions on City-funded organizations' use of consultants and on Council members' subletting office space.
- Asquith Reid and Joycynth Anderson – two former staffers for a City Councilmember – pleaded guilty to embezzling \$145,000 in discretionary funds allotted to a nonprofit closely associated with Reid. In 2010, Reid was sentenced to three years of probation, nine months of which had to be served at a halfway house; and Anderson was already sentenced in 2009 to four months of home confinement and two years of probation.

- **Taxi Driver Fraud**

DOI joined with the Manhattan District Attorney to get to the bottom of taxi drivers charging customers an out-of-town rate when they were within the City limits. Investigators worked with the City Taxi & Limousine Commission ("TLC") to mine the voluminous data, find the victims, and follow the trail to the taxi drivers. As a result, 59 taxi drivers were indicted on charges of wrongfully activating the double-fare rate on a minimum of 300 trips. While the crimes struck a raw nerve with the public, the subsequent investigation and arrests were the swift response that stopped the fraud and showed taxi customers that the City has no tolerance for unscrupulous drivers. As a result of the investigation, TLC added an alert to taxicab computer screens that notifies customers when out-of-town rates are activated.

DOI INVESTIGATIONS HOLD FRAUDSTERS ACCOUNTABLE

- **Testwell Concrete Testing Fraud**

DOI investigators executed search warrants and essentially plotted a map linking Testwell's jobs to specific false documents filed with the City Department of Buildings ("DOB"). The case exposed the enduring and widespread effect that filing false construction-related reports can have on public safety and confidence.

In 2010, a Manhattan Supreme Court jury found Testwell; the former owner of Testwell Labs, V. Reddy Kancharla; and Testwell's Vice President, Vincent Barone, guilty of Enterprise Corruption, Scheme to Defraud in the First Degree and related charges in connection with falsely filing concrete testing and inspection information with the State and City, including DOB. Testwell was ordered to pay more than \$1.7 million in restitution. Barone was sentenced to between 5½ to 16 years in prison and fined \$15,000 and Kancharla was sentenced to seven to 21 years in prison and ordered to pay \$225,000 in reparations.

The Testwell investigation also led to the formation of a specialized Concrete Enforcement Unit at DOB, which has been active conducting field audits and issuing violations that include testing deficiencies.

- **Bribery Scheme Involving DOB Inspector and Crane Company**

DOI conducted a top-to-bottom review of DOB's Cranes and Derricks division resulting in the indictment of DOB's assistant chief inspector, James Delayo; a crane company owner, Michael Sackaris; the crane company, Nu-Way Crane Service, Inc., and a Nu-Way employee, Michael Pascalli, in a bribery scheme in which Delayo took money in exchange for providing Sackaris with advance copies of the written City crane licensing exam and filed documents falsely indicating that Pascalli had passed a practical exam when he had never taken it. In 2010, Delayo, Sackaris, Nu-Way, and Pascalli each pleaded guilty. Pascalli was sentenced to three years of probation. Delayo and Sackaris were sentenced to between two and six years in prison and the company was ordered to pay \$10,000, the amount of the bribes, in forfeiture.

Based on the corruption uncovered by DOI, and as result of a DOI recommendation, DOB overhauled the testing process it administered for one of the crane operator's licenses it issues, designating an experienced organization to create and administer the test. DOI's investigation also led to changes in the City crane regulations.

- **Not-for-Profit / Vendor Fraud Unit**

DOI's Not-for-Profit / Vendor Fraud Unit is a prime example that the agency's investigations lead to innovative corruption-fighting approaches. The unit was formed several years ago after DOI investigators uncovered embezzlement cases at City-funded nonprofits and realized the need for increased scrutiny of nonprofits that receive millions of City taxpayer dollars. Since its inception, the unit has made 37 arrests, resulting in 34 convictions so far.

A seminal case that led DOI to form the unit resulted in 2010 in a seven-year prison sentence for former state Senator Efrain Gonzalez Jr. who fraudulently used two nonprofit organizations to pay personal expenses, including membership fees for a vacation club, rent payments for a luxury apartment in the Dominican Republic, and costs related to his private cigar manufacturing and distribution company.

DOI EXPOSES FALSE FILINGS, WHICH HAVE BROAD IMPACT ON CITY

City agencies rely on the accuracy of the information submitted to them to make important decisions. DOI exposes individuals who intentionally misrepresent information on City records to evade regulations, illustrating the close nexus between integrity and maintaining safety. The following highlights some of DOI's notable false filing investigations in 2010:

- **Fraudulently Obtaining Radioactive Materials License**

DOI arrested Phil Horowitz, an official of a now-defunct medical care facility in Forest Hills, Queens, on charges of illegally obtaining a radioactive materials license from DOHMH by submitting an application with the names of a radiologist and a physician without their knowledge or permission. DOI initiated an investigation after receiving information that a radiologist was interviewed by the defendant for a position at the medical office and later discovered his name was fraudulently used on a radioactive materials license for that medical office.

- **False Filings of Lead and Asbestos Reports**

Saverio Todaro, a lead risk assessor and certified air asbestos air sampling technician, pleaded guilty to falsifying hundreds of lead and asbestos inspection reports filed with the City. DOI investigators deftly tracked down the defendant's false reports filed with several City agencies. The investigation is a testament to the benefits of cooperation among our federal and City partners, and the importance of having DOI as the City's anti-corruption agency since this investigation began with DOHMH notifying DOI about suspicions they had regarding the defendant's reports. In December 2010, the defendant was sentenced to 63 months in federal prison.

- **DOI Investigation Uncovers Phony College Degree**

Bernard Feraca, an Administrative Construction Project Manager with the City Department of Sanitation ("DSNY"), was arrested on charges of submitting a fraudulent Bachelor of Science degree in Engineering purporting to be from the University of Miami, Coral Gables, FL, to obtain his position with DSNY. DOI began investigating after the supposed degree was submitted to DOI's Background Investigation Unit as part of a required background investigation. Feraca pleaded guilty in December to a class A misdemeanor, was sentenced to five days of community service, and his City employment was terminated.

- **Con Man Charged with Posing as City-Sanctioned Inspectional Consultant**

As a result of a DOI investigation, Hector Collet was charged in the Bronx and Manhattan with posing as a City contractor and tricking several businesses into paying him fees, supposedly to help them prepare for health inspections. In fact, DOHMH has no such contracts, and the documents the defendant presented were forged, according to the charges. Collet was sentenced on the Manhattan case to between two and six years. The case in the Bronx is pending.

- **False Filings with the DOB**

DOI identifies and stops construction industry professionals who file false documents with DOB to try and evade City buildings regulations. Arrests in 2010 include:

- John Mari, Jr., a master electrician, was charged with submitting fraudulent license applications to DOB that falsely indicated he was responsible for work performed under that license, when in fact, the investigation found, he had agreed to sell the license to another individual for a monthly fee of \$2,000 and did not oversee the work. The investigation was conducted jointly with the Office of Inspector General for the Port Authority of New York & New Jersey and also resulted in the arrest and guilty plea of the defendant's father, John Mari, Sr., for similar conduct.
- Alvaro Mora, a sewage treatment worker with the City Department of Environmental Protection ("DEP"), was charged with submitting a forged letter purportedly from his supervisor to DOB in an unsuccessful attempt to obtain a site safety manager's license. The letter falsely claimed the defendant had supervisory construction experience at DEP. DOI opened an investigation after the Buildings Special Investigations Unit, a specialized unit that is supervised by DOI and includes staff from DOB, questioned the claims in the defendant's letter.
- Peter Catena, the owner of a Brooklyn-based plumbing and heating company, was charged and pleaded guilty to using the name and forging the signature of a deceased licensed plumber to obtain a permit from DOB for work in Brooklyn.

HOUSING FRAUD AND CORRUPTION

Since 2002, DOI's efforts to protect the City's valuable housing dollars from housing fraud have included investigations that have resulted in more than 600 arrests and uncovered the theft of nearly \$12.3 million, including approximately 82 arrests associated with the theft of \$1.6 million in 2010. These cases run the gamut and include thwarting attempts to commit housing fraud by identifying the wrongdoing before housing subsidies get into the hands of fraudsters. In 2010, in addition to criminal charges of fraud and theft of subsidies, DOI also investigated cases involving corruption perpetrated against the City's housing agencies. Following are some of the notable cases and results:

- Prison time for Joba Cortorreal, a former supervisor at the City Department of Housing Preservation and Development, who was sentenced to between 1½ and five years for selling Section 8 vouchers for cash bribes.
- Uncovering illegal subletting of a City Housing Authority apartment on Craigslist, leading to the arrest of Unique D. Jones, a Brooklyn woman, on charges of defrauding the City Housing Authority and bilking unsuspecting apartment seekers by obtaining cash deposits and rent and then renegeing on the deals. Jones failed to appear for her December court date and a bench warrant was issued for her arrest.
- The arrests of Latonya Malone, a State employee, and Erica Mitchell, a Bronx woman, charged in separate incidents with fabricating domestic violence incidents and submitting them to the City Housing Authority to fraudulently obtain a total of about \$44,000 in Section 8 benefits.
- The arrest of Anita Haines, a City Housing Authority community center director, on charges of defrauding the housing authority by pocketing \$4,775 in fees paid by tenants and others for room rentals and a summer camp program. The tenants and other individuals received the services they paid for, but the housing authority never received its payments.

RESTITUTION, FORFEITURES, FINES AND OTHER RECOVERIES

DOI advocates and investigates on behalf of the City and works with prosecutors to recover stolen City funds. In CY 2010, more than \$47 million was ordered or agreed to in restitution, fines, forfeitures and other financial recoveries on behalf of the City and other victims as a result of DOI investigations, which includes \$20 million from Schiavone Construction Co. LLC, the result of a prosecutorial agreement with the construction services company after a multi-agency investigation found the company committed fraud in carrying out various public works contracts, including large capital construction projects in the City. In addition, the company paid \$539,760 to the City for the cost of DOI's investigation.

Criminal complaints and indictments are accusations. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.

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