

Attorney General

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CONTRACTOR ARRESTED FOR CONDUCTING A "KICK BACK" WAGE SCHEME

Demanded that workers pay him \$175,000 as a condition of continued employment

State Attorney General Eliot Spitzer and Department of Investigations Commissioner Rose Gill Hearn today announced the arraignment of a Queens construction contractor, Georgios Begakis, on 99 felony and 30 misdemeanor charges stemming from a scheme that forced employees to "kick-back" wages to Begakis on five New York City Housing Authority painting contracts. The felony complaint charged Begakis with falsifying business records to conceal the "kick-backs" as well as grand larceny from the Housing Authority for receiving the payments under false pretenses.

The case was referred to the Attorney General's Office following an investigation by the Inspector General's Office of the New York City Housing Authority.

Begakis had been the subject of a previous investigation by the Housing Authority and the Attorney General for failure to pay prevailing wages on Housing Authority Projects. In March 2003, he entered into an agreement with the Attorney General and the Authority which required that he pay employees more than \$100,000 in back wages and provided that he and two corporations in which he was a principal agree to be barred from performing public construction work for both New York State and City for five years.

The felony complaint alleges that following this debarment, Begakis entered into a joint venture with a new company named Rainbow Renovations, Inc. which, in 2003, was awarded five Housing Authority painting contracts worth in excess of \$3,000,000. The current charges stem from these contracts. The painting contracts were subject to the state's prevailing wage law, which requires that specified hourly rates be paid to employees on public work projects, depending upon their job category.

Attorney General Spitzer said: "Any contractor who issues false documents and falsifies payroll records is subject to prosecution. These actions are unconscionable."

DOI Commissioner Rose Gill Hearn said: "This defendant greedily forced workers to be underpaid so he could pad his own bank account. Working with our partners in the Attorney

General's office, we will make sure that these workers are repaid and make every effort to protect other workers from being victimized by his schemes."

Begakis, who is alleged to have controlled and operated Rainbow Renovations out of his offices in Flushing, is accused of Grand Larceny in the Second Degree, a class C felony; 13 counts of Grand Larceny in the Third Degree, a class D felony; 1 count of Grand Larceny in the Fourth Degree, a class E felony; 41 counts of Offering a False Instrument for Filing in the First Degree, a class E felony; 41 counts of Falsifying Business Records in the First Degree, a class E felony; 2 counts of Scheme to Defraud, a class E felony; and 14 counts of "Kick-Back" of Wages and 16 counts of Failing to Pay Wages, both misdemeanors. If convicted on the top grand larceny charge, Begakis faces a maximum of 15 years in prison. The defendant entered not guilty pleas yesterday in Queens County Criminal Court.

According to court papers, between January 1, 2003 and October 31, 2003, Begakis caused to be filed with the New York City Housing Authority certified payroll records and payment requisition forms, attesting that the workers on the project were paid prevailing wage rates. The payrolls listed each worker by name with his hourly wages, gross wages paid, deductions, and net wages paid. It is alleged that many of the workers did not receive all the money contained in their pay checks, as Begakis demanded that they "kick-back" a portion of the wages in cash to him, with an understanding that their failure to comply would prevent them from continuing to work for him.

According to the felony complaint, Begakis had 14 employees "kick-back" a total of approximately \$175,000 in wages. In the case of two other employees, who were not required to "kick-back" wages, Begakis is alleged to have underpaid their wages.

The charges in the case are mere accusations and the defendant is presumed innocent unless and until proven otherwise by a court of law.

The case is being handled by Assistant Attorneys General Richard Balletta and James W. Versocki of the AG's Labor Bureau, and Investigator Kevin McCann of the AG's Investigations Bureau. The case is being supervised by M. Patricia Smith, Attorney in Charge of the Labor Bureau, and Laurie Israel, Deputy Bureau Chief of the Criminal Prosecutions Bureau.

The New York City Housing Authority investigation was conducted by NYCHA's Inspector General Judith F. Abruzzo, Deputy Inspector General Irene Serrapica, Acting Assistant Inspector General April M. Mastrangelo, and Investigator Natalie Wright.