



The City of New York
Department of Investigation

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COMMISSIONER

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**FOR IMMEDIATE RELEASE
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**DOI INVESTIGATION LEADS TO THE ARREST OF THREE FORMER CITY EMPLOYEES AND
A CITY CONTRACTOR IN BRIBERY SCHEME**

Mark G. Peters, Commissioner of the New York City Department of Investigation ("DOI"), announced today that three former New York City Department of Environmental Protection ("DEP") employees and FLO TREND SYSTEMS, INC. ("FLO TREND"), a Houston-based DEP contractor, have been charged in a decade-long bribery scheme in which FLO TREND gave lavish gifts – a value that exceeded approximately \$175,000 -- to these City employees, including cell phones, laptop computers, fishing trips, vacations, and season tickets to the Yankees. In return, these employees ensured that FLO TREND's contracts were renewed and extended, even lobbying, albeit unsuccessfully, another City agency to consider FLO TREND's untimely bid on a contract. FLO TREND's Vice President was charged last week on bribery offenses in connection with this investigation. DOI's findings are documented in a report, which is attached to this release and includes the corruption vulnerabilities uncovered during the investigation and the DOI recommendations adopted by DEP.

Commissioner Mark G. Peters said: "DOI's investigation uncovered a bribery scheme that benefited everyone but the City, and defrauded the taxpayers of tens of thousands of dollars, according to the charges. Most significantly, DOI's investigation led to the strengthening of oversight regarding DEP's requirements contracts, preventing this type of criminal conduct in the future."

According to DOI's investigation and the criminal complaints, between 1998 and 2012 FLO TREND had approximately a half dozen contracts with DEP for the maintenance, repair, and supply of waste holding containers for DEP's water treatment operations, at a value of more than \$14 million. During this time, FLO TREND, primarily through its Vice President CARL RUSSELL CAUGHMAN, gave gifts to three DEP employees who worked in decision-making positions with authority over FLO TREND and its City contract. Specifically, according to the investigation and criminal complaints:

- DEP Transportation Section Chief DENNIS JONES was responsible for drafting FLO TREND's contracts specifications and approving their purchase orders; that he instructed FLO TREND to submit fraudulent purchase orders to cover the expense of items, which were in fact benefits, such as mobile phones and mobile phone service plans; that when FLO TREND refused to provide a benefit requested by JONES he slowed the work called for on the contract and prevented billing on the contract. FLO TREND provided JONES with a number of benefits, including Yankees tickets, vacation expenses in Las Vegas, gas cards and fishing trips in Montauk.

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- BHASKAR SIL, as a DEP Project Manager was responsible for evaluating FLO TREND's contract performance; that he received mobile phones and a related service plan and a laptop computer from FLO TREND; that SIL demanded a laptop computer and mobile phone from FLO TREND and threatened to delay processing and submitting FLO TREND invoices if those demands were not met; that he knew FLO TREND was submitting fraudulent purchase orders to DEP to pay for the mobile phone and related service plan.
- THOMAS BENTSEN, who was DEP Transportation Section Chief at the time of the charged conduct, was responsible for drafting FLO TREND's contract specifications, overseeing its performance, and supervising JONES and SIL; that FLO TREND paid for cell phones and related plans and fishing trips for BENTSEN; and that BENTSEN was aware that his subordinates had demanded benefits from FLO TREND to renew and extend FLO TREND's contract and BENTSEN accepted the benefits anyway.

The investigation found that a consolidation of authority supervising this contract at DEP, and a lack of oversight and review of these DEP employees' decisions, made DEP particularly vulnerable to this charged illegal conduct. As a result, DOI recommended, and DEP has agreed, to rotate DEP project managers overseeing requirements contracts, where feasible; randomly check a sampling of approved requirements contracts orders before DEP makes such purchases or takes action in connection with them; and authorize DEP's Engineering and Audits Office to provide an additional layer of review.

The following individuals were arrested today and were each charged with Bribe Receiving in the Third Degree, a class D felony; Receiving Reward for Official Misconduct in the Second Degree, class E felony; and Official Misconduct and Receiving Unlawful Gratuities, both class A misdemeanors:

- JONES, 48, of Long Island City, Queens, began working at DEP in July 1990 and when he resigned in September 2013, during the investigation, he was receiving an annual salary of approximately \$104,570.
- BENTSEN, 51, of Oceanside, New York, began working at the agency in February 1988 and when he resigned in November 2013, during the investigation, he was receiving an annual salary of approximately \$63,390.
- SIL, 69, of Deltona, Florida, began working at DEP in September 1985 and at the time of his retirement in January 2012, he was receiving an annual salary of approximately \$66,590.

FLO TREND SYSTEMS, INC. was also charged today with Bribery in the Third Degree, a class D felony, and Giving Unlawful Gratuities, a class A misdemeanor. According to the criminal complaint, the company provided mobile phones and related service plans, tickets to Yankees baseball games, gas cards, laptop computers, travel expenses to Las Vegas, and chartered fishing trips to DEP employees responsible for approving purchase orders and work orders submitted by FLO TREND and evaluating the performance of FLO TREND's contracts; and that the above benefits were provided to facilitate the extension or renewal of FLO TREND's contracts. Under New York City conflicts rules, a City contractor is not permitted to provide or offer goods and services in excess of \$50 to City employees.

Last week, on October 20, 2014, CAUGHMAN, 62, of Houston, Texas, was charged with Bribery in the Three Degree, a class D felony, and Giving Unlawful Gratuities, a class A misdemeanor. His next court appearance is in January 2015.

Upon conviction, a class D felony is punishable by up to seven years in prison, a class E felony is punishable by up to four years in prison, and a class A misdemeanor is punishable by up to a year's incarceration.

Commissioner Peters thanked New York City Comptroller Scott M. Stringer, and his staff, for referring the matter to DOI and for their assistance in this investigation; and Queens County District Attorney Richard A.

Brown and DEP Commissioner Emily Lloyd, and their staffs, for their assistance and cooperation in this investigation.

This investigation was conducted by DOI's Office of the Inspector General for DEP, specifically Assistant Inspectors General Sadie Boursiquot and Byron Biggerstaff, and Special Investigators Joshua Richardson and Dan Taylor, under the supervision of Inspector General Gregory Cho and Senior Associate Commissioner Michael Carroll.

Assistant District Attorney Theresa Smith from the office of Queens County District Attorney Richard A. Brown is prosecuting the case under the supervision of James M. Liander, Chief of the District Attorney's Integrity Bureau.

Criminal complaints 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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83 MAIDEN LANE, 4TH FLOOR
NEW YORK, NEW YORK 10038
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October 30, 2014

Commissioner Emily Lloyd
New York City Department of Environmental Protection
59-17 Junction Blvd.
Flushing, NY 11373

Re. Flo Trend Systems, Inc.

Dear Commissioner Lloyd:

The New York City Department of Investigation ("DOI") has completed an investigation which revealed that former employees of the New York City Department of Environmental Protection ("DEP") and Flo Trend Systems, Inc. ("Flo Trend"), a Houston, Texas based DEP contractor, engaged in criminal conduct.

As more fully set forth below, Flo Trend, primarily through its Vice President, Carl Russell Caughman ("Caughman"), engaged in a decade long scheme to bribe former DEP employees with valuables exceeding \$200,000.00, including cell phones and related service plans, gas cards, fishing trips, Yankees tickets, vacations and electronics, and defrauded the DEP through a series of phony purchase orders totaling over \$90,00.00 to purchase these goods that they used to bribe DEP employees. This investigation also revealed corruption vulnerabilities in DEP's management of its requirements contracts¹ that, through the DEP's adoption of reforms addressing these vulnerabilities, should help prevent the re-occurrence of a similar scheme.

¹ A requirements contract is a contract between a supplier and consumer where, for agreed upon consideration, the supplier agrees to supply the entirety of the consumer's requirements of specified goods and/or services.

I. Background

A. Flo Trend

Flo Trend is in the business of, among other things, separating and filtering waste materials for municipalities. From 1998 through 2012, Flo Trend had approximately a half dozen contracts (including requirements contracts) with the DEP for the maintenance, repair and supply² of waste holding containers for DEP's water treatment operations. The total value of these contracts is over \$14 million.

B. Former DEP Employees

The recipients of these bribes were all decision-makers in positions of direct supervisory authority over Flo Trend and its contract with the DEP. Thomas Bentsen ("Bentsen") began working for DEP in February 1988 and held the title of Transportation Section Chief until 2004, when he was transferred to the Marine Section.³ Bentsen was responsible for drafting Flo Trend's contract specifications and overseeing Flo Trend's performance.

Dennis Jones ("Jones") began his employment with the City in June 1984 with the Department of Education and then the DEP in July 1990.⁴ He held the title of Superintendent of Water and Sewer Systems and Transportation Section Chief, replacing Bentsen in 2004 upon Bensten's transfer to the Marine Division. Jones was also responsible for drafting Flo Trend's contract specifications and approving Flo Trend's purchase orders.⁵

Finally, Bhaskar Sil ("Sil"), with the title of Project Manager and Deputy Chief of Transportation, began working with the DEP in September 1985.⁶ Sil was, among others, responsible for formally evaluating Flo Trend's contract performance.

II. Flo Trend's Misconduct

A. The Bribes

1. Cell Phones and Service Plans for Bentsen, Jones and Sil

From 1999 until at latest June 2013, Flo Trend purchased cell phones and accompanying service plans for DEP employees. These DEP employees included Jones, Bensten and Sil as well as Jones'

² Flo Trend's waste holding supply contracts were entered into with the New York City Department of Citywide Administrative Services ("DCAS"), but were for the benefit of DEP.

³ Bentsen resigned during the pendency of this investigation in September 2013.

⁴ Jones resigned during the pendency of this investigation in November 2013.

⁵ Indeed, Jones even edited an email from Flo Trend to the New York City Department of Citywide Administrative Services ("DCAS") in an attempt to persuade DCAS to consider Flo Trend's untimely bid on a contract. DCAS, however, did not consider Flo Trend's untimely bid.

⁶ Sil retired in January 2012.

girlfriend and Bentsen's family. The value of these bribes exceeded \$100,000.00 in the aggregate. Jones and Bentsen admitted to DOI that Flo Trend paid for these phones and services plans. Indeed, when Jones was asked by DOI investigators why Flo Trend provided him with a cell phone when Flo Trend could contact him through his DEP-issued telephone, Jones admitted that Flo Trend provided these phones for his "personal use."

2. Gas Cards for Jones, Sil and Bentsen

According to Jones, Caughman provided gas cards on approximately 20 occasions to Bentsen, Sil and himself and that the dollar amounts on these cards ranged from \$25.00 to \$2,000.00. Jones admitted that he received such cards over the course of many years. Additionally, Flo Trend, through its lawyers, also admitted that it provided such cards to DEP employees and produced over \$60,000.00 in purchase orders for these cards.

3. Fishing Trips for Bentsen and Jones

From 2006 through 2010, Flo Trend paid for nine deep sea chartered fishing trips for DEP employees for a total value of approximately \$10,000.00. Indeed, by email dated June 7, 2010 to Jones' DEP-issued email account, Caughman sent a series of photographs of one such fishing expedition in Montauk, Long Island. When confronted with these pictures, Bentsen and Jones admitted that they attended these Flo Trend funded fishing trips, with Jones further admitting that Caughman occasionally paid for lodging the night before the trip for DEP employees.

4. Yankees Tickets for Jones

From 2004 through 2013, Flo Trend acknowledged that the company purchased season tickets for the New York Yankees for DEP employees. For example, in an email dated November 7, 2008 to Jones' DEP-issued email account, Caughman informed Jones of the availability of Yankees tickets, stating:

"We have section 230 row 5 seats 11 and 12. The view from the seats is shown below.....*is this any better than last year?*" [emphasis added]

Additionally, Caughman and Jones admitted that they respectively provided and accepted Yankees tickets. Most recently, Caughman admitted that he shipped all of the tickets to Jones during the first two months of the 2013 season,⁷ for a total value of \$2,907.00. Although we were unable to quantify precisely the total value of the tickets Flo Trend provide for DEP employees, we were able to determine that Flo Trend purchased approximately \$65,000.00 in Yankees tickets.

5. Vacation to Las Vegas for Jones

In 2010, Flo Trend paid for airfare, hotel accommodations and entertainment for Jones and his girlfriend for a Las Vegas vacation. Specifically, the two flew on Jet Blue Airlines, stayed at the Treasure Island Hotel and Casino for three days and two nights and, while in Las Vegas, attended

⁷ The existence of this investigation became well known by the third month of the 2013 baseball season, at which time the provision of Yankees' ticket ceased.

both the David Copperfield magic show and the George Wallace comedy show. Flo Trend admitted that the total cost of this trip was over \$1,500.00. When confronted, Jones admitted that Flo Trend paid for this vacation.

6. Laptops for Sil

Flo Trend purchased at least two laptop computers for Sil with a total value exceeding \$3,000.00. In August 2010, Flo Trend purchased one such laptop for Sil valued in excess of \$1,800.00. Less than one year later, Sil urged that Flo Trend purchase him yet another laptop. Using his DEP-issued email account, Sil asked Caughman to “try for DELL Studio XPS 9100 (E-value code 6F999-DXPCPP31)?,” a computer valued in excess of \$1300.00. Flo Trend granted Sil’s wish and even expressed the hope that “everything is to your [Sil’s] satisfaction.”⁸

7. Miscellaneous Items

Flo Trend also frequently provided Jones, Sil and Bentsen other goods. Among other things, Flo Trend provided footwear, alcohol, and holiday baskets. In particular, in 2004, Recreational Equipment Inc. issued at least 10 invoices to Flo Trend for boots that were shipped to Jones at DEP’s facility at Wards Island, the total value of which exceeds \$5,500.00. These boots were unrelated to Flo Trend’s contract with the DEP.

B. Flo Trend Defrauded DEP over \$90,000.00 to Finance this Scheme

This decade-long scheme to furnish DEP employees with goods and services valued in excess of \$200,000.00 was made possible in part through a parallel scheme to defraud the DEP. Specifically, Flo Trend, through its lawyers, admitted that Caughman created bogus purchase orders for the sole purpose of charging the DEP to underwrite this scheme. More specifically, Flo Trend, through its counsel, described how upon issuing these phony purchase orders, Flo Trend would then purchase various prohibited gifts and services using Flo Trend’s AMEX card that they used to bribe DEP employees. Flo Trend’s lawyers identified at least seven fraudulent purchase orders and six fraudulent work orders with a total value of \$90,815.00. By letter dated September 30, 2013 from Flo Trend’s counsel, Flo Trend stated that it was willing to make restitution to the City for this amount.

III. Policy Reforms

These crimes were made possible in part by the consolidation of authority within the hands of a few with respect to DEP’s requirements contracts. Jones, as Section Chief, had the authority to approve Flo Trend’s requirements contract purchase orders valued at \$5,000.00 or less. Sil, as DEP’s requirements contracts project manager, had the authority to request contract payments from DEP for Flo Trend, Jones.

Significantly, their authority was plenary: it was not subject to review, audit or any other form of oversight. Like most beholders of plenary powers, Jones and Sil abused this authority. And like

⁸ Email dated February 23, 2011 from Jackie Ferguson (Flo Trend) to Sil.

most parties whose partners possess the leviathan of plenary power, Flo Trend facilitated, enabled and reinforced this abuse of authority.

As a result, DEP has agreed to cleave the authority over its requirements contracts into a three-part series of checks and balances. *First*, DEP will rotate periodically, where feasible, requirements contracts project managers.⁹ *Second*, a supervisor will randomly check a sampling of approved requirements contracts orders before DEP actually makes such purchases or takes any other action in connection with same. *Third*, DEP's Engineering and Audits Office will provide an additional layer of review by reviewing periodically and randomly approved requirements contracts orders.¹⁰


These reforms will help diffuse the authority over DEP's requirements contracts. This will help prevent the formation of improper relationships between and among the DEP and its private contractors fulfilling DEP's requirements contracting needs.

If you have any questions regarding this matter, please contact me at (212) 825-3335.

Very Truly Yours,

Mark G. Peters

By:



Gregory D. Cho
Inspector General

CC: Queens County District Attorney
Mary Pazan, DEP Agency Chief Contracting Officer

⁹ Rotation of Section Chiefs, while possible, is not feasible. In contrast with requirements contracts project managers, Section Chief is a position that, by necessity, requires continuity of leadership.

¹⁰ During the course of this review, the DEP identified and implemented an efficiency enhancing reform: rather than letting its own residual removal contracts, DEP has agreed to cede such authority to the DCAS, who already lets and manages residual removal contracts for city agencies.