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**DOI UNCOVERS OVER \$2.4 MILLION THEFT OF PUBLIC FUNDS IN FOUR SEPARATE INVESTIGATIONS
OF EMPLOYEE FRAUD AT THE CITY HUMAN RESOURCES ADMINISTRATION**
--Additionally, DOI Issues Report on Its Findings and Recommends Reforms to HRA--

Mark G. Peters, Commissioner of the New York City Department of Investigation ("DOI"), announced today the arrests of one current and one former City Human Resources Administration ("HRA") employee and 11 co-conspirators on charges of conspiracy to commit mail and wire fraud and aggravated identity theft, for their roles in the theft of approximately \$2.1 million in government funds. Today, Commissioner Peters also issued a Report outlining these investigations, identifying vulnerabilities within HRA, and recommending systemic reforms that have, in some cases, already led to changes at the agency. The Report also includes details on the arrests this summer by DOI of two additional HRA employees in separate public assistance fraud schemes involving the theft of approximately \$334,000 in government funds. In total, these investigations uncovered \$2.4 million in theft of public funds. A copy of DOI's Report follows the release and can be found here: <http://www.nyc.gov/html/doi/html/doireports/public.shtml>

These investigations began after HRA referred suspicious activity to DOI. Subsequently, DOI uncovered fraud and corruption that exploited vulnerabilities in HRA's computerized case management system and benefit issuance procedures, allowing the defendants to fraudulently steer cash assistance and Supplemental Nutritional Assistance Program ("SNAP") benefits (previously known as food stamps) to themselves and to associates who were ineligible to receive them, using Electronic Benefit Transfer ("EBT") cards. In one instance, over \$120,000 of public assistance funds were used to purchase large quantities of the energy drink "Red Bull," which were then "fenced" to smaller retail locations. In another instance, public assistance funds were used to pay for fraudulent rental subsidies to individuals who posed as landlords.

DOI partnered with the United States Attorney's Office for the Southern District of New York ("SDNY"), the Federal Bureau of Investigation ("FBI"), the New York State Office of the Inspector General ("NYSOIG") and the Richmond County District Attorney's Office to investigate and prosecute these cases. DOI also acknowledges its partnership with HRA during the course of this investigation and the agency's continuing anti-corruption efforts.

DOI Commissioner Mark G. Peters said, "During a season when we are reminded about hunger's prevalence, these defendants are charged with shamelessly stealing the funds that assist in feeding that basic need. Vulnerabilities like those exposed in these arrests and in DOI's Report breed corruption and must be dealt with swiftly to prevent further fraud of this magnitude from occurring. I thank our law enforcement partners and HRA for their partnership on these important cases."

U.S. Attorney Preet Bharara said, "As alleged, one current and one former HRA employee abused their positions of trust as administrators of public funds to enrich themselves. Cherisse Jackson-Watson and Petronila Peralta allegedly diverted more than \$2 million in public funds designed to assist the most needy in our community for their own personal use. I thank our partners in this investigation for their work in rooting out public corruption."

FBI Assistant Director in Charge of the New York Field Office Diego Rodriguez said, "Watson-Jackson and Peralta are accused of abusing their positions to commit fraud through theft from a program designed to support the most in need.

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They not only allegedly took from the needy, but they conspired to defraud the tax-payers. Their actions jeopardized the foundation of the programs set up to help the community. This fraudulent scheme not only profited Watson-Jackson and Peralta, but it also lined the pockets of their co-conspirators. The FBI continues to work alongside our partners in the New York City Department of Investigation and New York State Office of Welfare Inspector General to ensure confidence in the government and its programs.”

In connection with one of today's arrests, New York State Inspector General Catherine Leahy Scott said, “This defendant was entrusted to provide government assistance to New York’s neediest families but instead abused that trust and her authority, steering \$1.5 million in public funds to herself and her accomplices. Today’s arrests should send a clear message that my law enforcement partners and I will not tolerate the use of public office and public resources for criminal activity. We will investigate and bring to justice those who corrupt the system, and will continue to work together to find solutions to curtail systemic theft and abuse of public funds.”

In connection with arrests this summer, Acting Richmond County District Attorney Daniel L. Master, Jr., said, “The defendants in this still-pending case, an HRA employee and a public assistance recipient, are charged with acting in concert to defraud the welfare system of more than \$90,000. Stealing social service benefits monies is a crime that costs all taxpaying New Yorkers, but it is particularly harmful to those needy individuals who actually qualify for, and depend on, that financial assistance. My office is proud to partner with the Department of Investigation on this case, and others like it, in an effort to root out public corruption among dishonest city workers.”

HRA Commissioner Steven Banks said, “Unfortunately, a very small number of our 14,000 employees used their positions at our agency to steal the benefits of others. HRA found and referred all of these four cases to the DOI after discovering them through internal anti-fraud measures. After DOI's comprehensive investigation, these employees are being held accountable for their bad acts. We are determined to defend the integrity of our essential programs and will continue to work with the Department of Investigation to strengthen our fraud prevention systems.”

The following are brief summaries of the four investigations and individuals arrested, according to the criminal complaints and DOI's investigations:

- 1: HRA employee PETRONILA PERALTA was arrested today in connection with the theft of more than \$600,000 in cash assistance benefits between 2008 and 2011. DOI's investigation linked PERALTA to over 800 fraudulent benefit issuances to approximately 140 individuals who were not entitled to receive them. Most issuances were processed manually using paper forms. DOI also found that recruiters working with PERALTA identified clients receiving public assistance and offered them money in exchange for their account information, which was then used to issue fraudulent benefits.

PERALTA, 51, of The Bronx, N.Y. was arrested today and charged with the following federal offenses: Conspiracy to Commit Wire Fraud, which upon conviction is punishable by up to 20 years in prison, and Aggravated Identity Theft, which upon conviction is punishable by up to two years in prison. PERALTA had been employed by HRA since April 2005, was a Job Opportunity Specialist at the HRA Job Center 37 in Queens, and at the time of her termination in August 2014 she was receiving an annual salary of \$42,346. She was terminated from her position as a result of this investigation.

The U.S. Attorney's Office for the Southern District of New York is prosecuting this case.

- 2: HRA employee CHERRISE WATSON-JACKSON and 11 individuals have been charged in a large-scale criminal network employing recruiters, at least one check-cashing teller, and public assistance clients in both Brooklyn and Queens. WATSON-JACKSON, a supervisor at HRA Job Center 54 in Jamaica, Queens, operated two major frauds: the first involving SNAP benefits, and the second involved emergency rental subsidies, a form of rental assistance commonly referred to as a “One Shot Deal.”

The investigation found that WATSON-JACKSON received kickbacks for helping to defraud these public assistance programs. Recruiters working with WATSON-JACKSON enlisted public assistance clients and offered them money in exchange for EBT cards, which were then used to issue fraudulent SNAP benefits.

In one case, multiple EBT cards containing fraudulent SNAP funds were used to buy bulk quantities of the energy drink “Red Bull,” from BJ's Wholesale Club. DOI believes these products were re-sold to small neighborhood grocery stores. Documents obtained during the investigation indicated approximately \$120,000

in fraudulent SNAP funds were used at a BJ's Wholesale Club over a five-month period to purchase "Red Bull."

In the rental subsidies fraud, recruiters enlisted individuals to be fraudulent landlords in exchange for a sum of money. WATSON-JACKSON then registered the sham landlords and issued fraudulent rental subsidy payments to them. Associates then accompanied the sham landlords to cash-checking businesses, such as Pay-O-Matic, to redeem the fraudulently-issued HRA checks.

These schemes resulted in approximately \$1.5 million in fraud between 2012 and 2013.

DOI worked with the FBI and the NYSOIG on this investigation. The U.S. Attorney's Office for the Southern District of New York is prosecuting these cases.

WATSON-JACKSON, 44, of Queens, N.Y., an HRA supervisor with the title of Associate Job Opportunity Specialist II, has been employed with the agency since June 1993 and receives an annual salary of \$63,241.

WATSON-JACKSON, and the following individuals were charged with Conspiracy to Commit Mail Fraud and Wire Fraud, a federal offense that upon conviction is punishable by up to 20 years in prison:

- MAURICE CROMWELL, 39, of Staten Island, N.Y., is charged with cashing approximately 83 rental checks in names other than his own. These checks were worth approximately \$72,560. In addition, more than 100 checks were mailed to CROMWELL'S home address, worth at least \$75,000; and a family member received multiple single issuances totaling more than \$12,000 on an EBT card. This illegal conduct occurred between September 2012 and December 2013.
- DERRICK WILLIAMS, 34, who is presently incarcerated on unrelated charges, is charged with receiving approximately \$12,550 in fraudulent single issuances on his EBT card between January 2012 and December 2013. Some 82 fraudulent rental checks worth approximately \$61,760 were also mailed to his home address. The investigation found this defendant called hundreds of times to check the balance of EBT cards in other people's names, often right before or after a purchase at BJs Wholesale Club, in connection with EBT cards that received fraudulent issuances.
- COREY BROCK, 35 of Queens, N.Y., is charged with receiving approximately \$8,560 in single issuances on his EBT card between October 2012 and November 2013. A search warrant executed on BROCK'S home, in an unrelated investigation, uncovered 45 EBT cards and 13 cellphones. Many of the cards received fraudulent single issuances.
- GERARD STOKES, 32 of Queens, N.Y., is charged with receiving approximately \$4,840 in fraudulent single issuances on his EBT card between October 2012 and April 2013. STOKES used his BJ's Wholesale Club account to make nearly 100 separate purchases, totaling nearly \$120,000, using funds linked to EBT cards that were not in his name.
- JARON ANNUNZIATA, 35 of Brooklyn, N.Y., is charged with cashing approximately 16 rental checks worth approximately \$11,490 and receiving fraudulent single issuances on his EBT card worth nearly \$5,000. The conduct occurred between July 2012 and September 2013. No documentation was submitted to support the single issuances.
- KEVIN WILLIAMS, 37 of Queens, N.Y., is charged with cashing approximately 96 rental checks worth approximately \$83,740 in his name and the names of others between January 2013 and October 2013.
- VERNECKA PETERSEN-FOWLER, 43 of Brooklyn, N.Y, is charged with cashing and/or depositing approximately 43 rental checks worth more than \$31,000 between December 2011 and September 2013. PETERSEN is also charged with depositing some of the rent checks she received into her personal bank account and then transferring those funds to a bank account of WATSON-JACKSON. PETERSEN-FOWLER received a portion of those transferred funds.
- YESENIA DEPENA, 24 of Brooklyn, N.Y., a check-casher, is charged with processing at least 221 rental checks between September 2012 and June 2013, which were identified as part of the rental fraud scheme.

These checks totaled approximately \$187,462. DEPENA is charged with processing the checks even though the checks did not match the name or identification of the person cashing the check.

- BEVERLY LORD, 53 of Queens, N.Y., is charged with cashing approximately 38 rental checks between March 2012 and August 2012 worth approximately \$27,530.
- BEVERLY FRANKLIN, 37 of Brooklyn, N.Y., is charged with cashing approximately 15 rental checks worth nearly \$13,000. Additionally, approximately 88 checks worth over \$92,000 were mailed to the address of FRANKLIN'S stepfather's business yet none were in the stepfather's name. The conduct occurred between August 2013 and December 2013.
- ISAAC ALLEN, 39 of Brooklyn, N.Y., who is presently incarcerated on unrelated charges, is charged with receiving approximately \$9,444 in fraudulent single issuances on his EBT card between June 2012 and October 2013.

WATSON-JACKSON, CROMWELL, DERRICK WILLIAMS, BROCK, STOKES, KEVIN WILLIAMS, and DEPENA are additionally charged with Aggravated Identity Theft, which upon conviction is punishable by up to two years in prison.

3 & 4: Earlier this year, DOI arrested two additional HRA employees HARRY FLETCHER and PETER RANSOME in separate investigations for their roles in public assistance fraud schemes totaling over \$334,000. FLETCHER, 45, of the Bronx, and nine co-conspirators were charged in Federal District Court in Manhattan with Conspiracy to Commit Bribery and Theft of Government Funds, upon conviction, each charge carries a maximum sentence of up to 10 years in prison.

FLETCHER was also charged with Solicitation and Receipt of Bribes, which upon conviction is punishable by up to 10 years in prison, and Honest Services Fraud (through Mail Fraud), which upon conviction is punishable by up to 20 years in prison. The U.S. Attorney for the Southern District of New York is prosecuting FLETCHER and the nine co-defendants. These cases are pending in court.

RANSOME, 61, of Brooklyn, was charged with Welfare Fraud in the Second Degree and Grand Larceny in the Second Degree, both class C felonies, which upon conviction are each punishable by up to 15 years in prison. His accomplice, JENNEHA COOPER, 27, of Staten Island, N.Y. was also charged with Grand Larceny in the Third Degree and Welfare Fraud in the Third Degree, both class D felonies, which upon conviction are each punishable by up to seven years in prison. The Richmond County District Attorney's Office is prosecuting RANSOME and COOPER. These cases are pending in court.

A copy of the original release announcing these arrests can be found here:
<http://www.nyc.gov/html/doi/html/doireports/public.shtml>

DOI's investigations uncovered systemic weaknesses, employee fraud and corruption at multiple HRA centers. To that end, DOI has issued a series of recommendations in its report that HRA has agreed to implement or is already implementing to identify potential corruption and minimize future fraud:

- Within the next three months, HRA should deploy HRA's Office of Program Accountability ("OPA") staff to partner with DOI using data analytics to identify potential fraud for further investigation.
- Within the next three months, HRA should design and implement a secured, electronic reporting method of internal fraud reports to DOI on a regular basis.
- HRA should continue to partner with DOI to identify critical eligibility and benefit calculation processes in POS to automate and then implement these automations.
- HRA should continue to explore and implement methodologies of quality assurance for supervisory review of cases, including the Selective Case Review methodology, which HRA has implemented for SNAP cases.
- HRA should increase the frequency of its training for supervisors with emphasis on the need for supervisors to adequately review cases and the possible administrative and criminal consequences to supervisors for inadequate reviews.

- HRA should request that the New York State Office of Temporary and Disability Assistance and U.S. Department of Agriculture design and implement a comprehensive EBT fraud identification training program for warehouse-type retail stores that accept EBT transactions.

DOI Commissioner Peters thanked U.S. Attorney for the Southern District of New York Preet Bharara, FBI Assistant Director in Charge of the New York Field Office Diego Rodriguez, New York State Inspector General Catherine Leahy Scott, Acting Richmond County District Attorney Daniel L. Master, Jr., HRA Commissioner Steven Banks, and their staffs, for their dedication, assistance and cooperation in these investigations.

Assistant United States Attorneys Andrew Beaty, Shawn Crowley, and Daniel Richenthal from the Office of the U.S. Attorney for the Southern District of New York are prosecuting the cases of PERALTA and WATSON-JACKSON and co-defendants; and Assistant United States Attorney Robert Boone, from the office of the U.S. Attorney for the Southern District, is prosecuting the FLETCHER case. Arlo Devlin-Brown, Chief of the Public Corruption Unit, is supervising these prosecutions.

Assistant District Attorney Jin Lee from the office of the Richmond County District Attorney is prosecuting the RANSOME and COOPER cases.

The investigations were conducted by DOI's Office of the Inspector General for HRA, specifically Assistant Inspectors General Christos Hilas and Octavia Hill, Deputy Inspectors General John Bellanie and Margaret Shivers, DOI's Investigative Auditing Unit, specifically Investigative Auditor Lap Chan, Investigative Auditor Yonghe Chen, Senior Auditor Calvin Lam, Deputy Director Maggie Xu and Director Laila Yu, and Special Investigator Katerina Kurteva, under the supervision of Inspectors General Milton Yu and Shelley Solomon, Special Associate Commissioner Susan Lambiase, Deputy Commissioner/Chief of Investigations Michael Carroll, and First Deputy Commissioner Lesley Brovner; and with assistance from DOI's NYPD Squad.

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

DOI is one of the oldest law-enforcement agencies in the country and New York City's corruption watchdog. 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. DOI's strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

**DOI's press releases can also be found at twitter.com/doinews
See Something Crooked in NYC? Report Corruption at 212-3-NYC-DOI**



New York City Department of Investigation

**A Report on Employee Fraud and Program Vulnerabilities
at the New York City Human Resources Administration**

**MARK G. PETERS
COMMISSIONER**

December 2015

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I. EXECUTIVE SUMMARY

The New York City Department of Investigation (DOI) conducted several criminal investigations of public corruption in the New York City Human Resources Administration (HRA),¹ based on referrals from HRA, resulting in the arrests of four current and former HRA employees as well as numerous co-conspirators for fraud and corruption.² The fraud and corruption DOI uncovered resulted in the theft of approximately \$2.4 million of government funds intended for public assistance recipients between 2008 and 2015. These fraudulent activities took advantage of vulnerabilities that HRA has since significantly addressed through its reform efforts by centralizing the process for certain paper-based transactions and tracking computer access for former and inactive employees. However, DOI also found:

- HRA’s computerized case management system, called the Paperless Office System (POS), lacks automation in certain case processing functions, which contributed to the fraud.
- Supervisors failed to adequately review benefit issuances before approving them.

This report discusses DOI’s investigations and outlines its systemic recommendations, which HRA has agreed to implement or is already implementing, to mitigate the vulnerabilities found, identify potentially corrupt employees, and minimize fraud and corruption within HRA. These investigations were conducted in partnership with the Public Corruption Unit of the United States Attorney’s Office for the Southern District of New York (SDNY), the Federal Bureau of Investigation (FBI), the New York State Office of the Inspector General, and the Richmond County District Attorney’s Office, with support from HRA.

DOI has found that HRA has already undertaken some significant proactive reforms, including creating data analytics groups to detect client and internal fraud, implementing internal controls, and eliminating most paper forms, which DOI determined were susceptible to forgery and fraud. HRA has agreed to continue to enhance controls and monitor program vulnerabilities that expose HRA to employee fraud and corruption. In particular, HRA has agreed to continue its proactive anti-corruption measures, implement the recommendations set forth in this report, continue its work with DOI to develop more fraud detection strategies, and provide data analytics support to DOI fraud investigations in order for it to fully realize the common goal of eradicating internal fraud and corruption.

¹ HRA provides eligible New York City residents with temporary cash assistance and nutritional assistance (formerly referred to as “food stamps”) through the administration of state-funded and federally-funded public assistance programs. HRA is the third largest New York City agency behind the New York City Police Department and the New York City Department of Education. HRA is the largest social services agency in the United States, employing over 14,000 people and operating with an annual budget of \$9.7 billion.

² The defendants implicated in DOI’s investigations are presumed innocent until and unless proven guilty in a court of law.

II. DOI INVESTIGATIONS OF FRAUD AT HRA

HRA Employee Cherrise Watson-Jackson

In February 2014, HRA referred to DOI a matter involving a public assistance client who complained that his Supplemental Nutrition Assistance Program (SNAP)³ funds were used to purchase the energy drink “Red Bull” without his authorization. DOI determined that his complaint was related to another investigation concerning another SNAP client and vendor fraud in Brooklyn that HRA had referred to DOI in 2012, and that the suspicious activity in both cases originated in the Jamaica Job Center in Queens (Jamaica Center 54).⁴ DOI’s ensuing investigation uncovered a large criminal organization employing recruiters, at least one check-cashing teller, and public assistance clients in Brooklyn and Queens. At the center of the criminal organization was HRA Associate Job Opportunity Specialist⁵ Cherrise Watson-Jackson,⁶ a supervisor who worked at Jamaica Center 54. The criminal organization operated two major frauds: the first involved SNAP benefits and the second involved rental subsidies.

DOI performed an audit of Jamaica Center 54 public assistance cases that received unusually high amounts of SNAP benefits. The amount of SNAP benefits an individual is permitted is determined by the United States Department of Agriculture’s (USDA) Thrifty Food Plan, which is based upon a household’s size. In 2012, the monthly SNAP allotment under the Thrifty Food Plan for a family of four was \$627.⁷ DOI’s audit found numerous public assistance cases in Jamaica Center 54 in which a single SNAP issuance was far larger than the typical allotment under the Thrifty Food Plan. The audit also revealed a suspicious pattern in the timing of the issuances.

DOI determined that Watson-Jackson bypassed the Paperless Office System (POS), HRA’s computerized case management system, and issued the fraudulent SNAP benefits using either paper forms or direct data entry into the New York State Welfare Management System (WMS), which then triggers payment to the public assistance client. Watson-Jackson issued the fraudulent benefits as expedited SNAP benefits, meaning each case bypassed the required full eligibility determination needed for benefits to be granted.⁸

In the SNAP benefits fraud scheme, recruiters from the criminal organization identified public assistance clients and offered them money in exchange for their HRA-issued electronic benefits transfer

³ SNAP is formerly referred to as “food stamps.” SNAP provides funds to supplement the cost of food products for eligible recipients.

⁴ This Job Center is also known as Job Center #54.

⁵ HRA administers cash assistance through 23 Job Centers throughout the five boroughs of New York City. It also administers nutritional assistance through the federally-funded SNAP through 16 SNAP Centers throughout New York City. Caseworkers known as Job Opportunity Specialists (JOS) handle cash assistance cases at Job Centers and are supervised by Associate Job Opportunity Specialists Level I and Level II (AJOS-I and AJOS-II). Caseworkers known as Eligibility Specialists (ES) handle SNAP benefits at SNAP Centers and are supervised by Eligibility Specialists Level II or Level III (ES-II and ES-III), or by Principal Administrative Associates (PAA).

⁶ Watson-Jackson’s title is AJOS-II.

⁷ Replacing the Thrifty Food Plan in Order to Provide Adequate Allotments for SNAP Beneficiaries. (December 2012). Retrieved from http://frac.org/pdf/thrifty_food_plan_2012.pdf.

⁸ Expedited SNAP benefits are generally issued to new applicants as emergency assistance prior to a full eligibility determination, to address the applicant’s nutritional needs in the period between the application for SNAP benefits and when the applicant receives the benefits. Expedited SNAP benefits are typically issued on the same day the applicant applies for them.

(EBT) cards⁹ and accompanying personal identification numbers (PINs), which were used to access the funds linked to the clients' public assistance accounts. Watson-Jackson then issued fraudulent SNAP benefits to the recruited clients' accounts.

In one instance, an associate of the criminal organization used his own BJ's Wholesale Club membership and his own EBT card, and the EBT cards of several other public assistance clients, to buy bulk quantities of the energy drink, "Red Bull," from the warehouse store. Records obtained by DOI indicate the associate spent over \$100,000 of fraudulent SNAP funds at BJ's in an approximately five-month period to purchase Red Bull. DOI found that BJ's did not prevent this associate from using more than one EBT card at a time to fund these purchases. DOI also found that this associate resold the products he purchased using fraudulent SNAP funds to neighborhood grocery stores. Proceeds from the resales were given to Watson-Jackson.

DOI also performed an audit of Jamaica Center 54 public assistance cases that received rental subsidies. DOI found that multiple purported landlords used the same mailing address to receive rental subsidy checks. DOI also discovered that the public assistance clients in these cases were not previous recipients of rental subsidies other than the suspicious rental subsidies uncovered in DOI's audit.

In this scheme, recruiters from the criminal organization identified individuals, some of whom were public assistance clients, and offered them money if they agreed to be fraudulent landlords. Watson-Jackson then fraudulently registered the individuals as landlords in various public assistance cases and issued fraudulent rental subsidy payments to the purported landlords.

After the purported landlords received the rental subsidy checks, associates of the criminal organization cashed the checks at check cashing businesses, such as Pay-O-Matic. DOI identified at least one Pay-O-Matic teller¹⁰ who knowingly cashed the fraudulent checks without obtaining proper identification as required. Proceeds from this scheme were also given to Watson-Jackson.

These two schemes, the investigation into which is ongoing, resulted in the loss of approximately \$1.5 million in public assistance funds between 2012 and 2013.

On December 1, 2015, Watson-Jackson and a number of her co-conspirators were arrested and charged in the United States District Court for the Southern District of New York with Conspiracy to Commit Mail Fraud and Wire Fraud, which carries a maximum sentence of up to 20 years' imprisonment. Some defendants were additionally charged with Aggravated Identity Theft, which carries a minimum sentence of two years' imprisonment. The case is pending.

⁹ Public assistance benefits are provided through EBT cards, which function similar to debit cards, assigned to eligible households. EBT cards issued for cash assistance may be used to make purchases at any point-of-sale terminals linked to the EBT system. Cash assistance-linked EBT cards may also be used at automated teller machines (ATMs) to make cash withdrawals. EBT cards linked to SNAP benefits may be used at various retailers to purchase food items only. SNAP funds may not be converted into cash and may not be withdrawn from ATMs.

¹⁰ A Pay-O-Matic teller is being arrested in connection with this investigation.

HRA Employee Petronila Peralta

In June 2011, HRA discovered that HRA Job Opportunity Specialist Petronila Peralta attempted to issue benefits to five public assistance clients totaling over \$17,000 using paper applications, rather than processing those benefits electronically through POS. Peralta was assigned to the East River Job Center in Long Island City, Queens, and was employed by HRA from 2005 until her termination in 2014. Her primary responsibility was processing public assistance clients for cash assistance benefits. A subsequent HRA audit discovered that Peralta issued public assistance benefits to individuals who were not entitled to them. HRA initiated disciplinary proceedings against Peralta and notified DOI of its findings and actions.

During DOI's investigation and at DOI's request, HRA performed an additional audit of public assistance cases for which Peralta may have issued benefits without the required supporting documentation. HRA's audit revealed that, between 2008 and 2011, Peralta was linked to over \$600,000 in cash assistance benefits issued to over 100 public assistance clients who were not entitled to receive cash assistance benefits. The majority of these issuances were submitted by paper, rather than processed electronically,¹¹ and the majority of these issuances were issued under a benefit type known as a "Supplemental Previous Month Issuance."¹²

The paper form Peralta used to issue the fraudulent benefits was known as Public Assistance Single Issuance Authorization Form – DSS 3575 (Form 3575). Although not all of the Form 3575s were maintained by HRA, those that were identified Peralta as the employee who issued the benefit. DOI analyzed the public assistance cases associated with each Form 3575 retrieved and learned that each case lacked the supporting documentation required to justify the issuance. Nevertheless, DOI found that Peralta's supervisors repeatedly approved Peralta's issuances when the applications did not contain the required supporting documentation.¹³

DOI then analyzed the remaining fraudulent transactions in which the Form 3575s used to authorize the issuances were unavailable. DOI found that several computer terminals were used to conduct inquiries of the public assistance clients' accounts shortly before each fraudulent Supplemental Previous Month Issuance was made. DOI further found that each computer terminal used to conduct those inquiries had been accessed by Peralta at or shortly before the fraudulent issuances, and that Peralta had no legitimate business reason to access these cases.

DOI's investigation revealed that, in this scheme, recruiters working with Peralta identified public assistance clients and informed them that if the clients provided the recruiters with their public assistance

¹¹ Prior to December 2014, each Job Center and SNAP Center housed a Control Unit staffed by Clerical Associates responsible for data entry into WMS. Ordinarily, caseworkers used the computer system POS to process benefits for public assistance clients. On occasions when POS was unavailable, as during malfunctions, caseworkers would process benefits using paper forms. The paper forms contained case information, including benefit type, benefit amount, and period of issuance. The paper forms also contained fields that identified the issuing employee and supervisor. Caseworkers who used paper forms to authorize issuances were required to submit the completed forms to his or her supervisor for review and approval.

¹² A Supplemental Previous Month Issuance is designed to correct previous underpayment of cash assistance benefits to a public assistance client. This type of issuance is generally initiated internally by HRA and does not require a public assistance client to apply for it. *Welfare Management System Worker's Guide to Codes*, New York State Office of Temporary and Disability Assistance and New York State Department of Health Insurance Programs (October 18, 2010).

¹³ DOI has recommended disciplinary action against the supervisors identified in this investigation.

account information, the recruiters would ensure that cash would be disbursed to their public assistance accounts. Once the clients provided their account information to the recruiters and cash was disbursed to the clients' accounts, the recruiters contacted the clients and informed them that the cash had been disbursed accordingly. The clients were then instructed by the recruiters to withdraw the cash and provide a portion of it to the recruiters.

On December 1, 2015, Peralta was arrested and charged in the United States District Court for the Southern District of New York with Conspiracy to Commit Wire Fraud, which carries a maximum sentence of up to 20 years' imprisonment, and Aggravated Identity Theft, which carries a minimum sentence of two years' imprisonment. The case is pending.

HRA Employee Harry Fletcher

The Fletcher investigation began when HRA found a pattern of approximately seven public assistance clients sharing the same address in the Bronx. HRA began to investigate these cases as possible fraud committed by public assistance clients. Upon further inquiry, HRA determined that a single HRA employee, Harry Fletcher, was responsible for issuing all benefits to those public assistance clients. HRA then referred the matter to DOI in December 2012, for further investigation.

Fletcher is an HRA Eligibility Specialist assigned to the Crotona SNAP Center in the Bronx, whose job was to determine SNAP eligibility and budgets for public assistance applicants. SNAP provides eligible recipients with funds to purchase food items. Every applicant who is processed for SNAP is automatically screened for expedited SNAP eligibility. Generally, expedited SNAP benefits are issued only once in a SNAP case, and usually at the beginning of the case shortly after submitting an application and before eligibility is fully determined. A public assistance client receiving ongoing SNAP benefits cannot also continuously receive expedited SNAP benefits because, once eligibility has been determined in an ongoing SNAP case, the eligibility finding remains unchanged and a client is limited to those benefits until the client recertifies for benefits.¹⁴

When DOI analyzed a sample of SNAP cases Fletcher processed, DOI found several instances of public assistance clients being issued expedited SNAP benefits on an ongoing basis. This finding led DOI to conclude that Fletcher determined those clients were eligible for expedited SNAP benefits when in fact those clients were ineligible because they were already receiving ongoing SNAP benefits.

Upon analyzing Fletcher's POS computerized case management system transactions, DOI found that a significant number of the SNAP cases Fletcher processed did not contain *any* requisite supporting documentation.¹⁵ Ordinarily, an HRA caseworker determining eligibility, like Fletcher, must obtain,

¹⁴ During the initial SNAP interview, the HRA employee is responsible for determining whether the SNAP applicant is receiving ongoing SNAP benefits and, therefore, is ineligible to receive expedited SNAP benefits. In order to perform this check, the employee queries the WMS case management system. Once an answer is determined, the employee enters the appropriate response into the POS computer system to continue processing the public assistance case.

¹⁵ According to SNAP Documentation Requirement Form LDSS-2642, a SNAP applicant must provide certain documents in order for HRA to determine his or her eligibility for SNAP benefits and to create a SNAP budget. A caseworker must obtain documentary proof of an applicant's identity, household composition or size, immigration status of household members, social security numbers of household members, income and resources, and

review, and scan the required supporting documentation.¹⁶ A significant number of SNAP cases Fletcher handled lacked these documents, indicating that Fletcher determined these cases to be eligible for SNAP and issued benefits without submitting the supporting documentation.

After an HRA caseworker determines eligibility and benefit amounts, his cases are reviewed and approved by an HRA supervisor who ensures the accuracy of the determination and the benefits calculation. If the determination and calculations are correct, the HRA supervisor approves the benefit issuance. The supervisor must also ensure that the required supporting documentation exists.

The cases DOI analyzed showed that Fletcher's supervisors repeatedly approved Fletcher's SNAP eligibility determinations when the applications did not contain the required supporting documentation, and Fletcher's supervisors continually approved expedited SNAP benefits to public assistance clients who were ineligible because they were already receiving ongoing SNAP benefits.¹⁷

DOI learned that Fletcher was engaged in a kickback scheme in which he was continuously paid between \$100 and \$200 for the duration of the scheme in exchange for issuing ongoing, fraudulent SNAP benefits. DOI found that Fletcher encouraged his clients to actively recruit new people into the scheme in exchange for a discounted kickback rate for the recruiter.

DOI found that many of Fletcher's fraudulent clients who were given public assistance benefits were not New York City residents, but were instead residents of Westchester County, Dutchess County, Orange County, and Connecticut, Massachusetts, Maryland, and Georgia, making them ineligible to receive New York City public assistance benefits. DOI examined records of EBT transactions made by a number of Fletcher's fraudulent clients and found that a great majority of the EBT transactions regularly occurred outside of New York City, which is another fraud indicator.

DOI found that between 2009 and 2015, Fletcher fraudulently issued over \$240,000 in SNAP benefits to at least nine individuals who were ineligible to receive SNAP benefits based upon their residence outside of New York City, income, and other resources.

On June 25, 2015, Fletcher and his co-conspirators were arrested and charged in the United States District Court for the Southern District of New York with Conspiracy to Commit Bribery, which carries a maximum sentence of up to 10 years' imprisonment, and Theft of Government Funds, which also carries a maximum sentence of up to 10 years' imprisonment. Fletcher was additionally charged with Solicitation and Receipt of Bribes, which carries a maximum sentence of up to 10 years' imprisonment, and Honest Services Fraud (through Mail Fraud), which carries a maximum sentence of 20 years' imprisonment. The case is pending.

HRA Employee Peter Ransome

In February 2013, HRA notified DOI of suspicious activity on public assistance client Jenneha Cooper's closed case. Generally, when a public assistance case has closed, the public assistance client no

residence. In order to create a budget, a caseworker must further obtain documentary proof from the SNAP applicant of shelter and utility costs, childcare and child support costs, medical expenses, and disability.

¹⁶ The documents get scanned into an electronic repository known as the HRA One Viewer.

¹⁷ DOI has recommended disciplinary action against the supervisors identified in this investigation.

longer receives benefits and the client's case should not show any pattern of activity.¹⁸ DOI examined Cooper's closed case issuances and determined that two HRA employees in the Control Unit of HRA Richmond Center 99 were primarily responsible for continuously issuing her benefits, one of whom was Peter Ransome.

Ransome was an HRA Clerical Associate assigned to the Richmond Center 99 in Staten Island from 1989 to 2014. Ransome's primary assignment was in the Center's Control Unit.¹⁹ At that time, Control Units were responsible for manually processing cash assistance and SNAP benefits. Generally, HRA caseworkers are responsible for making eligibility determinations and budget calculations for all public assistance clients. As a Clerical Associate, Ransome's responsibility was to perform data entry of information from HRA caseworkers' handwritten paper forms into WMS, which then triggers payment to the public assistance client. Although Ransome had direct access to WMS, unlike HRA caseworkers and supervisors, he did not have the authority to issue public assistance benefits.

The other Clerical Associate who worked with Ransome in the Control Unit later informed DOI that she routinely shared her WMS credentials and password with Ransome, which would allow Ransome to log in to the WMS computer system under the other individual's identity. Ransome later admitted to DOI that he had exchanged WMS credentials with this individual.

DOI conducted physical surveillance of Cooper and Ransome on several occasions and observed Ransome at Cooper's residence. DOI also observed both Cooper and Ransome making cash withdrawals from an ATM using Cooper's EBT card.

DOI cross-referenced the date and time of Cooper's issuances with the time and leave records of Ransome and the other individual who staffed the Control Unit. The analysis showed that between August 2012 and September 2013, while Ransome was at work and the other individual was absent from work, her WMS credentials were used to access Cooper's case on over 20 occasions. The analysis also showed that, on over 20 additional occasions when the other individual reported for work and Ransome was in the office, Cooper's public assistance case was accessed using the other individual's WMS credentials before she arrived at work or after she had left for the day.²⁰

Cooper subsequently admitted to DOI that Ransome issued public assistance funds to her, which she accessed through her EBT card. Cooper also admitted to DOI that she shared the proceeds with Ransome.

DOI determined that, from approximately August 2012 to approximately September 2013, Ransome used the other individual's WMS credentials to issue "Immediate Needs" grants to Cooper's closed public assistance case even though Cooper had not re-applied for benefits. The total amount of benefits issued within the 12 month period was over \$94,000, an amount that exceeded the 2013 national median household income of \$52,250.²¹ The benefits issuances lacked the required forms and supporting documentation to justify the need. Immediate Needs grants are also meant for first-time applicants

¹⁸ However if eligible, a closed public assistance case can be re-opened and further benefits issued.

¹⁹ Since December 2014, HRA Control Units have been removed from all HRA centers and the function of Control Units is now centralized at a single HRA facility known as the Centralized Data Entry (CDE) unit located in Brooklyn, New York.

²⁰ HRA employees use a hand-scanner to register their time upon arrival and departure from work into City Time.

²¹ *Household Income: 2013*, U.S. Census Bureau (September 2014).

awaiting benefits. Therefore, a case which is continuously issued Immediate Needs grants, such as Cooper's case, may indicate fraud.

Cooper was arrested on March 17, 2015 in connection with this investigation and charged with Grand Larceny in the Third Degree and Welfare Fraud in the Third Degree, each charge having a maximum sentence of up to seven years' imprisonment. Ransome was arrested on June 25, 2015 in connection with this investigation and charged with Grand Larceny in the Second Degree and Welfare Fraud in the Second Degree, each charge punishable by a maximum sentence of up to 15 years' imprisonment; Receiving Reward for Official Misconduct in the Second Degree, which is punishable by a maximum sentence of four years' imprisonment; and Official Misconduct, which is punishable by a maximum sentence on one year imprisonment. The cases against Ransome and Cooper are pending.

III. RECOMMENDATIONS

DOI has met with HRA leadership and they have agreed to implement and, in certain instances, have already begun implementing the following DOI recommendations meant to close corruption vulnerabilities:

RECOMMENDATION #1: Within the next three months, HRA should deploy HRA's Office of Program Accountability (OPA) staff to partner with DOI using data analytics to identify potential fraud for further investigation.

RECOMMENDATION #2: Within the next three months, HRA should design and implement a secured, electronic reporting method of internal fraud reports to DOI on a regular basis.

RECOMMENDATION #3: HRA should continue to partner with DOI to identify critical eligibility and benefit calculation processes in POS to automate and then implement these automations.

RECOMMENDATION #4: HRA should continue to explore and implement methodologies of quality assurance for supervisory review of cases, including the Selective Case Review (SCR)²² methodology, which HRA has implemented for SNAP cases.

RECOMMENDATION #5: HRA should increase the frequency of its training for supervisors with emphasis on the need for supervisors to adequately review cases and the possible administrative and criminal consequences to supervisors for inadequate reviews.

RECOMMENDATION #6: HRA should request that the New York State Office of Temporary and Disability Assistance (OTDA)²³ and the USDA design and implement a comprehensive EBT fraud identification training program for warehouse-type retail stores that accept EBT transactions.

²² New York State requires that each social service district tasked with administering public assistance employ supervisors to review all public assistance cases prior to their submission for payment. SCR is an alternative quality assurance methodology developed by New York State. It relieves the local social service agency of the requirement of supervisory approval of all public assistance cases, and instead permits the review of randomly-selected sample of cases. In SCR, POS sends a randomly selected subset of cases processed by caseworkers to their supervisors for review. All other cases processed by the caseworker are transmitted directly to WMS for payment. The random selection of cases ensures that caseworkers with fraudulent intentions cannot predict whether a fraudulent issuance will be audited through the SCR.

²³ OTDA oversees HRA's administration of public assistance benefits.

IV. CONCLUSION

As a result of DOI's investigation, two current HRA employees and two former HRA employees were arrested along with their numerous criminal associates. The Fletcher, Peralta, and Watson-Jackson cases are currently being prosecuted by the United States Attorney's Office for the Southern District of New York and are pending in the United States District Court for the Southern District of New York. The Ransome case is currently being prosecuted by the Richmond County District Attorney's Office and is pending in the New York City Criminal Court.

DOI's investigation uncovered the theft of approximately \$2.4 million of government funds between 2008 and 2015 that were intended for New York City public assistance recipients, and DOI found that HRA's computerized case management system, POS, lacked automation in certain case processing functions which contributed to the fraud, and HRA supervisors failed to adequately review benefit issuances before approving them.

DOI has found that HRA has already undertaken some significant proactive reforms against fraud and corruption and other reforms are underway. HRA leadership has agreed to continue these efforts and implement the recommendations set forth in this report to ensure its anti-corruption measures are lasting.

GLOSSARY

AJOS – Associate Job Opportunity Specialist.

AJOS-I – Associate Job Opportunity Specialist Level 1.

AJOS-II – Associate Job Opportunity Specialist Level 2.

BFI – Bureau of Fraud Investigation.

CDE – Centralized Data Entry.

EBT – Electronic Benefits Transfer.

ES – Eligibility Specialist.

FIA – Family Independence Administration.

JOS – Job Opportunity Specialist.

OTDA – New York State Office of Temporary and Disability Assistance.

PIN – Personal Identification Number.

POS – Paperless Office System.

SNAP – Supplemental Nutritional Assistance Program.

WMS – Welfare Management System.