



The City of New York
Department of Investigation

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LABOR BROKER CONVICTED OF INSURANCE FRAUD IN PROCURING WORKERS' COMPENSATION INSURANCE

Daniel G. Cort, Acting Commissioner of the New York City Department of Investigation ("DOI"), issued a statement on today's guilty plea by CONSOLIDATED NY SERVICES, INC. ("CONSOLIDATED"), of Brooklyn, N.Y., a labor broker in the construction industry in New York City, to one count of Insurance Fraud in the Second Degree, a class C felony. CONSOLIDATED was convicted of falsifying an application for workers' compensation insurance that was submitted to the New York State Insurance Fund ("NYSIF"), which has a mission of providing affordable workers' compensation insurance to New York employers. As part of the negotiated plea, the company was promised a conditional discharge upon payment of \$75,000 to NYSIF, the amount of the fraud. Sentencing was adjourned until January 17, 2023. The plea was entered before Judge Charlotte E. Davidson in New York County Supreme Court. DOI investigated the matter in partnership with the Manhattan District Attorney's Office and NYSIF.

DOI Acting Commissioner Daniel G. Cort said, "Labor brokers who defraud the workers' compensation fund not only undermine the finances of the fund but place injured workers' financial security at risk. Construction workers at City construction sites must be covered by workers' compensation insurance. DOI will continue to work with the Manhattan District Attorney's Office and the New York State Insurance Fund to expose insurance scams and protect these essential worker protection funds."

According to the criminal complaint and the investigation, the defendant company is a labor broker supplying labor to various construction companies in New York City, and was required to obtain workers' compensation insurance. From approximately April 6, 2016, to March 9, 2018, CONSOLIDATED submitted to NYSIF an application for workers' compensation insurance that contained materially false information about its annual payroll and the type of work its workers performed, which NYSIF used to calculate CONSOLIDATED's insurance premiums. Specifically, in its application, CONSOLIDATED claimed that it was in the commercial cleaning business with a total annual payroll of less than \$30,000. In fact, CONSOLIDATED worked in the construction industry, and its total annual payroll far exceeded \$30,000. The false information provided by CONSOLIDATED allowed the company to receive insurance coverage through NYSIF at a lower price that did not accurately reflect the company's business nor its annual payroll. Additionally, CONSOLIDATED failed to submit its books and records for review as requested by NYSIF's auditors.

This investigation was an outgrowth of another insurance fraud investigation, in which defendants are charged with scheming to evade more than \$1 million in insurance premiums. That case is pending in court. Read more about it here: <https://www1.nyc.gov/assets/doi/press-releases/2019/sep/2019-09-05-SouthsideRelease.pdf>

Acting Commissioner Cort thanked Manhattan District Attorney Alvin Bragg, and his staff, for their partnership and prosecution of the matter. The case was prosecuted by Assistant District Attorney Kenneth Moore, under the supervision of Chief of the Rackets Bureau Jodie Kane.

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Acting Commissioner Cort also thanked NYSIF Chairman Kenneth R. Theobalds and Executive Director and CEO Gaurav Vasisht and their staff, including NYSIF Investigator Maliaka Williams, for their partnership on the investigation.

The investigation was conducted by DOI's Office of the Inspector General for the Department of Buildings, specifically Assistant Inspector General Dan Taylor under the supervision of Inspector General Gregory Cho, Deputy Commissioner/Chief of Investigations Dominick Zarrella, and Acting First Deputy Commissioner Phillip Hung.

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.

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