



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

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**CEO AND BUSINESS PARTNER CHARGED WITH MASSIVE SCHEME
TO DEFRAUD NEW YORK CITY'S HOMELESS SERVICES PROGRAMS**

*Defendants Perpetrated the Scheme Through Childrens Community Services, a Non-Profit
Organization that Had Over \$900 Million in Contracts with the City*

Damian Williams, the United States Attorney for the Southern District of New York, and Jocelyn E. Strauber, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the indictment of PETER WEISER and THOMAS BRANSKY for conspiring to defraud the City of New York (the "City") of millions of dollars through a multifaceted scheme to corruptly profit from the provision of temporary housing and homeless services in New York City. BRANSKY was the Chief Executive Officer of Childrens Community Services, Inc. ("CCS"), a purported not-for-profit homeless services provider formed and initially funded in part by WEISER. BRANSKY, in turn, fraudulently steered lucrative service contracts ultimately paid for by the City to a group of entities owned and controlled by WEISER. WEISER and BRANSKY intentionally concealed WEISER's involvement in the formation and operation of CCS and his ownership and control of certain entities that contracted with CCS, including by submitting false statements and documents to the City. WEISER and BRANSKY were arrested earlier today and will be presented before U.S. Magistrate Judge Valerie Figueredo in Manhattan federal court later today. The case is assigned to U.S. District Judge J. Paul Oetken.

U.S. Attorney Damian Williams said: "As alleged, the defendants engaged in a yearslong scheme to pocket millions in taxpayer dollars through the systematic exploitation of City programs intended to meet the basic needs of some of the most vulnerable New Yorkers – homeless men, women, and children. Worse still, the defendants allegedly perpetrated this massive scheme under the guise of a not-for-profit organization named 'Childrens Community Services.' Thanks to the persistent efforts of the New York City Department of Investigation and the Special Agents and career prosecutors of my Office, these two men will face justice for their brazen graft."

DOI Commissioner Jocelyn E. Strauber said: "These two defendants, as charged, used New York City's need for providers of homeless services as an opportunity for fraud and

personal profit. Through a nonprofit entity, Childrens Community Services, and related companies, the defendants caused the City to pay over \$50 million that the City would not otherwise have paid to these entities, including in inflated prices and unreasonable mark-ups for goods and services, as alleged in the Indictment. As charged, the defendants concealed their scheme by straw ownership of companies, false statements, and fictitious bids. I am grateful for the meticulous, exhaustive work of DOI's investigators and of the U.S. Attorney's Office for the Southern District of New York, our partners in the fight to protect critical public resources from wrongdoers, and for the cooperation of the City Department of Social Services.”

According to allegations in the Indictment filed in Manhattan federal court:¹

From at least in or about 2014 through at least in or about January 2020, THOMAS BRANSKY, who was the Chief Executive Officer of CCS, and his business partner, PETER WEISER, conspired to defraud the City agencies responsible for the administration of homeless services. Between in or about November 2014 and in or about February 2020, CCS was awarded 12 contracts with the City worth approximately \$913 million. BRANSKY fraudulently steered lucrative service contracts with CCS — contracts ultimately paid for by the City — to a group of affiliated entities owned and controlled by WEISER (the “Weiser Entities”). To carry out their scheme, WEISER, BRANSKY, and other individuals who worked with them intentionally concealed WEISER’s involvement in the formation and operation of CCS and his ownership and control of certain of the Weiser Entities from the City, including by submitting false statements and documents to the City.

WEISER and his associates created the Weiser Entities to profit unlawfully from the City’s provision of homeless services by capturing downstream revenues arising from CCS’s massive contracts with the City. For the most part, the Weiser Entities were created for the sole purpose of providing goods and services to CCS. WEISER and BRANSKY attempted to disguise the Weiser Entities as legitimate providers of, among other things, IT services and hardware, security services, office and living furniture, and food services. In reality, and with few exceptions, the Weiser Entities were fly-by-night companies with no or few employees. In most cases, the Weiser Entities obtained goods and services from legitimate third-party vendors and then re-sold those goods and services to CCS at marked-up and, in some cases, grossly inflated prices. For example:

- *Delta IT Solutions LLC (“Delta”)*: In or about December 2016, WEISER and his associates created the Weiser Entity Delta to sell IT services and hardware to CCS at inflated prices and in violation of the City’s conflict-of-interest policies. Internal Delta records reflect significant markups for goods that Delta purchased from vendors (such as Amazon and Staples) and resold to CCS. For example, an internal Delta pricing list from 2019 shows markups of up to 330% for items such as routers, printer cables, and surge protectors. Likewise, Delta charged a 331% markup for telecom services that Delta obtained from a third-party provider. These exorbitant markups were not disclosed to the City.

¹ As the introductory phrase signifies, the entirety of the Indictment and the description of the Indictment set forth herein constitute only allegations, and every fact described should be treated as an allegation.

- *AMX Distributors, LLC (“AMX”)*: WEISER and one of his associates created the Weiser Entity AMX to source and supply various consumer goods, including furniture, to CCS at inflated prices and in violation of the City’s conflict-of-interest policies. Through AMX, WEISER sold furniture and supplies to CCS, including, among other things, beds, mattresses, sheets, towels, pillows, sofas, cribs, microwaves, refrigerators, chairs, tables, and toiletries. WEISER sold these goods to CCS at unjustified markups of up to 309%.
- *511 Realty Management, LLC (“511 Realty”)*: CCS contracted with a Weiser Entity called 511 Realty to lease certain residential and commercial properties. However, 511 Realty provided no legitimate services. Instead, 511 Realty made monthly rent payments to third-party landlords on CCS’s behalf. For this, 511 Realty charged hefty markups to CCS and, as a result, the City. For example, CCS would make monthly payments to 511 Realty of approximately \$24,000 for CCS’s office space in the Rockaway Offices. 511 Realty, in turn, would pay the landlord \$17,500 monthly, representing a 37% markup, for essentially doing nothing more than writing a check; the markup increased to 46% by in or around 2019.
- *Pronto Cleaning Services, LLC (“Pronto”)*: A Weiser Entity called Pronto Cleaning contracted with a legitimate janitorial services company to provide cleaning services at CCS offices and facilities. Pronto, which had no employees, resold those cleaning services to CCS at an approximately 56% markup, which was paid for by the City.

WEISER and BRANSKY, along with their coconspirators, attempted to conceal the scheme from the various City agencies and components responsible for the administration of homeless services. The defendants and their coconspirators solicited straw owners to appear on paper as the owners of the Weiser Entities when, in reality, WEISER owned, financed, and controlled each Weiser Entity. Moreover, WEISER, BRANSKY, and their coconspirators made and caused to be made false statements to City officials and personnel about, among other things, the ownership of the Weiser Entities, the interconnectedness of the Weiser Entities, the selection process through which CCS awarded contracts to the Weiser Entities, and the ability and experience of the Weiser Entities in providing quality goods and services.

Likewise, to evade and bypass the City’s fraud-detection and cost-saving policies and procedures, WEISER and BRANSKY, along with their coconspirators, caused CCS to award contracts to the Weiser Entities without using a competitive bidding process, conducting proper due diligence, completing necessary documentation, or obtaining requisite approvals. When questioned by the City, BRANSKY at times made and caused to be made false statements, including that the required documentation had been misplaced when, in fact, it had never been completed. At other times, WEISER created and/or solicited fictitious competing bids and caused those fictitious bids to be submitted to the City to secure contracts between CCS and the Weiser Entities and to conceal the inflated pricing.

WEISER, BRANSKY, and their coconspirators caused CCS — and, as a consequence, the City — to pay the Weiser Entities more than \$50 million for goods and services. The City would

not have authorized or made these payments had proper and truthful disclosures about the Weiser Entities been made. The fraudulent scheme harmed the City in numerous ways, including: (i) the City paid inflated prices resulting from the unnecessary insertion of middlemen (the Weiser Entities) between legitimate providers of goods and services and CCS; (ii) the City paid objectively unreasonable markups for certain goods and services; and (iii) CCS's subversion of the mandatory bidding process and concealment of its conflicts of interest exposed the City to the risk — often realized — that the City would not obtain the best value for its money.

Through the scheme, WEISER collected more than \$7 million in illicit profits, and BRANSKY earned more than \$1.2 million in salary as the CEO of CCS.

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WEISER, 80, of Lawrence, New York, and BRANSKY, 47, of Woodmere, New York, are each charged with one count of conspiracy to commit wire fraud and one count of wire fraud, which each carry a maximum sentence of 20 years in prison, and one count of embezzlement of government funds, which carries a maximum sentence of 10 years in prison. In addition, WEISER is charged with one count of money laundering, which carries a maximum sentence of 20 years in prison.

The maximum potential sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants will be determined by the judge.

Mr. Williams praised the outstanding investigative work of DOI and the Special Agents of the U.S. Attorney's Office.

The prosecution of this case is being handled by the Office's Complex Frauds and Cybercrime Unit. Assistant U.S. Attorneys Nicholas Chiuchiolo, Jilan Kamal, and Sagar K. Ravi are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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