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**FORMER NEW YORK CITY HUMAN RESOURCES ADMINISTRATION
EMPLOYEE AND TWO OTHERS CHARGED WITH STEALING
HUNDREDS OF THOUSANDS IN HRA FUNDS**

Geoffrey S. Berman, the United States Attorney for the Southern District of New York, Lesley Brovner, Acting Commissioner of the New York City Department of Investigation ("DOI"), and James D. Robnett, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation ("IRS-CI"), announced today that ELIANA BAUTA, GERALDINE PEREZ, and ERIC GONZALES were charged in Manhattan federal court with six counts related to their theft of over \$300,000 in funds from the New York City Human Resources Administration ("HRA"). BAUTA perpetrated the offenses in her capacity as an HRA employee. PEREZ is also charged with a separate fraudulent scheme involving over \$90,000 of stolen or fraudulently issued Treasury checks. BAUTA was arrested by the U.S. Marshals in Florida, and was presented in the United States District Court for the Middle District of Florida this afternoon. PEREZ and GONZALEZ will appear tomorrow for presentment in the Southern District of New York before Magistrate Judge Gabriel W. Gorenstein.

Manhattan U.S. Attorney Geoffrey S. Berman said: "As an HRA employee, Eliana Bauta was supposed to help New Yorkers in need. Instead, she and her co-defendants allegedly helped themselves, stealing hundreds of thousands in emergency benefits funds. As today's arrests make clear, we will not tolerate alleged abuses of trust in City agencies, and we remain committed to ensuring that federal and local funds go to the intended recipients, not the pockets of unscrupulous employees and their families and friends."

IRS-CI Special Agent-in-Charge Robnett said: “When stolen identities are used to file fraudulent tax returns, it robs all of us. IRS-CI will investigate these alleged crimes and protect this country’s tax administration.”

According to the allegations in the Complaint filed today in Manhattan federal court:^[1]

HRA is an agency of the City of New York responsible for administering the majority of the City’s public assistance programs. Among other things, HRA provides temporary, emergency cash assistance to individuals and families with social service and economic needs to assist them in reaching self-sufficiency. The emergency assistance is funded by the federal government as well as by New York State and City.

Since in or about 2015, DOI has been investigating two related schemes in which an HRA employee – ELIANA BAUTA – defrauded HRA and the City of New York by using her position to commit public assistance fraud. BAUTA worked as a Job Opportunity Specialist for HRA from approximately January 2008 to on or about May 23, 2018. As a Job Opportunity Specialist, BAUTA was at various points responsible for interviewing benefits applicants, compiling and submitting applicants’ paperwork, and disbursing applicants’ benefits.

In the first of the two schemes, BAUTA is alleged to have caused the fraudulent issuance of emergency benefits funds to relatives and acquaintances, including GERALDINE PEREZ and ERIC GONZALES, among others, who in truth and in fact did not qualify for those funds. For example, BAUTA altered a police report submitted by an actual HRA client by changing the name of the victim to a family member’s name, and then entered the doctored report into HRA systems in support of a request for benefits to be issued to that family member. On another occasion, BAUTA submitted a request for emergency benefits to be issued to an individual after an alleged disaster, but no such disaster had occurred, and the payments were intended to repay that individual for putting a supernatural curse on BAUTA’s ex-boyfriend. Both PEREZ and GONZALEZ were knowing recipients of such fraudulently issued funds and shared the proceeds with BAUTA.

In the second scheme, BAUTA is alleged to have obtained access to and misappropriated emergency benefits checks issued to actual HRA clients. Instead of providing the checks to the legitimate clients in need of emergency funding, BAUTA gave them to PEREZ and GONZALES, among other of BAUTA’s relatives and associates, who deposited the checks in their own bank accounts and withdrew the funds, and then shared the proceeds with BAUTA. In total, the two schemes resulted in losses to HRA of at least \$309,000 in public funds.

In addition to obtaining stolen HRA checks into her bank account and the bank accounts of family members, PEREZ is also alleged to have deposited or caused to be deposited into these same accounts improperly obtained United States Treasury checks that were issued to other individuals as tax refunds. In total, 23 such checks worth over \$91,000 were deposited into bank

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

accounts of PEREZ and her family members and associates. PEREZ then split the proceeds with a tax preparer who assisted in the scheme.

* * *

ELIANA BAUTA, 35, GERALDINE PEREZ, 60, and ERIC GONZALES, 26, all of the Bronx, New York, are each charged with one count of conspiracy to commit federal program theft, which carries a maximum sentence of five years in prison; two counts of federal program theft, each of which carries a maximum sentence of 10 years in prison; one count of conspiracy to commit wire fraud, which carries a maximum sentence of 20 years in prison; and one count of conspiracy to commit bank fraud, which carries a maximum sentence of 30 years in prison. BAUTA is also charged with one count of aggravated identity theft, which carries a mandatory consecutive sentence of two years in prison. PEREZ is also charged with one count of receiving stolen government money or property, which carries a maximum sentence of 10 years in prison. The statutory maximum sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants would be determined by the judge.

Mr. Berman praised the investigative work of DOI and the IRS, and noted that the investigation is continuing.

This case is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys Paul Monteleoni and Catherine Ghosh are in charge of the prosecution.

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

18-420

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New York City Department of Investigation

**A Report on Financial Fraud in the
Emergency Benefits Check Disbursement Program at the
New York City Human Resources Administration**

**LESLEY BROVNER
ACTING COMMISSIONER**

**Milton Yu
Inspector General
For the Department of Social Services**

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EXECUTIVE SUMMARY

The New York City Human Resources Administration (HRA)¹ administers public assistance programs for eligible New Yorkers in need, including cash assistance for emergency housing-related expenses. From June 2015 to July 2018, the New York City Department of Investigation (DOI), in partnership with the United States Attorney's Office for the Southern District of New York and the United States Internal Revenue Service Identity Theft Task Force, conducted an investigation into the theft of hundreds of thousands of dollars from these emergency benefits programs by an HRA employee and her co-conspirators. As alleged in the federal complaint, DOI's investigation revealed that HRA employee Eliana Bauta and her associates stole over \$368,000 in public assistance benefits by causing emergency benefits to be fraudulently issued to ineligible persons and by misappropriating unclaimed emergency benefits checks. On November 29, 2018, Bauta was arrested on federal charges of Conspiracy to Commit Federal Program Theft, Federal Program Theft, Conspiracy to Commit Wire Fraud, and Conspiracy to Commit Bank Fraud, among other charges. Bauta's co-conspirators were arrested on November 30, 2018, on the same charges. Bauta was additionally charged with Aggravated Identity Theft. While investigating this matter, DOI also discovered that a Bauta associate was involved in an identity theft scheme resulting in the theft of over \$112,000 in U.S. Treasury checks. That associate, Geraldine Perez, was additionally charged with Receiving Stolen Government Money or Property.

HRA initially referred this matter to DOI in May 2015. DOI's investigation established that Bauta caused emergency benefits to be fraudulently issued to ineligible recipients between

¹ HRA helps over three million New York City residents in need through the administration of more than 12 major public assistance programs, including cash assistance and food assistance. HRA has over 14,000 employees and administers over \$9.7 billion in public assistance funds annually.

2012 and 2014 without initial detection by HRA. Bauta's misconduct was made possible by vulnerabilities in HRA's supervisory oversight, which has since been addressed by recommendations in DOI's December 2015 report to HRA. HRA accepted and is implementing the recommendations from that report.² The relevant misconduct in this case attributable to HRA's lack of supervisory oversight pre-dates DOI's previously issued recommendations.

DOI also identified vulnerabilities in HRA's emergency benefits checks disbursement process that enabled Bauta to misappropriate unclaimed checks. DOI found that HRA does not adequately track or audit emergency benefits checks that are printed and issued at local HRA Job Centers,³ which allowed unclaimed check thefts to continue undetected. To mitigate these vulnerabilities, DOI recommends that HRA take steps to minimize the printing of paper checks at all local Job Centers and enable all Job Centers to reliably track the remaining paper checks that are printed. DOI further recommends that HRA's Office of Program Accountability (OPA) conduct regular audits to ensure that all emergency benefits checks printed and issued at Job Centers are retrieved by the intended payees or timely destroyed.

This Report discusses the vulnerabilities in HRA's emergency check disbursement process and sets forth DOI's recommendations to HRA to mitigate these vulnerabilities. HRA referred the initial matter to DOI, cooperated with DOI's investigation, and has accepted DOI's recommendations. DOI will monitor HRA's implementation of these recommendations.

² DOI Report on Employee Fraud and Program Vulnerabilities at the New York City Human Resources Administration (Dec. 2015).

³ 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 Supplemental Nutrition Assistance Program (SNAP) through 16 SNAP Centers throughout New York City.

I. INVESTIGATION

A. HRA identified suspicious benefits transactions

In June 2015, HRA-OPA identified a pattern of suspicious transactions involving several public assistance recipients who received repeated grants of housing-related emergency benefits between 2013⁴ and 2014 without providing HRA with the requisite documentation to justify the issuance of such benefits.⁵

Applicants are required to provide frontline HRA caseworkers with documents showing the applicants' need and eligibility for emergency benefits to allow HRA to verify eligibility and to calculate the emergency benefits grants prior to their issuance. HRA caseworkers archive applicants' supporting documentation in its case management system where it can be accessed and reviewed by HRA supervisors who ultimately approve, modify, or deny caseworkers' benefit budget calculations. DOI reviewed the suspicious cases in HRA's case management system and found no supporting documentation archived in the system for any of the aforementioned recipients.⁶ Under these circumstances, HRA wrongly issued benefits to these recipients.

In addition, HRA typically grants such housing-related emergency benefits to recipients as "single issuances," which means the benefits are intended to address discrete emergencies as they

⁴ DOI later determined that fraud occurred as early as 2012.

⁵ These emergency benefits include the following: (1) Home benefits, used to provide funding for furnishings to eligible individuals who have moved into a new residence; (2) Storage fees benefits, used to provide funding to eligible individuals to store their belongings in the event they are displaced from their home; and (3) Disaster household furnishings and replacements benefits, used to provide funding to eligible individuals to replace household furnishings damaged in a disaster.

⁶ An additional indication of fraud is that some of the benefits were issued under HRA's Emergency Assistance for Adults program (EAA). However, none of the public assistance recipients identified received Supplemental Security Income (SSI), a prerequisite for EAA.

arise, rather than to address ongoing needs.⁷ According to HRA, the repeated issuance of emergency benefits to recipients is unusual, given the purpose of this particular type of benefit and the short timeframe. The public assistance recipients HRA-OPA identified in this case received multiple grants of emergency benefits within a short period of time. For example, in some of the cases described above, HRA repeatedly issued benefits to the same recipient to help pay for household furnishings and expenses precipitated by a move to a new residence. These issuances were fraudulent.

HRA conducted an audit of its case management system and found that HRA Job Opportunity Specialist Eliana Bauta, who was assigned to the Crotona Job Center, handled and processed the above cases. HRA referred its preliminary findings to DOI for investigation.

B. DOI confirmed Eliana Bauta and her associates misappropriated HRA benefits funds

DOI's investigation found that Bauta caused benefits to be fraudulently issued to her relatives and acquaintances when she was working as a frontline HRA caseworker at the Crotona Job Center. DOI also found that when Bauta's role changed and she was no longer handling cases as a frontline HRA caseworker, she engaged in a second scheme in which she stole unclaimed emergency benefits checks from the Crotona Job Center that were ultimately deposited into her relatives' and acquaintances' bank accounts. These schemes are detailed below.

1. Scheme One: Fraudulent Benefits Issuances

DOI found the earliest instance of fraud occurred in 2012, and that between 2012 and 2014, Bauta caused over \$103,000 in emergency benefits to be fraudulently issued to her relatives and

⁷ Emergency benefits are provided for particular emergency events. Ongoing benefits, by contrast, are typically provided monthly for a specified duration, such as cash assistance or Supplemental Nutrition Assistance Program (formerly referred to as food stamps).

acquaintances in her capacity as a frontline HRA caseworker. Bauta accomplished this scheme by knowingly filing documentation containing false or materially misleading information to fraudulently issue each benefit, including fraudulent housing and income information, or by filing no supporting documentation and designating her relative or acquaintance as eligible to receive the benefits. For example, in Bauta's scheme, each fraudulent client received single issuance benefits, which are generally infrequently issued for a given household because these benefits are intended to address discrete emergencies as they arise. However, Client A received 24 housing-related grants between July 2014 and January 2015, Client B received 24 housing-related grants between January 2014 and December 2014, and Client C received nine housing-related grants between June 2014 and August 2014.

2. Scheme Two: Unclaimed Benefit Check Thefts

DOI determined that between 2014 and 2017, Bauta stole over 400 unclaimed emergency benefits checks with a total value over \$264,000 from the Crotona Job Center, where she worked in its Disbursements and Collections (DC) unit during that period. Generally, HRA issues and prints emergency benefits checks at the client's local Job Center for immediate issuance to the client or his or her designated payee. Bauta worked in the DC unit and it is alleged that she stole the checks. At the Crotona Job Center, the DC unit prints and processes emergency benefits checks. According to Crotona Job Center officials, Crotona Job Center staff wait approximately "two to three months" before voiding any unclaimed checks. DOI learned that HRA does not have agency-wide parameters concerning when to void unclaimed checks. Consequently, each Job Center is free to set their own parameters to void unclaimed checks.

DOI found that Bauta misappropriated the unclaimed emergency benefits checks she stole and falsified HRA records to indicate those checks had been retrieved by the intended payees.

Bauta had access to the unclaimed emergency benefits checks because of her role in the DC unit where she was responsible for distributing checks to the intended payees. Bauta was also responsible for making logbook entries to document that individual payees appeared at the Crotona Job Center to retrieve their emergency benefits checks. DOI found that Bauta made numerous false logbook entries that purported to show intended payees retrieved their emergency benefits checks. In fact, those checks were deposited into Bauta's relatives' and acquaintances' bank accounts.

C. DOI identified additional fraud by Bauta associates

During the course of this investigation, DOI also found that Bauta co-conspirator, Geraldine Perez was involved in the theft or the fraudulent issuance of over 50 U.S. Treasury checks in the total amount of over \$112,000. DOI discovered that some of these checks were federal income tax refund payments that were never received by the intended payees. DOI found other checks were federal income tax refund payments that Perez and her co-conspirators caused to be fraudulently issued by falsely assuming the identities of the named payees. All of the U.S. Treasury checks were found to have been deposited into bank accounts controlled by Perez and her co-conspirators. Perez has been charged with Receiving Stolen Government Money or Property stemming from her conduct in this scheme.

II. HRA VULNERABILITIES

A. Inadequate supervisory case review

DOI found that Bauta's supervisors failed to adequately review Bauta's work as a frontline HRA caseworker between 2012 and 2014. As a result, HRA did not detect Bauta's fraudulent conduct, which allowed Bauta to cause benefits to be fraudulently issued to her relatives and acquaintances without proof or documentation of eligibility for approximately two years. In

December 2015, after the relevant period of Bauta’s fraudulent benefits issuances, DOI issued its Report on Employee Fraud and Program Vulnerabilities at the New York City Human Resources Administration⁸ that addressed inadequate caseworker supervision and case review by making policy and procedure recommendations to HRA to correct supervisory deficiencies. DOI’s recommendations were issued after the misconduct described in Scheme One. HRA accepted and implemented those recommendations.

B. Inadequate emergency benefits checks tracking

DOI found that the HRA Crotona Job Center does not have a reliable process to track emergency benefits checks after the checks have been printed at the center. As noted above, DOI learned that the Crotona Job Center does not generally void an unclaimed emergency benefits check until two or three months after the check’s issuance, despite the emergency nature of the issuance that requires these checks to be printed at the local job center for immediate retrieval to provide clients with quick and convenient access to the necessary funds.⁹ DOI also found that the Crotona Job Center does not monitor the status of emergency benefits checks disbursement unless a recipient notifies the Job Center that he or she has not received a check.

In addition, the Crotona Job Center maintains a “Daily Client Signature Log,” a paper logbook used to record emergency benefits checks disbursement through handwritten entries by staff. When a payee arrives at the Crotona Job Center to retrieve an emergency benefits check, DC staff records information in the logbook, including the check number, the check’s amount, and the payee’s identification method. The payee also signs the logbook to acknowledge receipt of the

⁸ <https://www1.nyc.gov/assets/doi/reports/pdf/2015/2015-12-01-Pr38HRAFraud.pdf>.

⁹ Generally, benefits are issued to Electronic Benefits Transfer (EBT) cards assigned to a household. Non-emergency checks are generally printed in a central processing facility and mailed to the designated payee.

check, and the DC staff signs the logbook to acknowledge the check was transferred to the payee. DOI found that the Crotona Job Center did not perform any meaningful audit of the logbooks to ensure intended payees actually retrieved emergency benefits checks or that proper identification documents were provided at the time of retrieval. As discussed above, Bauta's false logbook entries misrepresented that payees had actually retrieved the emergency benefits checks. Moreover, DOI learned that the emergency benefits check disbursement process is similar across all HRA Job Centers.

III. CONCLUSION AND RECOMMENDATIONS

DOI's investigation revealed that Bauta and several associates stole over \$370,000 in public assistance benefits. DOI also found that HRA's current emergency benefits check disbursement process is susceptible to fraud. Based upon these findings, DOI makes the following policy and procedure recommendations to HRA. HRA has agreed to the recommendations and has begun taking steps toward their implementation:

- 1) HRA should take steps to improve the emergency benefits check disbursement and pick-up process at all Job Centers to allow for better program auditing and fraud detection.
 - a) HRA should replace handwritten logbook entries with an electronic system for capturing emergency benefits check disbursement information. HRA should consider implementing an image and data-capture system that verifies check recipients have valid credentials and real identities. This system should also capture an image of the individuals retrieving the checks and his/her identification documents.
 - b) HRA should establish policy to limit the period during which an emergency benefits check can remain unclaimed at all Job Centers, and to cancel such checks after that time.

- 2) HRA-OPA should conduct regular audits of all emergency benefits checks printed at Job Centers to ensure that checks have been properly issued and retrieved within a reasonable period.
- 3) HRA should conduct a review of the benefits currently issued under the emergency benefits checks disbursement process with the goal of limiting, or eliminating altogether, paper checks.