



**UNITED STATES ATTORNEY'S OFFICE**  
*Southern District of New York*

U.S. ATTORNEY PREET BHARARA

FOR IMMEDIATE RELEASE  
Friday, January 6, 2012  
<http://www.justice.gov/usao/nys>

CONTACT: U.S. ATTORNEY'S OFFICE  
Ellen Davis, Carly Sullivan,  
Jerika Richardson  
(212) 637-2600

DOI  
Diane Struzzi  
(212) 825-5931

**MANHATTAN U.S. ATTORNEY CHARGES FDNY SUPERVISING  
INSPECTOR WITH PARTICIPATING IN MASSIVE DAY CARE FRAUD  
AND BRIBERY SCHEME**

*Defendant Allegedly Accepted Tens of Thousands of Dollars in Bribes to Ignore Potential Safety  
Violations at Brooklyn Day Care Centers*

Preet Bharara, the United States Attorney for the Southern District of New York, and Rose Gill Hearn, the Commissioner of the New York City Department of Investigation ("DOI"), announced today charges against New York City Fire Department ("FDNY") Supervising Inspector CARLOS MONTOYA for allegedly participating in a massive fraud and bribery scheme through which day care center owners fraudulently obtained more than \$1million dollars intended to help needy parents with public assistance for day care services. MONTOYA is charged with receiving tens of thousands of dollars in bribes in exchange for taking official action to benefit day care centers in Brooklyn, New York. He was arrested this morning in Brooklyn, New York, and presented this afternoon in Manhattan federal court.

Manhattan U.S. Attorney Preet Bharara said: "Carlos Montoya was responsible for certifying that day care centers throughout the city complied with fire safety standards, but instead, he allegedly solicited bribes to look the other way, potentially compromising the safety of the children who attended these centers. His arrest today is the latest in a wide-ranging scheme that defrauded a program designed to help the city's low-income, hard-working parents and to provide a safe and secure environment for their children. We will not tolerate public servants who place greed above responsibility, and they will be punished."

DOI Commission Rose Gill Hearn said: "This City Fire Inspector traded his integrity and professional responsibility as a supervisor for tens of thousands of dollars in bribes, according to the charges. His arrest caps an extensive investigation that uncovered a \$1 million day care fraud and bribery scheme and led to five City employees and eight day care operators pleading guilty so far. These convicted defendants filled their pockets with the ill-gotten gains of this wide-ranging fraud, falsifying official records, siphoning taxpayer funds, and betraying the best interest of the City's children. DOI and the U.S. Attorney's Office for the Southern District of

New York worked in partnership to build a case that delivers the indelible message that individuals who exploit social service programs will be exposed and held accountable.”

According to the Complaint unsealed today in Manhattan federal court:

### *Background*

In an effort to help low-income parents obtain gainful employment, New York City (“the City”) administers a program to subsidize the day care costs incurred by low-income parents. This day care subsidy program is funded through a combination of local, state, and federal money, and is administered by the New York City Human Resources Administration (“HRA”) and the New York City Administration of Children’s Services (“ACS”).

In the City, children’s day care centers must be approved by the New York City Department of Health and Mental Hygiene (“DOH”) and the FDNY, and must abide by all relevant city rules and regulations. To operate a day care center, providers must apply for a permit from DOH and undergo two inspections – one by DOH to determine whether the space may be appropriately used as a day care center, and the other by FDNY to ensure that the space has adequate fire safety features. Before being approved by DOH, the day care provider must also produce proof that the physical space has been issued a certificate of occupancy by the New York City Department of Buildings (“DOB”) that indicates it is approved to be used as a day care facility. After a facility is licensed by DOH as a day care provider, DOH and FDNY perform annual inspections to ensure that the provider is continuing to meet DOH requirements. DOH and FDNY also perform any additional inspections as necessary.

### *Overview of the Criminal Scheme*

From 2008 through August 2010, a group of day care center owners who referred to themselves as the “Congregation” engineered and/or participated in a scheme to defraud New York City through the day care centers they owned. Based on HRA records, as well as the statements of multiple witnesses, members of the Congregation received more than \$1 million from the City for day care services that they did not actually provide.

As part of the scheme, the Congregation made corrupt payments to HRA employees so that they would provide the names of eligible low-income children – without the knowledge of the children or their parents – that the Congregation could use to request reimbursement for services that were never provided. Members of the Congregation also made corrupt payments to DOH employees so that they would (a) issue day care center permits to members of the Congregation even though the applications were incomplete and did not satisfy mandatory requirements, and (b) ignore or minimize health and fire safety violations committed by members of the Congregation so that they could receive new or amended permits and/or avoid losing existing permits.

As part of the scheme, members of the Congregation allegedly made corrupt payments to MONTROYA. MONTROYA has worked for the FDNY as a Fire Protection Inspector since 1993. Since 2005, he has been a Supervising Inspector in the FDNY Public Buildings Unit. In that capacity, he oversaw the fire inspections of all day care centers in the City. The corrupt payments were allegedly made to MONTROYA so that he would, among other things, (a) ignore or minimize fire safety violations at the day care centers owned by members of Congregation so

that they could receive new or amended permits and/or avoid losing existing permits; (b) provide fake temporary certificates of occupancy that purportedly enabled the day care centers to provide day care services to infants, which they otherwise were not allowed to provide; and (c) assist them in fraudulently obtaining amended permanent licenses from the DOH that increased the number of infants and children for which they could provide day care services. By providing services to infants and increasing the number of infants and children in their care, members of the Congregation increased the amount they could bill the city.

For example, one member of the Congregation allegedly gave MONTROYA approximately \$12,000 in exchange for fake certificates of occupancy that indicated the building and its cellar could be used to provide services to infants. In fact, the building was listed as a warehouse on its real certificate of occupancy. MONTROYA provided these fake certificates without performing any safety inspections and even though the building did not have adequate fire protection equipment.

In exchange for approximately \$15,000, MONTROYA assisted another member of the Congregation in obtaining an amended license from DOH that increased the number of infants that could attend the day care center. MONTROYA solicited other members of the Congregation to pay him \$10,000 each in return for similar services. MONTROYA also approved day care centers as having passed inspections in return for cash bribes.

\* \* \*

MONTROYA, 54, of Brooklyn, New York, is charged with conspiring to commit mail fraud and conspiring to receive bribes in connection with a federally-subsidized program. He faces a maximum sentence of 20 years in prison on the conspiracy to commit mail fraud charge, and a maximum sentence of 5 years in prison on the bribery conspiracy charge.

Mr. Bharara praised the investigative work of DOI.

MONTROYA's arrest is the 17th in "Operation Pay Care," a joint investigation led by the U.S. Attorney's Office for the Southern District of New York and DOI. To date, 13 defendants – five City employees and eight day care owners – have been convicted for their participation in the scheme. Of the convicted defendants, three City officials have been sentenced: Leonid Gutnik, a former Job Opportunity Specialist/Child Care Specialist for HRA, received 40 months in prison, Aurora Villareal, the former Borough Manager for Brooklyn and Staten Island Group Child Care Programs at DOH, received 48 months in prison, and Emile Nekhala, a former employee at DOH, received two years in prison. Two day care operators have been sentenced – Lyudmila Grushko received nine months in prison and Yana Krugly received six months in prison. Charges were dismissed against three defendants.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant U.S. Attorneys Harris Fischman, Michael Bosworth, and Brent Wible are in charge of the prosecution.

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