



The City of New York
Department of Investigation

ROSE GILL HEARN
COMMISSIONER

80 MAIDEN LANE
NEW YORK, NY 10038
212-825-5900

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CONTACT: DIANE STRUZZI
(212) 825-5931

**DOI RECORDS 848 ARRESTS IN 2008,
MORE THAN DOUBLE THE NUMBER IN 2007, WITH FEWER STAFF MEMBERS.**

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation ("DOI"), announced today the agency's accomplishments for Calendar Year 2008, which include arrests of 848 individuals, a record high number -- far in excess of previous years -- that reflects the diversity of DOI's investigations. The increase in DOI's arrests outpaced a 15% rise in the number of complaints it received, from 12,947 in 2007, to more than 14,800 in 2008. DOI investigators also conducted 692 corruption prevention lectures, 8% more than the previous year, and the agency closed 1,447 cases, a 23% increase from 2007.

DOI Commissioner Rose Gill Hearn said, "These statistics demonstrate DOI's strong message of deterrence and its comprehensive approach to protecting the City and its taxpayers from wrongdoing. DOI investigators are working harder than ever to expose corruption and fraud, bring those responsible to justice, and join forces with the City's agencies and law enforcement officials to promote integrity."

In 2008, DOI's cases focused on diverse areas such as fire and construction safety, housing fraud and wrongdoing at publicly-funded nonprofits. DOI dedicated substantial resources to intensive investigations of the fatal crane collapses at 51st and 91st streets, the fatal fire at 130 Liberty Street and the ongoing investigation into discretionary funds at the City Council. The following are highlights of DOI's most significant cases in 2008:

- The indictment of The John Galt Corp.; Jeffrey Melofchik, Site Safety Manager for construction manager Bovis Lend Lease LMB, Inc.; Mitchel Alvo, Director of Abatement for Galt, Bovis' subcontractor; and Salvatore DePaola, a Galt foreman. DOI had strongly objected to the manner by which the Lower Manhattan Construction Command Center permitted Bovis to hire The John Galt Corp. to demolish the building at 130 Liberty Street.
- DOI arrested more than 200 individuals who had failed to address open fire code violations as part of a continuing and joint enforcement effort with the New York City Fire Department ("FDNY"). The more than 200 individuals were arrested for failure to appear on fire code violations and brought to court to answer the citations. The effort began in 2007, included two Citywide sweeps in 2008 and, to date, has resulted in hundreds of fire code violations in mainly commercial establishments now being addressed, and returned more than \$90,000 in revenue to the City. Those arrested faced fines for charges of violating the fire code in various ways, including failing to maintain a standpipe, blocking exits, overcrowding in a nightclub and improper fuel storage. The violations were issued for businesses, institutions and multiple dwellings.
- Some investigations, such as DOI's housing fraud cases, consistently uncover schemes perpetrated by individuals, including City employees, who have made misrepresentations to garner housing and/or public benefits they were not entitled to collect. These scammers take scarce resources intended for people who are truly in need. In 2008, DOI arrested 105 individuals, both City employees and others, for abusing City housing programs, including the theft of more than \$2.2 million in government housing funds.

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Building Strategic Partnerships to Ensure Safety

- In addition to the 2007 Deutsche Bank fire, the City has repeatedly seen, this past year, the tragic connection between integrity issues and safety in what can be disastrous consequences in high-rise construction projects. DOI spearheaded various criminal investigations and administrative enforcement actions with the Department of Buildings (“DOB”) and the City’s prosecutors to target corruption, fraud and unsafe construction practices. Working with those partners, DOI attacked wrongdoing on two fronts, building cases for criminal and administrative prosecution, to send a definitive message that wrongdoing would bring a coordinated and swift response from the City. DOI’s efforts in this area included:
 - The investigation of a wall collapse in Brooklyn that killed an immigrant worker, resulting in the indictment of William Lattarulo, a contractor, on a manslaughter charge, for failing to properly support the neighboring foundation as the new building’s foundation was being dug, and the indictment of Abraham Hertzberg, a licensed engineer who, despite having lost his self-certification privileges in the City, designed excavation plans for the project and fraudulently signed and stamped them in the name of another licensed engineer.
 - DOI arrested over a dozen individuals on charges of paying bribes and giving unlawful gratuities to DOB inspectors who reported the bribe offers to DOI. In all of the cases, honest DOB employees reported to DOI that they had been offered illegal cash payments by contractors, homeowners and business owners. In many cases, the DOB employees worked jointly with DOI investigators to gather the evidence required to make the arrests. Most of the offers were initially made to induce DOB inspectors to overlook violations they discovered during inspections of commercial and residential properties throughout the City.
 - A top-to-bottom review of DOB’s Cranes and Derricks division resulted in the arrests of two veteran DOB employees, Inspector Edward Marquette, who in March was charged with falsifying Cranes and Derricks inspection records, and Assistant Chief Inspector James Delayo, who in June was charged with receiving bribes from a crane company, falsifying mobile crane inspection reports and tampering with licensing exams. DOI also worked with the Manhattan District Attorney in an investigation that resulted in the indictment of a crane company, Nu-Way Crane Service Inc., Michael Sackaris, a Nu-Way executive, and Michael Pascalli, an employee, in connection with that bribery scheme.
 - Based on the corruption uncovered by DOI, and as the result of a DOI recommendation, DOB overhauled the testing process it administers for Hoist Machine Operators’ (“HMO”) class C licenses, designating an experienced private company to create and administer the test.
 - In July, DOI conducted a proactive inspectional sweep with DOB of 49 construction sites in Manhattan, Brooklyn, Queens and the Bronx to determine whether the crane operators were properly licensed. The positive news was that investigators found the operators all in compliance. However, they also found an expired permit for operation of a tower crane at 600 W. 42nd St. in Manhattan. A violation and a partial stop work order for operation of that crane were issued.
 - DOI immediately investigated, with DOB, the death of a construction worker during the dismantling of the tower crane at the 600 West 42nd Street construction site on September 4, 2008, which led to the immediate suspension and later surrender of the job supervisor’s Master Rigger’s license and to administrative penalties against two licensed HMOs, including license suspensions of six and eight months respectively and fines of \$25,000 against each for unsafe practices and Construction Codes violations.
 - A DOI investigation into a fatal scaffolding accident at 226 West 111th Street in Manhattan led to criminal charges against a contractor for instructing another employee to pose as a DOB-certified rigging foreman at the job site, even though that employee was not qualified. Through this investigation, DOI later discovered that the contractor was actually a Pakistani national who is allegedly in the United States illegally. The contractor was detained by federal authorities and the rigger’s license used in the fraud was surrendered.
 - DOI’s investigative work contributed to an indictment by the Manhattan District Attorney’s Office of seven employees of the Testwell Group, and the company, on state racketeering charges for defrauding numerous government agencies, including the DOB, and private clients in connection with

fraudulent construction materials testing. DOI had a lead role in the investigation. Five others were also indicted for crimes related to the schemes.

- Along with federal and state agencies, DOI participated in a nearly four-year undercover investigation into the illegal activities of the Gambino and Genovese Crime Families that resulted in dozens of arrests. DOI's role in this case was focused on the influence of organized crime in the City's construction industry.

Protecting Public Funds

- DOI's goal is not only to remove corrupt individuals but to identify and reform practices that permit corruption. That philosophy is best demonstrated in DOI's successful investigations uncovering fraud at not-for-profits, an effort that began in 2005 with the Gloria Wise case and has continued with DOI exposing various fraud involving public officials and unscrupulous insiders who siphoned funds from not-for-profit organizations that received City money. DOI now has an established unit to focus on that kind of case. In 2008, DOI's investigations led to the following arrests:
 - In the spring, DOI and federal prosecutors from the U.S. Attorney's Office for the Southern District of New York ("SDNY") announced that a City Councilmember's Chief of Staff, Asquith Reid, and a staffer, Joycynth Anderson, were indicted for embezzling at least \$145,000 in Council discretionary funds originally intended for three not-for profits. That prompted an outreach by DOI, urging whistleblowers to report embezzlement of City money allocated to not-for-profit organizations, which resulted in additional tips from the public. The probe into how the City Council spends its discretionary funding is ongoing and demonstrates the intricate nature of the investigations DOI tackles.
 - DOI uncovered and halted two significant and long-running embezzlement schemes within the City's Administration for Children's Services ("ACS") involving the theft of hundreds of thousands of dollars by two long-term fiscal managers of that agency and their associates. The full extent of their thefts of public funds intended to assist children is yet to be determined in DOI's ongoing investigation with ACS's assistance. In July, DOI and the SDNY announced the arrests of four individuals in two overlapping schemes:
 - Lethem Duncan, ACS's Deputy Director for Payment Services, was charged in an embezzlement conspiracy with two individuals - Stay Thompson and Philbert Gorrick - affiliated with Concord Family Services, Inc., an ACS-funded foster care agency. Their scheme entailed billing ACS - and dividing the proceeds among themselves - for fictitious services that Gorrick, a computer consultant, supposedly provided to Concord. DOI found that in 2005 Duncan, unhampered by any internal controls, arranged for a \$375,000 check to be drawn on a City account, ostensibly to pay for such services, which in fact were illusory. And in April 2008, Thompson and Gorrick created a second fictitious payment request they assumed was going to ACS for the stunning sum of \$711,420 and were arrested in July after they received a City check for that amount from Duncan, who by then had been confronted by DOI and was cooperating in its investigation.
 - Nigel Osarenkhoe, ACS's Supervisor of Adoptions within its Payment Services Department, was charged in an adoption-subsidy scheme that centered on his fabricating phony adoption cases in ACS's computers to trigger a flow of fraudulent adoption subsidy payments to his associates, including \$145,000 to Stay Thompson, who in turn shared the proceeds with Osarenkhoe and Duncan. Osarenkhoe once told Duncan that all he needed was "a name" to create the fraudulent adoption payments, and Duncan then recruited Thompson to pose as an adoptive parent under the name "Stay Daniels." The charges against Osarenkhoe and Thompson cover the years 2005 through July 2008, but DOI's investigation is ongoing. In July, Duncan pled guilty to federal charges covering both schemes described here.
 - In November, a DOI investigation resulted in federal embezzlement charges against Hugh Blackburn, a former deputy director at St. Albans, Inc., an ACS Head Start program, which was contracted to serve low-income children and families in Queens. Blackburn was charged in an elaborate scheme, creating shell companies to steal hundreds of thousands of dollars from St. Albans, Inc., and La Peninsula Community Organization, Inc., a Head Start program in the Bronx.

- In December, a DOI investigation led to the arrest of O'Dell Holland, the program director of Tremont Community Council Home Attendant Program, Inc., a Medicaid-funded, Bronx nonprofit home attendant program that contracted with the City Human Resources Administration between January 2004 and June 2008. Holland was charged by the SDNY with embezzling more than \$500,000 in funds from the nonprofit between 2007 and 2008.
- DOI advocates and investigates on behalf of the City and has made recovering stolen City funds and protecting the City's finances a priority, pursuing criminal and civil forfeiture, restitution and other financial recoveries. In 2008, as a result of DOI investigations recoveries of approximately \$22 million have been ordered or agreed to on behalf of the City. Of that amount, approximately \$6.12 million was recovered by DOI as part of its investigation into the theft of September 11th funds at the City Office of the Chief Medical Examiner ("OCME"). DOI investigators aggressively and successfully traced financial transactions to India to recoup the funds that had been embezzled in the scheme.

Successful Results

- Several DOI investigations, including those involving public officials, resulted in guilty pleas and/or sentencing in 2008:
 - DOI aggressively pursued an investigation of Judith Leekin who illegally adopted disabled children in New York, abused them, and reaped \$1.68 million in fraudulently-acquired adoption subsidy money. Leekin devastated the lives of 11 vulnerable children consigned to her care, eventually moving to Florida, where she kept them under deplorable conditions. The investigation found that by fraudulently using fictitious names and filing false adoption recertification forms, Leekin succeeded in turning ACS's adoption program for needy, disabled children into a source of significant income to support her own affluent life-style. Leekin pleaded guilty, and in July 2008, a federal judge sentenced her to 130 months in prison after the court received and cited a letter from DOI about the depravity of her conduct.
 - In March, former state legislator and labor leader Brian McLaughlin pleaded guilty to a federal racketeering and fraud charge. The conviction was the result of DOI's involvement in an investigation spanning many years that proved, among other things, that McLaughlin stole money from the union's bank account, accepted payments from union contractors and maintained a secret interest in a company doing business with the union. As part of his guilty plea, McLaughlin agreed to forfeit \$2.2 million that he derived from his crimes and to forfeit a property on Long Island.
 - In April, then-State Assemblywoman Diane Gordon was convicted on corruption charges resulting from a DOI undercover investigation. The case, prosecuted by the Brooklyn District Attorney's Office, revealed that Gordon had marketed herself as a corrupt legislator ready to use her position to help a private builder unlawfully acquire City-owned land in her district if, in exchange, he would build her a half-million-dollar house in a gated community in Queens for practically no money. Gordon was stripped of her elected office and sentenced to between two and six years in prison.
 - Two former employees of OCME, convicted of the theft of September 11th funds, were sentenced to significant prison sentences in 2008. Rosa Abreu, the former Director of Records at OCME, is serving over 5½ years and was ordered to pay more than \$1 million restitution and forfeiture for her role in the theft. Natarajan "Raju" Venkataram, the former Director of Management Information Systems at OCME, was sentenced to 15 years, fined \$50,000, and ordered to pay \$2.9 million in restitution and forfeiture.

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

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. 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.

**Get the worms out of the Big Apple.
To report someone ripping off the city, call DOI at (212) 825-5959.**