



The City of New York
Department of Investigation

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Release #38-2004
nyc.gov/html/doi

FOR IMMEDIATE RELEASE
WEDNESDAY, JUNE 30, 2004

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DOI ARRESTS TWO MEN FOR FALSE BILLING SCHEME
--They billed company for nearly \$100K in services they didn't provide--

ROSE GILL HEARN, Commissioner of the Department of Investigation (DOI), announced today the arrests of two men, one of whom purported to have worked on a variety of private sector jobs and the other for authorizing payment on the purported work even though he knew it hadn't been done.

PHILIP J. MCHUGH, 62, of Manhattan, and LOUIS ESPOSITO, 55, of Port Washington, Long Island, have been charged with Grand Larceny in the Second Degree, Conspiracy in the Fourth Degree, Falsifying Business Records in the First Degree and Falsifying Business Records in the Second Degree. If convicted, they each face up to fifteen years in prison.

From December 1997 through September 1999, MCHUGH, the owner of Five Star Mechanical in Brooklyn, submitted 17 fake invoices worth more than \$97,000 to Mainco Elevator and Electrical Corp. in Long Island City, Queens for repairing walls and floors and fixing masonry work in elevator shafts and elevator motor rooms. MCHUGH's invoices indicated that Five Star had performed work on Mainco's behalf throughout the City at locations including Saks Fifth Avenue and New York University. ESPOSITO, who at the time was the Vice-President of Mainco, approved and authorized expedited payment to his subcontractor, Five Star Mechanical even though he knew that Five Star had not done the work for which it had billed. In turn, Mainco received reimbursement for \$92,000 worth of inflated expenses from its unwitting parent company, Thyssen Krupp Elevator. MCHUGH cashed the checks made payable to his company at a payroll services outpost (similar to a check cashing outfit) where he maintained an account. Thyssen Krupp ultimately terminated Esposito's employment in June 2002.

DOI previously conducted an investigation of the elevator industry and arrested in 1996 a number of NYC Department of Buildings elevator inspectors for accepting bribes in order to expedite inspections. Out of concern for this misconduct, NYCHA required some elevator companies, in order to be awarded new contracts, to hire and pay for an Independent Private Sector Inspector General (IPSIG) to monitor their financial and operational activities in an effort to detect and prevent wrongdoing. Mainco was one of the companies required to employ a monitor. Mainco's IPSIG reported MCHUGH and ESPOSITO's alleged scheme to DOI. The quality of Mainco's work for NYCHA was not compromised by this scheme. Five Star never did business for NYCHA.

Commissioner Rose Gill Hearn said, "Today's charges represent the importance of having IPSIGs work with City contractors. I am extremely pleased that while we were able to root out this wrongdoing we also found that that neither NYCHA nor the City was victimized by this greedy scheme."

The Commissioner thanked Mainco's IPSIG, William J. Richmond, CFE of Corporate Compliance, Ltd. and Andrew B. Melnick, Esq. of The James Mintz Group, as well as Thyssen Krupp Elevator and the HUD Office of the Inspector General for their assistance in this case.

The investigation was conducted by DOI Assistant Commissioner and NYCHA Inspector General Steven A. Pasichow and members of his staff, including Counsel to the Inspector General Judith Abruzzo, Acting Deputy Inspector General Ralph Iannuzzi, and Confidential Investigator Denis Kennedy. The Office of Richard Brown, District Attorney, Queens County, is prosecuting the matter. Assistant District Attorney David Chen is handling the matter under the supervision of Assistant District Attorney Brian Mich, Chief of the Economic Crimes Bureau.

Criminal complaints are merely an accusation. 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 311 or DOI directly at (212) 825-5959.