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REMARKS OF DOI COMMISSIONER ROSE GILL HEARN REGARDING ARRESTS IN DAY CARE FRAUD

Eleven defendants arrested in a sweeping corruption scheme that cuts across City agency lines, engulfed four day care directors including the mastermind who was pulling all the strings, Liudmila Umarov, known as the “Queen of Day Care” to some of her associates. Unfortunately, Umarov and her Congregation co-conspirators were ably assisted by 7 City employees who worked at three agencies who played roles that were vital to the success of this illegal activity. Collectively, these defendants hijacked our day care benefit program for their personal and lucrative gain. The details are laid out in this extraordinary 20-page complaint unsealed today.

This investigation rapidly unfolded over the past few weeks, with dozens of DOI investigators working around-the-clock to expose a prolific criminal network that touched at least three City agencies and more than 30 day care centers. Three of DOI’s investigators happen to be Russian speakers, which greatly facilitated our investigation. This investigation has been a full-court press with our federal partners with results that include: 11 arrests, 9 admissions to wrongful conduct, 2 search warrants executed – and it’s not over.

We uncovered a criminal scheme in which children’s interests were sacrificed for greed. These defendants variously held jobs that were supposed to protect and enrich children’s lives. But their focus became about money. The focus of this ongoing investigation is exposing and shutting down the corruption so that the City’s publicly-funded day care program serves only children in need, not the corrupt interests of the group of people who are charged with these crimes.

The investigation found that Health Department employees were allowing day care centers to operate without the proper qualified staff and space required by the Health Code; and in some cases without assurances of the proper Fire and Buildings protections being in place. DOI alerted the appropriate Health Department officials to the need for prompt and thorough inspections of these facilities. Last week, Health officials began a comprehensive inspection of all Umarov-related day care centers, which is still ongoing. To date, DOH has inspected 11 centers and 6 have been shut down due to a variety of violations. DOI has been to all of the Umarov-associated day care centers, 38 in total that were still in operation, to conduct interviews and collect documents.

The tentacles of the defendants’ criminal scheme penetrated several City agencies that are involved with the day care program. The Congregation defendants used cash and jewelry to cultivate the corrupt stream of vouchers to their centers, and the sign-offs that the City employees could make happen, and that were crucial to carry out the criminal activity. These agencies were supposed to serve as a check and balance on one another in this process; and one of the four supervisors at the Health Department was supposed to be a check over her colleagues within her agency; however, they joined together with the Congregation to further the fraud. Umarov’s ability to compromise these City employees and work the system was very profitable.

In light of what has been uncovered in this case, namely, ineligible children converted in the system to eligible for vouchers; “ghost children” meaning children whose names and information were taken without their family’s knowledge and used to generate vouchers for services not rendered – giving a whole new meaning to children having “imaginary friends”; fraudulently backdating vouchers; and steering people from shelters - we will work with the City agencies to target and correct any weaknesses in procedures uncovered in this investigation.

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As DOI investigators closed in on this scheme in recent weeks, some of the City employee defendants began deleting evidence from or fabricating evidence in City databases in a desperate, but unsuccessful, effort to cover up the scheme. Ultimately, many of the defendants made admissions to DOI regarding the futile cover up and their respective roles in the scheme.

Gutnik, Umarov, and their co-conspirators reduced hundreds of needy children to commodities. The fact is that over 100,000 children are enrolled in the City's various day care programs; over 71,000 are enrolled in the voucher program at issue in this case. It is an extremely important program that low-income people depend on. Many City employees and providers do a wonderful job carrying out their fiduciary responsibilities in connection with the program. The actions of those people charged here today should not tarnish their work.

This complaint is a significant milestone, but it is by no means the end to this complex investigation. The criminal network uncovered by investigators is unique for its broad reach and its cunning strategy to corrupt all the key people.

I thank Dr. Thomas Farley of the Health Department, Commissioner Robert Doar of the Human Resources Administration, and Commissioner John Mattingly of the Administration for Children's Services, for the assistance provided to us by each of their respective agencies during this investigation.

Most especially, this investigation is the result of DOI's close partnership with the U.S. Attorney's Office for the Southern District of New York. For that, I thank U.S. Attorney Preet Bharara and his top-flight prosecutors and investigators who teamed with DOI's investigators to pull together the facts of this still unfolding scheme.

And I commend the DOI investigative teams that worked tirelessly on this investigation and highlighted the unique and wide-ranging expertise of the City's anti-corruption agency.

I also want to thank U.S. Homeland Security's Immigration and Customs Enforcement, and their Special Agent-In-Charge James Hayes, who is with us here today.

A criminal complaint is an accusation. A defendant is 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.

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