



The City of New York  
Department of Investigation

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**DOI INVESTIGATION UNCOVERS SECTION 8 BRIBE SCHEME; 19 INDIVIDUALS ARRESTED**  
**- Former City employee charged with selling rent vouchers and public subsidies for cash payoffs -**

ROSE GILL HEARN, Commissioner of the Department of Investigation ("DOI"), announced today that a DOI investigation has resulted in the indictment by the office of Bronx District Attorney Robert T. Johnson, of 19 individuals for illegally buying and selling federally-funded Section 8 rent vouchers issued by the City Department of Housing Preservation and Development ("HPD"). A former HPD supervisor and two associates not employed by the City are charged with collecting thousands of dollars in cash bribes from each of 16 City residents in exchange for the Section 8 rent vouchers and subsidies that the former HPD supervisor was able to procure by falsifying HPD records. The 16 individuals who paid for the vouchers are also charged with bribery in this broad-sweeping case that originated from an anonymous tip received by DOI.

As a result of the criminal scheme, HPD unwittingly paid several hundred thousand dollars of public funds for rent on the Bronx apartments from 2003 to 2008. For example, one tenant charged with bribery received more than \$54,000 in Section 8 rent subsidies in 46 months. DOI's wide-ranging investigation also resulted in HPD's taking separate administrative action and terminating, since 2006, the Section 8 rent subsidies of more than 200 individuals who were improperly added to the program, saving approximately \$4 million to date.

DOI Commissioner Rose Gill Hearn said, "DOI discovered and shut down a thriving black market structured around a savvy, corrupt City employee who exploited her insider's knowledge to fabricate and sell a valuable product in great demand. But that product - a Section 8 rent subsidy - was not hers to sell. Every public dollar that paid a bribe-giver's rent was diverted from an eligible, needy family waiting for their opportunity to acquire decent housing. Thanks to a painstaking DOI investigation and the determined efforts of the Bronx District Attorney's Office, the underground criminal scheme has been exposed and individuals who profited are being held accountable."

Commissioner Gill Hearn thanked HPD Commissioner Shaun Donovan and his staff for their cooperation and tremendous assistance in the investigation.

JOBA CORTORREAL, 37, of the Bronx, a former HPD employee who received an annual salary of \$35,759, was arrested on July 8 and has been indicted on 26 counts of Bribe Receiving in the Third Degree, a class D felony, punishable on conviction by up to seven years in prison, and 47 counts of Falsifying Business Records in the First Degree, a class E felony, punishable on conviction by up to four years in prison. CORTORREAL has been arraigned and is being held on \$150,000 bail. HPD hired CORTORREAL in October 2002 and terminated her employment in October 2006.

In addition, 16 individuals have been charged with Bribery in the Third Degree, a class D felony, for illegally purchasing Section 8 benefits, and two other individuals were charged with Bribe Receiving in the Third Degree for referring customers to CORTORREAL and sharing in the bribes.

DOI investigators, assisted by New York City Police officers and special agents from the U.S. Department of Housing and Urban Development (“HUD”), arrested 19 defendants in the past several days. The investigation is ongoing and additional arrest warrants have been issued. A list of the arrested defendants is attached.

#### HPD'S SECTION 8 PROGRAM

Section 8 is a federal housing-assistance program, funded through HUD and administered by state and local agencies, that pays monthly rent subsidies directly to the landlords of low-income families. Generally, Section 8 tenants pay 30% of their incomes toward their rent, and the Section 8 subsidy pays the remainder. Two New York City agencies, HPD and the New York City Housing Authority (“NYCHA”), administer separate Section 8 programs.

HPD manages about \$249 million in Section 8 funds per year, serving approximately 26,000 low-income households, and distributes applications to those who need assistance because of particular circumstances, such as homelessness, emergencies, and displacement from City-owned buildings undergoing renovations. In its Section 8 program, NYCHA currently serves a larger group of approximately 83,000 low-income households.

#### JOBA CORTORREAL

CORTORREAL worked in HPD's offices at 100 Gold Street, Manhattan, processing Section 8 applications and issuing vouchers to applicants whom other HPD employees had found eligible. Those duties gave her access to HPD's computerized and paper records of Section 8 applications and payments. In February 2005, CORTORREAL was promoted and began supervising several other HPD employees who also processed Section 8 applications. She is charged with using her access to create fraudulent Section 8 vouchers, which she sold, including through intermediaries.

#### DOI'S INVESTIGATION

In August 2005, an anonymous caller told DOI's Inspector General's Office (“OIG”) for NYCHA that a particular woman and other unnamed individuals had illegally purchased Section 8 vouchers for \$5,000 each. Because the woman was not listed in NYCHA's Section 8 records, the complaint was forwarded to DOI's OIG for HPD, where investigators found that she was receiving Section 8 benefits through HPD.

Probing further, DOI investigators identified several irregularities in HPD's records of the woman's Section 8 case, including mismatched applicant-identification numbers, a missing application, and a discrepancy between one record indicating that her eligibility for HPD's Section 8 program was based on an emergency relocation from an unsafe residence and other HPD records showing, to the contrary, that she was unknown to HPD's emergency bureau and had been residing in a household already receiving a Section 8 subsidy.

Further investigation established that HPD's computer and paper records had been improperly altered to substitute the woman for a man who had previously applied and been approved, legitimately, for Section 8 subsidies. In essence, DOI discovered that the woman bypassed HPD's application and vetting procedure and obtained more than \$10,000 in rent payments in a period of about one year because her name and identifying information were inserted into HPD's records in place of the bona fide applicant. The woman, who is not charged in the indictment announced today, voluntarily discontinued her Section 8 benefits immediately after meeting with DOI investigators.

Working with HPD's Information Technology and supervisory staff, DOI investigators identified several hundred Section 8 computerized case records that CORTORREAL had updated and that also bore mismatched applicant-identification numbers. DOI investigators then examined those records and the corresponding paper files and found numerous recurring irregularities, such as mismatched names,

inconsistent HPD records regarding applicants' eligibility for HPD's Section 8 program, missing documents, letters on outdated HPD letterhead signed by CORTORREAL, and letters purportedly written by different applicants' employers using the same language and format, most of which stated that the applicants were employed in low-wage jobs, such as babysitting, for small cash payments. The reported low wages allowed the applicants to claim the maximum Section 8 subsidies, which are based on applicants' reported incomes.

By methodically examining hundreds of records and interviewing witnesses, DOI investigators learned that between 2003 and 2006 numerous HPD Section 8 vouchers and benefits were illegally issued in exchange for thousands of dollars in cash payments for each fraudulently issued voucher, to CORTORREAL directly and through intermediaries. Those findings formed the basis of the criminal charges announced today. Section 8 recipients told investigators that they had learned through word of mouth – from relatives, friends, acquaintances, and overheard conversations in neighborhood shops – that the vouchers could be purchased for cash through an insider. Several purchasers said that they met with and paid the bribe recipients at various locations, including a real estate office in Washington Heights, acquaintances' homes, and even at HPD's office at 100 Gold Street.

In pure economic terms, the charged bribe-givers' illegal purchases of Section 8 vouchers were bargains. In round, conservative numbers broadly representative of the cases charged in the indictment, a tenant who for \$5,000 purchased a Section 8 subsidy paying \$10,000 per year toward his or her rent recouped the cost of the bribe in six months, doubled his or her money in a year, and quadrupled it in two years. Furthermore, once HPD began paying the illicit Section 8 subsidy, the purchaser could reasonably expect it to continue indefinitely. Six of the arrested defendants received subsidies for more than two years. If not for DOI's investigation, the scheme might have continued unabated for much longer.

The investigation was conducted by DOI's Office of the Inspector General for HPD, including Deputy Inspector General David Jordan; Assistant Inspector General Ondie Frederick, Confidential Investigators Maria Horvat, Marcel Dimbeng, Ghenaida Slack, Tom Yee, Gabriel Mombrun and Hamid Beltre, and Administrative Associate Hazel Morris, with assistance from other DOI investigators, including Inspector General Joseph Piazza and Special Counsel Catherine Riccards and from DOI's investigative squad of New York City Police Department detectives. The case was supervised by Deputy Commissioner Vincent E. Green and Associate Commissioner Julie Block.

DOI also received assistance from the Office of the Inspector General for HUD.

The office of Bronx District Attorney Robert T. Johnson is prosecuting the case, which has been assigned to Senior Assistant District Attorney Miriam Bell-Blair and Assistant District Attorney Jessica Lupo.

An indictment is 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.*

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To report someone ripping off the city, call DOI at (212) 825-5959.**