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DOI FINDS SUBSTANTIAL WRONGDOING AND IMPROPRIETY AT NOT FOR PROFIT

-- Using government funds, executives improperly paid themselves more than \$290,000; lent \$875,000 to one executive's company; and falsified medical records of pre-school children --

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (DOI), announced today DOI's findings from a two-year-long investigation into allegations of wrongdoing and impropriety at the formerly City-funded not-for-profit Gloria Wise Boys and Girls Club in the Bronx. The investigation found that Gloria Wise executives misappropriated and improperly obtained from Gloria Wise a total of \$1.2 million. The executives improperly obtained more than \$290,000 in income that was untaxed, on-top of already generous salaries, and much of it stolen from government agencies; transferred \$875,000 of Gloria Wise's money to a start-up commercial radio station, now called Air America, in which a Gloria Wise executive had a financial stake; and routinely falsified records to deceive government agencies about a number of matters, including how government funds had been spent to whether or not children attending a nursery school had received the required vaccinations.

The report was released today in conjunction with the arrests of CHARLES ROSEN, Gloria Wise's former Executive Director, and JEFFREY AULENBACH, the former Deputy Executive Director of Gloria Wise. ROSEN, 63, of the Bronx, and AULENBACH, 46, of Brooklyn, have been arrested on charges of Grand Larceny in the Third Degree and Obstructing Governmental Administration in the Second Degree. In addition, ROSEN has been arrested on charges of Forgery in the Second Degree. Their prosecutions are being handled by the New York State Attorney General's Office.

DOI Commissioner Rose Gill Hearn said, "DOI's investigation uncovered unscrupulous criminal activity and gross mismanagement at Gloria Wise, a not-for-profit that once received City, State, and Federal funding. The executives at Gloria Wise shamefully pilfered public funds to pay for their personal expenses, including cars, home renovations and more, while claiming to City agencies that the funds were earmarked for programs to benefit children and the elderly. Even more alarming, executives at Gloria Wise's nursery school falsified medical records, and thereby allowed children without the proper vaccinations to attend nursery school and potentially risk the health of other children. DOI will continue to be vigilant in ensuring that not-for-profits who receive City funding properly allocate that funding for the people and services for which it was intended. Lastly, I thank the Attorney General for prosecuting this case."

DOI's investigation began with an anonymous letter that alleged generally various improprieties but provided few specifics. From DOI's investigation of that letter came these findings and consequences, including prosecutions of executives and the loss of multiple contracts by what was once a reputable not-for-profit. At the time the anonymous letter was sent to DOI, Gloria Wise and its affiliate, Goose Bay Nursery and Kindergarten, held contracts valued at about \$9 million per year with three New York City agencies, the Departments for Youth & Community Development (DYCD) and the Aging (DFTA), and the Department of Education (DOE).

In June 2005, DOI shared its preliminary findings with DYCD, DOE, DFTA, and the New York City Housing Authority (NYCHA), and those City agencies terminated their funding to Gloria Wise, which by then included another Bronx-based not-for-profit Pathways for Youth, and declined to award them any new contracts or grants. Until that point, nearly 80% of Gloria Wise/Pathways funding came from the City.

According to DOI's report, Gloria Wise's executives fraudulently used Gloria Wise's money to pay their personal expenses for home-renovations and furnishings, new cars, parking, insurance and other purchases, and disguised them as Gloria Wise's expenses. And ROSEN paid himself and the executives unreported, five-figure "bonuses" from off-record bank accounts with money stolen from public agencies under the false pretense that it had been spent on track, wrestling, tennis and basketball programs for youngsters. In total, ROSEN collected an extra \$69,000; AULENBACH \$87,000; Deputy Executive Director of Programs Lorraine Corva nearly \$61,000; Director of Development Evan Montvel Cohen \$46,000; Fiscal Director Sinohe Terrero, \$13,000; and Budget Director Ibis Ozoria nearly \$14,000.

Moreover, Gloria Wise's executives deliberately obstructed DOI's investigation by falsifying, fabricating, and backdating documents, and being untruthful in interviews. DOI uncovered the subterfuge with a forensic examination of the falsified records. After one interview with DOI, in which he provided information that was untrue, ROSEN refused to participate in any further interviews based on his Fifth Amendment right against self-incrimination. Evan Montvel Cohen, a former principal director of the company that once owned Air America, also refused to answer questions under his Fifth Amendment right not to incriminate himself.

The report offered a variety of recommendations for City agencies that have or will sign contracts with not-for-profits so that they may better protect the City's taxpayers and the public from financial and programmatic misconduct at not-for-profits.

This report was based on DOI's interviews of witnesses and its review of various documents, including bank and other financial records and City agencies' contract files. DOI has shared its findings with the New York State Attorney General's Office, the State Education Department, which licenses nursery schools, the State Office of Children and Family Services and the City's DYCD, DOE, DFTA, and NYCHA. DOI is sharing its findings with the U.S. Department of Housing and Urban Development and the Internal Revenue Service.

After DOI discovered that Gloria Wise had improperly transferred \$875,000 to Air America, in September 2005, DOI requested that Air America deposit \$875,000 into an escrow account to be disbursed with DOI's authorization. In September 2006, DOI, on behalf of DYCD, DFTA, and DOE, recovered through a negotiated settlement with Gloria Wise's current management \$625,000 in City funds, much of which had been stolen and misspent by Gloria Wise's executives. Using the funds in the escrow account, Air America transferred the remaining balance to Gloria Wise for its operating expenses.

This investigation was conducted by DOI Deputy Commissioner of Investigations Daniel Brownell, Assistant Commissioner Benjamin Defibaugh, Deputy Assistant Commissioner Keith Schwam, First Deputy Inspector General Valentine Douglas, and Investigative Auditor Boris Galchenko. DOI thanks the New York State Attorney General's Office for its work on this matter.

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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