



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600

DOI
DIANE STRUZZI
(212) 825-5931

**ADMINISTRATION FOR CHILDREN'S SERVICES OFFICIALS AND
FOSTER-CARE AGENCY WORKERS INDICTED FOR EMBEZZLING
MONEY INTENDED TO ASSIST NEEDY CHILDREN**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the indictment of NIGEL OSARENKHOE, the former Supervisor of Adoptions within the New York City Administration For Children's Services ("ACS") Payment Services Department, STAY THOMPSON, a/k/a "Stay Daniels," the Fiscal Director at Concord Family Services, Inc. ("Concord"), and PHILBERT GORRICK, a former independent contractor with Concord, for conspiring to steal hundreds of thousands of dollars in ACS funds destined for needy children. OSARENKHOE, THOMPSON, and GORRICK were arrested on a Complaint in July, 2008, and were released on bail. LETHEM DUNCAN, another defendant charged in this case, pleaded guilty to an Information in July. According to the Indictment and other documents filed in Manhattan federal court:

The New York City Administration For Children's Services

ACS is a New York City agency responsible for, among other things, providing services to needy children and their families. Among other duties, ACS administers payments from New York City to parents who adopt needy children and to not-for-profits that find and provide child care subsidies to foster parents. ACS administers approximately \$32 million in adoption subsidy payments each month and approximately \$42 million in monthly payments to not-for-profit foster care agencies.

From 1998 through the time of the alleged conduct, DUNCAN served as the Deputy Director of the Payment Services Department of ACS. In that capacity, DUNCAN had the power to authorize ACS payments for services to, among others, not-for-profit foster care agencies and their independent contractors.

During the same time period, OSARENKHOE served as the Supervisor of Adoptions within ACS's Payment Services Department. In that capacity, OSARENKHOE was responsible for financial reporting of adoption subsidy payments. OSARENKHOE also served as a member of ACS's Quality Assurance Unit. As a result of these positions, OSARENKHOE had access to and knowledge of the ACS computer systems involved in the processing of adoption subsidy payments.

Concord Family Services, Inc.

Concord is a not-for-profit foster care agency that has been paid by ACS since 1990 to provide foster care services to needy children in New York City. Between 2005 and 2008, Concord had three contracts with ACS to provide foster care services, resulting in more than \$28 million in payments from ACS to Concord. From 2004 through the time the initial charges were filed, THOMPSON was the Fiscal Director at Concord. During the same time period, GORRICK controlled Contemporary Technologies Co. ("Contemporary Technologies"), a company that provides computer services to Concord as an independent contractor.

The Embezzlement Schemes

Adoption Subsidy Scheme

Since 2002, OSARENKHOE used his position at ACS to authorize adoption subsidy payments to be made to co-conspirators posing as adoptive parents who in fact did not adopt any children (the "Adoption Subsidy Scheme"). An adoption subsidy is a monthly payment mandated by New York State law to be made for the care, maintenance, and medical needs of an adopted child. Increased subsidies are available for an adoptee who fits the definition of handicapped or hard-to-place. The Indictment charges that from September 23, 2002, through April 4, 2006, OSARENKHOE fraudulently caused approximately \$265,930 in checks payable to his wife to be mailed to his prior residence.

In 2005, OSARENKHOE told DUNCAN that all he needed was a name in order to make unauthorized payments. DUNCAN provided THOMPSON's name, and from December 20, 2005 through August 1, 2007, OSARENKHOE fraudulently caused approximately \$145,845 in adoption subsidy payments to be mailed to THOMPSON, who shared

them with OSARENKHOE and DUNCAN.

In June 2008, using his position at ACS, OSARENKHOE sent another unauthorized adoption subsidy payment to THOMPSON. OSARENKHOE was arrested July 16, 2008 after he received a cash kickback in ACS's offices in New York, New York, of a portion of this adoption subsidy payment. The payment was made by DUNCAN, who was acting at DOI's direction.

Fictitious Services Scheme

In 2005, GORRICK and THOMPSON agreed that GORRICK would submit a fictitious request for payment to ACS for \$375,000 in computer services. DUNCAN arranged for ACS to make the payment, and GORRICK, THOMPSON, and DUNCAN shared the stolen money. GORRICK used proceeds to pay for, among other things: a 2006 BMW 750 LI sedan; a 2006 Range Rover; and at least \$30,000 in rental payments for a New York City apartment in a doorman building with a private garage.

In April 2008, GORRICK, again working with THOMPSON, submitted a fictitious invoice to ACS for \$711,420.25 in computer supplies which were never provided to ACS. GORRICK and THOMPSON were arrested the night of July 15, 2008 after they received an ACS check for the \$711,420.25 from DUNCAN, who was acting at DOI's direction.

The Charges

The Indictment charges OSARENKHOE, 49, with participating in a conspiracy to commit mail fraud. If convicted, OSARENKHOE faces a maximum sentence of 20 years in prison, as well as a maximum fine of the greater of \$250,000 or twice the gross gain or loss from the offense.

The Indictment charges THOMPSON, 43, with participating in a conspiracy to commit mail fraud, participating in a conspiracy to commit embezzlement, and money laundering. If convicted, she faces a maximum sentence of 20 years in prison on the conspiracy to commit mail fraud charge, 5 years in prison on the conspiracy to commit embezzlement charge, and 10 years in prison on the money laundering charge. She also faces a maximum fine on each charge of the greater of \$250,000 or twice the gross gain or loss from the offense.

The Indictment charges GORRICK, 53, with conspiracy to commit embezzlement. If convicted, GORRICK faces a maximum

sentence of 5 years in prison and a maximum fine of the greater of \$250,000 or twice the gross gain or loss from the offense.

LETHEM DUNCAN pled guilty on July 31, 2008, before United States District Judge JOHN G. KOELTL, to conspiracy to commit mail fraud, mail fraud, conspiracy to commit embezzlement, embezzlement, money laundering, and accepting illegal gratuities. DUNCAN faces a maximum sentence of 75 years in prison on these charges. He also faces a maximum fine on each charge of the greater of \$250,000 or twice the gross gain or loss from the offense.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys DANIEL STEIN and WILLIAM HARRINGTON are in charge of the prosecution.

The case has been assigned to United States District Judge BARBARA S. JONES. The charges contained in the Indictment and Complaint as to OSARENKHOE, THOMPSON, and GORRICK are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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