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PREVAILING WAGE CASES PRODUCE \$4.2 MILLION IN RESTITUTION FOR WORKERS

Two Investigations Result in Six Guilty Pleas and 11 Debarments

Attorney General Eliot Spitzer and NYC Department of Investigation (DOI) Commissioner Rose Gill Hearn today announced six felony guilty pleas from contractors who failed to pay legally required prevailing wages on major contracts with the New York City School Construction Authority and New York City Housing Authority. As a result of the investigations leading to the guilty pleas, 147 workers will receive restitution totaling over \$4.2 million in unpaid wages and 11 corporate and individual contractors will be barred from public works projects for five years.

The School Construction Authority contract involved Corinthian Construction Co., Inc., which performed emergency services for the School Construction Authority. The Housing Authority contract involved D&S Plumbing & Heating Corp./Zaffuto Construction Company, Inc., a joint venture, and its subcontractors, who were responsible for the largest Housing Authority construction project at the time, the revitalization of the Edgemere and Arverne Houses, now Ocean Bay Houses.

"Prevailing wage laws are intended to assure that public works projects are performed by trained workers and assure that those workers receive a fair wage," Spitzer said. "Employers who do not pay prevailing wages cheat workers, defraud taxpayers and make it harder for honest contractors to compete. We are determined to investigate and prosecute these violations of public trust."

DOI Commissioner Hearn said: "These contractors unjustly chose to enrich themselves rather than pay employees their rightful wages. This was a greedy move on the part of these contractors and I'm pleased that these hard-working individuals will finally recoup the money they are owed. The consequences of this illegal activity can include debarment from state or municipal public works contracts for at least five years."

According to a felony complaint filed in one of the cases, between January 1, 2003 and December 31, 2004, Corinthian Construction and its president, Andres Alvarez, of Lodi, New Jersey, submitted certified payroll reports falsely indicating that prevailing wage and supplemental benefits were paid to 38 employees. Both pleaded guilty to Offering a False Instrument for Filing in the First Degree, a Class "E" Felony, and Failure to Pay Wages in Accordance with state Labor Law, a Class "A" misdemeanor.

Under the plea agreement, Corinthian will pay restitution, including interest, of back wages of up to approximately \$1.9 million to 38 employees, plus \$600,000 towards a supplemental victim restitution

fund and \$292,000 in penalties.

As a result of the investigation of the Housing Authority construction projects, D&S/Zaffuto, the prime contractor, will pay up to approximately \$1.8 million restitution in back wages with interest to 109 employees who worked for the joint venture or its sub-contractors on the Ocean Bay Houses, Marlboro Houses and Moore Houses revitalization projects for the period July 1, 2001 through June 30, 2004.

Among the 109 employees who were not paid prevailing wages were 81 Housing Authority residents, who were hired as a result of a contract provision, known as "Section 3", that required contractors to use their best efforts to employ Housing Authority residents at the projects. Those 81 employees will be eligible for restitution in back wages with interest totaling \$786,000.

Also resulting from the Housing Authority investigation were four felony charges and guilty pleas to violations of the prevailing wage laws by D&S/Zaffuto subcontractors. They are: Columbus General Construction Corp. and its principal Mohammed Rashid; Harrison Jarvis d/b/a Two by Four Carpentry; and Tarcisio Ferreira d/b/a Nu-Look Painting.

The D&S/Zaffuto subcontractors are barred for a period of five years from performing state or municipal public work contracts. Also barred for the same period are Corinthian Construction, Zaffuto Construction, Angelo Zaffuto, Joseph Zaffuto and Andres Alvarez, the president of Corinthian.

Other individuals involved in the projects – including Darko Smilovic, Sal Zaffuto, and Tobi Caputi – must notify the Attorney General, until September 29, 2008, of any public work they intend to perform, give the Attorney General access to their bidding records, and provide complete and unfettered access to their sub-contractors to discuss the work on such projects.

The dispositions announced today cap a series of recent enforcement actions conducted jointly by the Attorney General's Labor Bureau and DOI. Since 2002, including these cases, the investigations have resulted in 10 felony pleas, six civil settlements, 30 debarments and the collection of over \$6.3 million in prevailing wages for workers.

The cases are being handled by Assistant Attorneys General Richard Balletta and James W. Versocki of the AG's Labor Bureau, under the supervision of Bureau Chief M. Patricia Smith. The School Construction Authority investigation was conducted by Inspector General Barbara DiTata and Deputy Counsel Gerard McEnroe of the New York City School Construction Authority's Office of the Inspector General. The New York City Housing Authority investigation was conducted by NYCHA's Inspector General Judith F. Abruzzo, Deputy Inspector General Irene Serrapica and Acting Assistant Inspector General April M. Mastrangelo of the New York City Housing Authority Inspector General's office. The Section 3 investigation was handled by Norma Ramos, Assistant Director of NYCHA's Office of the Contract Compliance, under the supervision of Fredrika A. Wilson, Director of NYCHA's Department of Equal Opportunity.

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