



The City of New York
Department of Investigation

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**DOI COMMISSIONER MARK G. PETERS REMARKS AT PRESS CONFERENCE ANNOUNCING
CHARGES AGAINST 14 INDIVIDUALS IN THREE SEPARATE CONSTRUCTION-RELATED SCHEMES**

Today's announcement of 14 individuals charged, including one pending arrest, involving three separate construction fraud schemes demonstrates what DOI investigations have shown again and again: There is an unquestionable, unbreakable link between construction integrity and safety.

When City inspectors fail to identify violations at properties in exchange for a bribe; when construction professionals sell their licenses for cash, paving the way for unpermitted work; when the presence of asbestos is ignored so construction can move forward without delay – worker and public safety is compromised.

I am proud to be standing with our partner, Acting District Attorney Eric Gonzalez, whose office has worked side-by-side with us on this two-year investigation and on other important construction fraud investigations. DA Gonzalez, I thank you and your team of prosecutors, who are helping DOI root out corruption, fraud and waste in this City and on City construction sites.

The three schemes we are announcing today show how prevalent and broad construction fraud can be. They involve City inspectors, property managers and developers, and private construction professionals.

These cases came to light as we worked with the Brooklyn District Attorney's Office on another investigation. Earlier this year, that case culminated with the announcement of charges against more than three dozen individuals, including seven National Grid employees, in connection with a scheme to operate a shadow utility company.

As DOI investigators sat on the court-ordered wiretap related to that case, it was a conversation between an expeditor and building owner that caught their attention. The discussion focused on an asbestos investigator who, for a price, could produce "clean" papers for an asbestos inspection. In other words, certifying that a site was asbestos free -- and work could continue without the cost and delay of abatement -- when, in fact, it was not.

That asbestos investigator was identified as Alexander Kogan and surveillance of Kogan's phone led us to three property owners – and one whose arrest is pending -- who have been charged with paying Kogan for a clean asbestos report, allowing them to avoid asbestos abatement, according to the charges. As the investigation continued, DOI investigators heard a property manager ask Kogan for "clean papers" and Kogan agreed. I want to take a moment for you to hear that exchange.

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In some cases, Kogan never checked whether asbestos was present, and in others he provided “clean” dry wall to manipulate the results of the lab analysis, according to the investigation. A demolition contractor even acted as a broker for these illicit deals. DOI investigators witnessed Kogan go into one Brooklyn property and walk out four minutes later, a timeframe too short to have performed a genuine inspection. He later submitted a report to the City that said the property was clear of asbestos. We notified the City Department of Environmental Protection whose investigators then re-inspected and found asbestos, making sure that the project did not continue until it was abated.

For compromising his integrity, Kogan earned between \$1,500 and \$3,000 for each bogus inspection report. Based on the findings of this investigation, Kogan surrendered his asbestos investigator license.

In all, seven Brooklyn properties are associated with the charges. DEP has followed up at each of those sites. In three of the seven, asbestos was present and only timely intervention by DOI stopped the construction that would have disturbed the asbestos.

Let me be clear. The impact of this charged conduct is serious. When asbestos is disturbed it risks the safety of workers and the public who may be exposed to it.

That original National Grid wiretap was prolific and provided even more leads for DOI investigators to uncover construction fraud.

We were tipped to a second scheme by a familiar voice discussing construction inspections. In fact, it turned out to be City Buildings Inspector, Hiram Beza. Beza was arranging for property owners and contractors to cancel inspections likely to be done by honest inspectors, and re-schedule for a time when Beza could perform them. This gave property owners the assurance of passing. As more leads developed, we uncovered misconduct involving a second City Buildings Inspector, Dean Mulzac, who also passed the inspection of a Flushing, Queens property providing construction sign-off when it was not warranted, according to the investigation.

Mulzac’s price? A pair of earrings for his girlfriend, valued at about 100 bucks, paid by the property owner who also happened to own a jewelry store.

Beza’s price was a little different – he got a new kitchen and driveway from contractors whose work he inspected, as well as cash pay offs.

In addition to the arrest of two City Buildings Inspectors, six property managers and developers were charged. And, the stories were similar every time: DOB inspectors establishing a relationship with property owners who kept those City inspectors on virtual retainer, where their services were available upon request, and the outcome of their inspections were always the same – regardless of whether violations existed. We even heard Beza placing a request for cash in anticipation of an upcoming Mother’s Day.

Two hotels and six residential properties in Brooklyn and one residential property in Flushing, Queens, are involved in this scheme. As a result of this investigation, DOB has re-inspected these sites.

On the same wiretap – productive and useful things these wiretaps -- DOI investigators heard another recognizable pattern – a Licensed Master Plumber selling his credentials to an unlicensed plumber, allowing for unlicensed work. The City’s construction code is explicit in this area: Licensed Master Plumbers must do the work themselves, or directly supervise it.

Licensed Master Plumber Henry Samuels is charged with selling his license for between \$1,500 and \$2,000 a job, according to the investigation. We call this kind of scheme “covering” and it undercuts safety, because the work that gets done is often unlicensed and unpermitted. Two years ago, we saw how dangerous such conduct can be when a gas leak tore through a lower east side building killing two. DOI arrested a Licensed Master Plumber for “covering,” related to those deaths.

In fact, in this scheme, one of the most significant violations we found was an unlicensed individual installing a gas-powered hot water heater and related gas piping, work that was not permitted by the City

Buildings Department. As a result of the investigation, we sent Building inspectors to the site and they issued violations.

Dozens of addresses are associated with this scheme and DOB has re-inspected them.

This investigation underscores the gravity of these cases: Fabricating documents, lying about conducting inspections or about who is actually doing the work, has serious consequences. For the defendants, it's about expediting the construction timeline. It's about making an extra buck.

But for workers, for New Yorkers, it's about our health and safety. And we won't stand for it to be compromised. That's the message of these arrests.

I want to take a moment to thank both DEP Commissioner Vincent Sapienza and DOB Commissioner Rick Chandler, whose agencies were cooperative and helpful in the investigation and follow-up.

I also want to thank the teams from DOI and the Brooklyn District Attorney's Office who worked these investigations.

From DOI, I want to thank Investigators Christina Clyburn, Alicia Ramoutar and Kyle Waters, Chief Investigator James McElligott, Assistant Inspector General Michael Antolini, and Deputy Inspector General Ed Zinser, under the supervision of Inspector General Gregory Cho, Associate Commissioner James Flaherty, Deputy Commissioner/Chief of Investigations Michael Carroll and First Deputy Commissioner Lesley Brovner. I would also like to thank the NYPD Detectives assigned to DOI for their assistance.

From the Brooklyn District Attorney's Office, I want to recognize Assistant District Attorneys Sara Walshe, Adam Libove, Katherine Zdrojeski and Renee Hassel, a DOI attorney who has been assigned to the District Attorney's Public Integrity Bureau, Bureau Chief of Public Integrity Michel Spanakos, Deputy Chief of Investigations Patricia McNeill, and Senior Executive for Crimes Strategies and Investigations Mark Feldman.

Criminal complaints and indictments are accusations. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country and New York City's corruption watchdog. 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. DOI's strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

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