

March 19, 2009

Hon. Joel I. Klein
Chancellor
New York City Public Schools
Department of Education
52 Chambers Street, Room 314
New York, NY 10007

Re: Maurizio Randazzo
ANR Electrical Contractors
Grand Electric
SCI Case # 2008-0030

Dear Chancellor Klein:

An investigation conducted by this office has substantiated that Maurizio Randazzo, owner of ANR Electrical Contractors (“ANR”), falsified payroll documents on which he claimed to pay prevailing wages and supplemental benefits for ANR employees who worked in the Department of Education (“DOE”) schools under “Project Connect.”¹ Specifically, the investigation uncovered that Randazzo submitted payroll documents listing individuals whom he maintained completed DOE jobs for ANR, and also indicated that these “workers” had been paid the proper rates. The investigation uncovered, however, that at least two of the workers who Randazzo named never worked in the schools, and were not paid any money. Moreover, the ANR workers who did perform the work in the schools, and who received compensation for their services, were paid far below the required prevailing wage rates.

It should be noted that this is not the first time the Office of the Special Commissioner of Investigation (“SCI”) has addressed issues concerning prevailing wages and the submission of payroll paperwork that falsely reflected the payment of proper rates. In fact, SCI has conducted at least three other investigations of subcontractors or

¹ A DOE project entitled “Project Connect” addressed the cabling of schools throughout New York City public schools. Under a Comprehensive Service Agreement between the State of New York and International Business Machines Corporation (“IBM”), the DOE engaged IBM which had subcontracted portions of the work to several companies.

sub-subcontractors of International Business Machines Corporation (“IBM”) which involved the failure of contractors and/or subcontractors to pay prevailing wages and supplemental benefits to their workers for “Project Connect.”² In a prior SCI report on those investigations, this office recommended that, in light of the difficulty in receiving confirmation that prevailing wages and supplemental benefits are paid when there are multiple levels of subcontracting, safeguards needed to be put in place to help stem this type of abuse. As we found here, IBM’s apparent solution to the problems we uncovered is to notify its subcontractor that prevailing wages and supplemental benefits must be paid. In turn, the contractor advises its subcontractors about that requirement. However, no steps are taken to ensure that the prevailing wage laws actually are followed and often, we do not even know the identities of the individuals who are performing the work inside public schools.

This investigation began in January 2008, when SCI received a letter from the New York City School Construction Authority (“SCA”) that detailed allegations of misconduct against Randazzo. The letter, dated December 26, 2007, documented that a confidential informant (“CI”) reported that Randazzo, who was not a licensed electrician, was falsifying certified payrolls on school construction contracts. The letter further noted that the CI had revealed that Randazzo was involved in the scheme with Grand Electric to underpay workers and submit false payrolls and that “George Grandville” was the licensed electrician these companies were using.³

Investigators met with the CI who confirmed the allegations in the complaint. The CI explained that ANR was owned by Randazzo and that ANR had performed cable replacement work in the DOE schools from 2005 until at least August 2007. According to the CI, ANR was working as a subcontractor for Bayview Custom Construction (“Bayview”) in DOE schools.

The CI disclosed to investigators that the workers whose names were on the submitted payrolls did not work in the schools as indicated. Rather, Randazzo hired “pickup workers” whom he paid \$10.00 to \$20.00 an hour to complete the work in the schools. The CI did not know the identity of the “pickup workers.” According to the CI, the social security numbers and information that appeared on the certified payrolls was legitimate, however, those individuals never worked in the schools and were not paid any money. The CI added that “Tommy Skokos,” was one of the workers whose name appeared on the certified payroll, however, he never worked for ANR.⁴

² See SCI Cases #2004-1282, #2004-2204, #2005-1597.

³ The letter from SCA also noted that ANR and Grand Electric were not “pre-qualified contractors” with the SCA and had not done any work for the SCA but that ANR was working for the DOE on “Project Connect.” Investigators learned that Grand Electric was a new company which Randazzo had formed and that he was “closing out” ANR.

⁴ SCI investigators made several attempts to speak with Skokos but were unsuccessful. Skokos did not return the assigned investigator’s telephone calls or messages left at his residence. In addition, a subpoena was left at the Skokos residence and a copy of the subpoena was mailed by the United States Postal Service, certified/receipt requested. The subpoena was returned to SCI as unclaimed.

Throughout the course of the investigation, SCI investigators sought documents from IBM concerning contract work conducted under “Project Connect” in DOE schools by IBM and its subcontractors. In response to SCI’s request, IBM provided a list of cabling companies that performed work on “Project Connect.” The documents identified Bayview as one of IBM’s contracted vendors and listed ANR as a subcontractor of Bayview. IBM further provided copies of daily sign-out logs and certified payroll reports that Bayview had submitted to IBM in connection with “Project Connect.” Included in the materials received from IBM were the daily sign-out logs and payroll reports for work conducted by ANR in DOE schools.⁵ Specifically, there were ANR payroll reports for the following dates: November 4, 2005, November 25, 2005, January 20, 2006, January 27, 2006, April 28, 2006, May 12, 2006, and May 19, 2006.⁶ A review of ANR’s documents revealed that in addition to Maurizio Randazzo, the following individuals were listed as employees of the company: Athanasios Skokos, Mirsad Kolasinac, Afrim Hyseni, and Randazzo’s brother, Guisepppe Randazzo.

In April 2008, investigators met with Maurizio Randazzo to address the allegations against him. Randazzo stated that he formed ANR in either 2002 or 2003 and that he was the sole proprietor of the company. Randazzo explained that ANR was currently inactive and he was trying to “close it out,” and operate Grand Electric, which he had formed approximately one year earlier.⁷ Randazzo stated that he was also the sole proprietor of Grand Electric. According to Randazzo, both ANR and Grand Electric operated under the license of George Grandville.⁸ Randazzo advised investigators that to be an electrical contractor in New York State, a license to operate was necessary, and George Grandville “[was his] license.”⁹

Randazzo stated that he had performed work in the DOE as a subcontractor for Bayview, which needed a licensed contractor to complete the electrical work in the schools. Randazzo continued that he was informed by Gregg Ford, the owner of

⁵ ANR submitted its daily sign-out logs and payroll reports to Bayview which then forwarded the documents to IBM for payment. The payroll reports that accompanied the daily sign-out logs mirrored the information that was recorded on the sign-out logs.

⁶ Accompanying the payroll reports were daily sign-out logs that listed the name of each employee and the date and hours the employee purportedly worked during a particular week. The sign-out log also contained the employee’s signature along with the rate of pay supposedly received per hour.

⁷ Randazzo told investigators that the Department of Buildings gave him a “tough time” with transferring over the license, so he was trying to close out ANR and “fully concentrate on Grand Electric.” At the time of this interview, Randazzo claimed that he had only one or two jobs “left to close out ANR.”

⁸ Randazzo informed investigators that Grandville was an electrical contractor in New York who was employed by Stanco Systems Electrical Contracting (“Stanco”). Randazzo further stated that he never had any business dealings with Stanco while he was working at the DOE worksites.

⁹ Randazzo told investigators that he did not have his own license.

Bayview, that Randazzo had to pay his workers the prevailing wage rate when ANR worked in the DOE schools.¹⁰ Randazzo noted that ANR worked as a subcontractor only for Bayview in the DOE schools.

Randazzo explained that ANR never had a contract with Bayview to perform work for the DOE. Rather, when Bayview was awarded a job from IBM, Randazzo was contacted and ANR would complete the work in the schools. According to Randazzo, “most of the time,” Bayview paid ANR a rate of \$125.00 per man, per hour.¹¹ Randazzo further noted that his current company, Grand Electric, currently worked in DOE schools as a subcontractor for Bayview, although there was no contract in effect. Randazzo told investigators that when he went to the schools to work, he would sign into the school logs under the company name of “ANR” or “Bayview.” Randazzo added that although his current company was Grand Electric, he still continued to sign into the school logs under the name “Bayview” because the custodians of the various schools were familiar with Bayview.

Randazzo told investigators that he had “four steady employees:” Skokos, Kolasinac, Hyseni, and Randazzo’s brother, Guisepppe Randazzo. Randazzo stated that upon completion of a job, he filled out the reports for the work conducted in the DOE school, and turned the documents over to “Eddie” at Bayview.¹² Randazzo explained that after completion of the daily sign-out logs, he then “signed [his] portion” and “[his] men sign[ed] their portion.” Randazzo noted that there were usually two workers at a time assigned to a school.

During the interview, investigators presented Randazzo with the daily sign-out logs and payroll reports received from IBM.¹³ Randazzo reviewed the items and acknowledged that the documents were prepared by him. The daily sign-out logs contained the following information: the names and social security numbers of the employees, who worked on the school project, the date and location of the project, the hours worked, and the base wage rate and supplemental rate that the employee

¹⁰ Investigators discovered documents that Randazzo had signed certifying that he had adhered to the rules and regulations regarding prevailing wages and that he had paid his workers prevailing wages.

¹¹ Randazzo stated that prior to the commencement of each job, he generally had a discussion regarding the hourly rate of compensation.

¹² Randazzo said that he could not recall Eddie’s last name.

¹³ As stated previously, SCI investigators received from IBM daily sign-out logs and payroll reports for weeks ending: November 4, 2005, November 25, 2005, January 20, 2006, January 27, 2006, April 8, 2006, May 12, 2006, and May 19, 2006.

purportedly received per hour.¹⁴ The sign-out logs also bore the signatures of each employee who was documented as working that day. At the bottom of the document, Randazzo signed his name beneath a certification that read as follows: “I MAURIZIO RANDAZZO hereby certify that the information in this form is complete and correct.”¹⁵

A review of the documents reflected that each employee listed on the sign-out logs was to be paid the sum of \$85.91 per hour. The base wage rate per hour was recorded as \$50.45 with a supplemental benefit rate per hour of \$35.46.¹⁶ Randazzo acknowledged to investigators that the contractor always paid him the prevailing wage rate documented on his paperwork. In fact, Randazzo disclosed that he received from Bayview the sum of \$100.00 - \$125.00 per hour per employee. Randazzo explained that at the conclusion of a job, Bayview would pay a lump sum check which amounted to approximately \$100.00 - \$125.00 an hour per employee. Randazzo continued that he would deposit the check into an account and then generate checks from that account for his employees.¹⁷ Randazzo added that he withheld taxes from his employee’s earnings.

Although the rates listed on the payroll sheets that Randazzo submitted to Bayview reflected the amount of \$85.91 per hour, investigators learned that this was not the amount that Hyseni, Skokos, Kolasinac, and Guisepppe Randazzo received. In fact, Randazzo admitted that he did not always pay his ANR workers at the prevailing wage rate listed on his payrolls.¹⁸ Randazzo told investigators, “if I had the money, I paid them, if I didn’t have the money, I didn’t pay them, and they understood it.”¹⁹ Randazzo

¹⁴ Randazzo told investigators that the employees provided him with their social security numbers. During the course of this investigation, SCI investigators discovered that the wrong social security number was listed under Guisepppe Randazzo’s name. Randazzo stated that the incorrect number was the result of a typographical error. Guisepppe Randazzo’s social security number was correct on quarterly tax reports that Randazzo provided to SCI.

¹⁵ Randazzo’s name was in capital letters on the original documents.

¹⁶ As documented in the Office of the Comptroller, City of New York prevailing wage schedule, effective May 11, 2006, the prevailing base wage rate per hour was \$51.63 and the supplemental benefit rate per hour was \$37.13. The last payroll report received from IBM for week ending May 19, 2006 reflected this wage change.

¹⁷ SCI requested from ANR, via subpoena, any and all payroll records and documentation for ANR employees for the period from January 2005 to April 2008. Included in the subpoena was a request for ANR’s checking account statements, cancelled checks, tax returns, and quarterly reports. ANR never provided SCI with ANR’s checking account statements or copies of any employee paychecks.

¹⁸ Included in the materials received from IBM were two documents entitled “Certified Payroll Form” which were signed by Randazzo and dated May 31, 2006. The documents pertained to work completed at a DOE school in Queens and a DOE school in Manhattan. During the interview, Randazzo told investigators that he signed the documents, “probably for Bayview.” According to Randazzo, Bayview instructed him that he had to pay the prevailing wages to his employees. On each document, Randazzo certified that he had adhered to the rules and regulations regarding prevailing wages and had paid his workers prevailing wages for all hours they worked at each school.

¹⁹ During the interview, Randazzo claimed that there were occasions when he paid his employees the proper hourly rates with the supplemental benefits.

stated that his employees were paid between \$25.00 and \$30.00 an hour. Randazzo maintained that his employees were aware that they were not receiving \$85.91 per hour for their services and insisted that his employees “understood the rates.” Randazzo added that “business [was] not all hunkey dory all the time.”²⁰

During the interview, Randazzo disclosed to investigators that even though he reported that Skokos and Kolasinac worked in the schools and their names appeared on the daily sign-out log sheets and payroll reports, they did not receive payment from ANR.²¹ Randazzo told investigators that Skokos “came in only to help [him] when he could,” and that he was not paid. When investigators asked Randazzo whether Kolasinac was paid, Randazzo initially responded, “no, he’s the same thing.” Randazzo explained that Kolasinac was a friend.²² When questioned further, Randazzo then claimed that Kolasinac, “probably” was paid, however, he could not remember what he was paid.

Although Randazzo insisted that Hyseni was compensated for his work in the DOE schools, he acknowledged that he was not paid the amount of \$85.91 per hour, as documented. Randazzo told investigators that Hyseni was paid \$30.00 per hour, and that Hyseni “[knew] about it.” Randazzo further stated that Hyseni did not work for him that long and believed that he had started his own business.²³

When investigators asked Randazzo whether there was anyone listed on the daily sign-out logs sheets who actually was paid besides Hyseni, Randazzo named his brother, Guiseppe Randazzo. Randazzo revealed to investigators that sometimes he paid his brother and sometimes he did not. According to Randazzo, his brother was “trying to help [him] out.”²⁴ Randazzo contended that there were times when his brother received checks, and that he paid his brother “what [he] could afford,” although he could not recall his wage rate per hour.²⁵

²⁰ Randazzo claimed that even though he always received the proper payment from the contractor, there were times when he did not pay the correct monetary amount, even to himself.

²¹ A review of ANR’s daily sign-out logs and payroll reports falsely reflected the payment of proper prevailing and supplemental wage rates. Skokos’s gross earnings amounted to \$6,854.97 for work that he purportedly completed in the schools for the following weeks: January 27, 2006, April 28, 2006, May 12, 2006, and May 19, 2006. Kolasinac was documented as having earned \$5,452.23 for the following weeks: April 28, 2006, May 12, 2006, and May 19, 2006.

²² The assigned investigator attempted to speak with Kolasinac but was unsuccessful.

²³ In the documents received from IBM there was only one payroll report with Hyseni’s name indicating that for the week ending November 25, 2005, Hyseni’s gross pay was \$601.37. Hyseni was not interviewed during the course of this investigation.

²⁴ Investigators tried to speak with Guiseppe Randazzo but were unsuccessful.

²⁵ A review of ANR’s payroll reports and daily sign-out documents received from IBM reflected that Guiseppe Randazzo’s gross pay amounted to \$8,802.72 for work that he supposedly completed during the following weeks: November 25, 2005, January 20, 2006, January 27, 2006, April 8, 2006, May 12, 2006, and May 19, 2006.

Investigators examined Randazzo's quarterly tax returns for the time period from April 2006 through June 2006.²⁶ A review of the records revealed that Skokos, Kolasinac, and Guiseppa Randazzo were not listed as employees of ANR during this time period.²⁷ Specifically, not one of these individuals was named on the quarterly wage reporting form that documented Randazzo's employees and the wages each employee had earned to date.²⁸

Based upon the documentary materials received in this case, coupled with the testimony of the CI and Randazzo, this office has concluded that Skokos and Kolasinac never worked for ANR and were not paid any money. Randazzo clearly falsified payroll documents on which he listed these individuals and claimed that he paid them prevailing wages and supplemental benefits. Moreover, the ANR workers who actually performed the work in the schools, and were paid by Randazzo, were compensated far below the prevailing wage rates documented on ANR's paperwork.

Accordingly, it is the recommendation of this office that the DOE refrain from contracting or subcontracting with Maurizio Randazzo, ANR, or Grand Electric. In addition, Maurizio Randazzo should be barred from working on DOE premises.

Moreover, significant steps need to be taken by IBM to ensure that its subcontractors or sub-subcontractors engaged in "Project Connect," or any other DOE contract, abide by the prevailing wage laws. As noted previously, in the cases this office has investigated, IBM's position has been that as long as the subcontractors and the sub-sub-contractors certify that they are paying prevailing wages, IBM is satisfied. IBM, however, has exhibited a curious lack of interest in supervising the work of its subcontractors, or even knowing the identity of those who are performing the work. SCI can chip away at a prevailing wage violation here and a prevailing wage violation there, but it is up to the DOE and the federal government, which funded 90% of "Project Connect," to say "enough" and insist that IBM be held accountable for their actions or rather, their inaction. Considering the multiple layers of subcontracting which IBM engages in, IBM must begin to exercise significant oversight of the people who are performing the cabling in the schools and who, in every investigation we have undertaken, are both unqualified and in violation of the prevailing wage requirements in the DOE/IBM contract.

²⁶ Although investigators requested ANR's tax documentation for the time period from January 2005 - April 2008, Randazzo provided returns which covered only the following time periods: April 2006 through June 2006; July 2006 through September 2006; and April 2007 through June 2007.

²⁷ The majority of the daily sign-out logs that SCI received from IBM were included in the time period from April 2006 through June 2006.

²⁸ The names of Guiseppa Randazzo and Afrim Hyseni did appear on the payroll tax documentation relating to the third and fourth quarter of 2005, which Randazzo's secretary forwarded to SCI.

We are referring our findings to Queens County District Attorney Richard A. Brown for whatever action he deems appropriate. We are further referring our findings to the U.S. Department of Education, the New York City Comptroller's Office, the New York State Attorney General's Office, and the New York City Department of Buildings Licensing Unit.

We are forwarding a copy of this letter to the Office of Legal Services. Should you have any inquiries regarding the above, please contact Special Counsel Valerie A. Batista, the attorney assigned to the case. She can be reached at (212) 510-1417. Please notify Ms. Batista within 30 days of the receipt of this letter as to what, if any, action has been taken or is contemplated regarding this investigation. Thank you for your attention to this matter.

Sincerely,

RICHARD J. CONDON
Special Commissioner
of Investigation for the
New York City School District

By: _____

Regina A. Loughran
First Deputy Commissioner

RJC:RAL:VAB:gm

c: Michael Best, Esq.
Theresa Europe, Esq.