

February 11, 1999

Hon. Rudolph F. Crew
Chancellor
New York City Public Schools
110 Livingston Street; Room 1010
Brooklyn, NY 11201

Re: CSA Contracting Corporation
SCI Case #97-0568

Dear Chancellor Crew:

In 1994, the Board of Education's Division of School Facilities ("DSF") awarded a \$2 million contract to J.M. Mechanical Construction Corporation ("JM") for a lead abatement and painting project that involved 84 schools throughout Brooklyn and Staten Island.¹ JM performed the plastering and painting portion of the contract but subcontracted the actual lead paint removal and disposal to CSA Contracting Corporation ("CSA"). In March 1997, during the processing of payment for the contract, the Board's Bureau of Engineering Audit ("BEA") questioned the authenticity of paperwork that CSA prepared in connection with its disposal of the paint waste and referred the matter to this office.

Our investigation has substantiated that CSA seized every opportunity to submit fraudulent paperwork in connection with the lead abatement project. Indeed, during our inquiry, CSA stonewalled, and even when legally compelled to cooperate, it again provided falsified documents. Specifically, we substantiated the following:

¹The project consisted of four separate contracts that totaled \$2 million.

- CSA submitted fraudulent waste disposal manifests to conceal the improper disposal of the paint waste. In fact, the information on these documents regarding the manner in which the lead was transported, the company and driver who transported the waste, and the disposal site was entirely false. Instead, the lead was improperly combined with asbestos waste and disposed at an asbestos landfill.
- CSA submitted falsified training certificates to hide the fact that the project was completed by workers who were not trained in lead abatement or educated about safety protocol.
- CSA submitted employee medical documents, which falsely represented that it monitored laborers for potentially hazardous exposure to lead.
- CSA submitted false payroll records and did not compensate employees as required under State Labor Laws. Specifically, it utilized some employees who were not reported on payroll records, falsely named individuals who did not work on the project, and misrepresented the actual wages paid to some employees.
- Finally, in response to our subpoena, which it unsuccessfully challenged for over one year,² CSA submitted at least one fraudulent training certificate and other documentation that was inconsistent with its payroll records.

In fact, CSA's president admitted that the waste manifests were "fakes," that the lead paint was improperly combined with asbestos waste from an unrelated project, and that the payroll records were not accurate.

THE BOARD'S LEAD ABATEMENT PROJECT

From April to May 1994, DSF collected bids on contracts for lead abatement in numerous schools throughout the city. DSF awarded JM the contract for Brooklyn and Staten Island. JM performed the painting and plastering portion of the contract, but CSA conducted the actual removal and disposal of the lead paint waste. Although no official written subcontract between the Board and CSA was executed, DSF knew about the

²New York State Supreme Court Justice Franklin Weissberg ordered CSA to turn over documents that we requested pursuant to a subpoena. The matter has been litigated for over one year, and CSA is currently appealing that decision.

arrangement after reviewing a letter written by Nickos Sparakis, the president of CSA, which detailed the company's experience with lead removal.³ Moreover, it was obvious from the "payroll reports" prepared by Sparakis that CSA was the identified "subcontractor." Although CSA was the subcontractor, the Board authorized payment directly to JM, which in turn paid CSA.

Realizing that younger schoolchildren were more at risk from possible exposure to lead, the Board targeted elementary schools for the lead abatement project. Specifically, pre-kindergarten, kindergarten, and special education rooms were the first priority. Moreover, DSF instructed the contractors to assume that the paint in the classrooms contained lead, which required appropriate methods of removing the peeling paint, in addition to the plastering and painting of surfaces in need of repair.⁴

During summer 1994, JM and CSA completed Phase One of the lead abatement project in those Brooklyn and Staten Island elementary schools that required the most repair work. CSA removed peeling paint and disposed of the paint chips, while JM plastered and painted those surfaces in the classrooms. JM submitted "Contractor's Application for Payment" forms to DSF, which were processed by BEA. For some requests for payment, BEA approved partial payment and withheld ten percent from JM, due to the contractor's failure to submit paperwork from the landfill site where the waste was disposed.⁵

Before the classrooms could be deemed safe for students to occupy, a laboratory had to perform a "clearance wipe test," which assessed the level of airborne lead remaining in the rooms.⁶ For Phase One, the Board, rather than JM or CSA, was responsible for employing that laboratory. Specifically, the Board had a contract with H2M Laboratories ("H2M"). Some of the clearance wipes performed by H2M revealed that the remaining airborne lead levels in the classrooms exceeded the maximum allowable by the regulations of the Department of Housing and Urban Development ("HUD"). When the results so indicated, those rooms had to be cleaned and re-tested before they could be cleared for students to return.

³According to Joseph Gabriele, Assistant Director of Contract Administration, DSF does not require subcontractors to submit pre-qualification documentation during the bidding process. Instead, the prime contractor must demonstrate the experience of the subcontractor. In this case, in May 1994, JM provided letters that explained CSA's experience with lead removal, to the satisfaction of DSF.

⁴The Board assumed that all schools constructed prior to 1980 potentially contained lead-based paint. See *Chancellor's Task Force on Lead Hazard Reduction*, "Report on Lead Based Paint Policy Recommendations," August 4, 1993.

⁵BEA also frequently withheld additional sums for "exceptions," such as the failure to replace furniture, the improper measurement of the area painted, and the failure to plaster or paint additional areas.

⁶A "clearance wipe test" involved wiping particular areas of the classrooms with a wet cloth and testing these cloths for lead content. The results were used to assess whether the level of airborne lead remaining in the rooms was safe. If the level exceeded the maximum allowable, the rooms had to be thoroughly cleaned and tested again before they could be cleared for occupancy.

Phase Two of the lead abatement project began in December 1994 and ended in August 1995. While the division of work between JM and CSA remained the same as in Phase One, H2M did not continue to conduct the clearance wipes during Phase Two of the project. Instead, for financial reasons, the Board delegated to the contractor the responsibility of employing a laboratory to perform the tests.⁷ As a result, JM hired KAM Consultants ("KAM"). According to Ioannis Mastorakis, the president of JM, he selected KAM because the company assured quick results and because Sparakis recommended KAM for the job. In fact, in the early 1990's, KAM worked with CSA on an asbestos contract. Based on KAM's clearance wipe tests, the classrooms in Phase Two were deemed safe for students to return.

As in Phase One, after JM submitted requests for payment for work performed during Phase Two, BEA only approved partial payments to Mastorakis for the project. BEA withheld ten percent and attached "exception letters" to some of JM's payment requests, explaining that the deductions were for missing waste disposal documents.⁸

CSA'S FRAUDULENT DOCUMENTS

Fraudulent Waste Manifests

According to the contract specifications, both hazardous and non-hazardous waste had to be "expeditiously removed from the premises and disposed of at an EPA approved dumpsite," and any failure to turn over "all waste disposal manifests" to the Board could "result in withholding of payment." Despite these requirements, CSA initially asserted that the manifests were not required and failed to turn over the paperwork. This led BEA to withhold partial payments and to continue requesting the appropriate documentation. Ultimately, CSA submitted fraudulent forms to conceal its failure to appropriately dispose of the lead paint waste.

At the close of both phases of the lead abatement project in Brooklyn and Staten Island, the Board paid JM approximately \$1.9 million. It withheld approximately \$84,000 for the missing waste disposal documents and for other reductions. In January 1996, Mastorakis initiated discussions, in writing and by telephone, with DSF and BEA in order to clarify the outstanding balance, including the reduction for the missing paperwork.⁹ According to Mastorakis, because CSA was responsible for the paint removal and disposal, he telephoned Sparakis to request the waste manifests.

⁷According to correspondence in DSF files, DSF concluded that it would be more cost effective for the contractor to be responsible for the clearance wipe tests.

⁸BEA also withheld money for additional exceptions similar to those in Phase One.

⁹In addition to discussing the reductions for the missing waste manifests, JM also contested the reductions for the actual measurement of the areas painted.

Sparakis' response to Mastorakis' request for the waste disposal documents, however, was contradictory and suspect. Initially, in a letter to Mastorakis, dated May 16, 1996, Sparakis explained that there was no need for "any hazardous material manifest" because the lead paint chips tested below the hazardous level. Thus, he claimed that the waste "can be disposed of as regular construction debris." Nevertheless, despite Sparakis' position that no disposal forms were necessary, CSA later submitted to Mastorakis six waste manifests relating to 13 Brooklyn schools. Sometime between May and June 1996, Mastorakis forwarded these to BEA. These six documents stated that CSA collected "bags" of "lead" from various elementary schools and gave these bags to a driver for United Waste Systems, Incorporated ("United"), who drove the bags to a West Virginia disposal site, Ham Sanitary Landfill ("Ham").

After BEA reviewed the six forms, it informed Mastorakis that the money temporarily withheld would be permanently withheld "because the waste manifests submitted [were] invalid."¹⁰ From October 1996 to February 1997, Mastorakis wrote letters to BEA, asking why the documents were "invalid" and requesting that BEA return them for any necessary corrections. In March 1997, BEA referred the paperwork to this office for investigation.

Investigators from this office substantiated that the manifests were entirely false. In fact, the forms were not even designed to be used in connection with lead removal and were outdated. All six documents are entitled "United Waste Systems (Asbestos), Inc.," and state "certification of receipt of *asbestos* materials covered by this manifest" (emphasis added). CSA merely wrote "lead" and "non-hazardous" in the "description of materials" section of the asbestos forms. Moreover, contrary to the 1994 and 1995 dates that CSA recorded on these documents, United stopped using that particular asbestos form after 1992.

In addition to submitting a deceptive form, CSA falsified information regarding the company and driver who actually picked up the lead paint waste. Though the documents indicate that "Mark Lawton" of United transported the lead to the landfill, Jack Bedford, the general manager of that company, stated that they stopped doing business with CSA shortly after 1992, and that Mark Lawton left the company in 1993, prior to the dates that CSA recorded on the manifests.

¹⁰BEA informed Mastorakis about the invalid manifests in a letter dated October 2, 1996. According to Jack Edwards, the Director of BEA, he spoke with a representative from United and confirmed that the information on the waste manifests was false.

Furthermore, CSA not only misrepresented how the waste was disposed, but also falsely stated where it was disposed. According to all six forms, United transported the lead waste to Ham, where "Ronald Mann" signed as the recipient at the landfill. However, according to Ronald Mann, the vice president of Ham, the signatures on those forms were forgeries. Moreover, he has no record of receiving the shipments on the manifests. Indeed, Mann stated that his disposal facility accepts only asbestos waste, not lead.

When investigators confronted Nickos Sparakis with copies of the six manifests, he admitted "they are fakes." He explained that CSA was "under pressure" to produce documentation for the lead waste disposal and filled out blank forms. According to Sparakis, "someone from CSA" used blank forms from a previous asbestos disposal contract with United, but it had been "several years" since CSA last worked with that company. Although he stated that an unnamed "someone" had prepared the manifests, Sparakis identified the signatures on the forms as those of his brother Lefteris Sparakis¹¹ and Stavros Yannacopoulos, the site supervisor for many Brooklyn schools. These two CSA employees signed the fraudulent documents under a certification that the contents "are fully and accurately described above by proper shipping name and are classified, packed, marked, and labeled, and are in all respects in proper condition for transport by highway according to applicable international and government regulations." Lefteris Sparakis signed five manifests, and Yannacopoulos signed one. According to Nickos Sparakis, he knew the forms were delivered to JM, but stated that Mastorakis was not aware that they were fakes.

Nickos Sparakis also admitted that the lead paint waste from the Brooklyn and Staten Island schools was not disposed of at the Ham landfill site as suggested on the manifests. Rather, according to Sparakis, CSA disposed of the paint with "regular construction debris" at another site after it tested below the hazardous limit.¹² However, Sparakis' definition of "regular construction debris" included asbestos waste. Specifically, he told investigators that he combined the lead paint with asbestos waste from another job. During CSA's lead abatement subcontract, Sparakis had an on-going contract with Spartan Dismantling Corporation ("Spartan") to transport asbestos waste from other jobs to landfill sites in Maryland and Pennsylvania. He explained that because the asbestos containers were not completely filled, CSA placed the paint chips and other debris from the Board's project in Spartan's asbestos containers.

¹¹Lefteris Sparakis is also known as Eleftherios Sparakis.

¹²According to KAM, it performed the tests to assess the lead content of the paint chips and other disposable items. The laboratory reports indicate that the waste tested below the hazardous limit. If the tests and results are valid, there is no potential environmental danger for the disposal site. However, given that the waste was tested and disposed of in 1994 and 1995, it is not possible to verify these tests.

Likewise, Yannacopoulos told investigators that CSA workers put the bags of paint chips into Spartan's asbestos containers, which were transported to a landfill in Pennsylvania. He stated that he signed many manifests at the work sites, but they were for asbestos, not lead. However, when shown a copy of one falsified waste removal document that CSA submitted for the lead abatement project, Yannacopoulos acknowledged that the form contained his handwriting and his signature. He then recalled that on at least one occasion Lefteris Sparakis asked him to sign a manifest at the CSA office and further remembered signing blank manifests.¹³

Although Sparakis and Yannacopoulos admitted that CSA combined the lead with asbestos in Spartan's containers, Spartan was unaware that it was transporting this mixture.¹⁴ According to Joanne Parasole, the office manager, and Robert Mrose, the operations manager, Spartan only transports asbestos waste. In fact, they have to subcontract any lead disposal work to a company in New Jersey, but no such contract existed for CSA. According to Parasole, their records reflected that, during the time period in question, the company picked up only asbestos waste for CSA's work with other city agencies and private companies.

Fraudulent Employee Records

The waste manifests were not the only fraudulent documents that CSA submitted in connection with the Board's lead abatement project. The subcontractor also submitted falsified employee training certificates, employee medical tests, and payroll reports. As a result, the project was performed by untrained workers, the employees were not monitored for potentially hazardous exposure to lead, and not all were compensated in accordance with State Labor Laws.

A. Fraudulent Employee Training Certificates

Pursuant to federal regulations (*see* 29 CFR § 1926.62), all construction employees who may be exposed to lead must be trained in safe abatement procedures and educated about its hazards. On September 21, 1994, Anthony Staknys, the project manager for JM, forwarded to DSF copies of the training certificates that CSA submitted for the employees who worked on the lead abatement project. In a letter dated September 27, 1994, from Nickos Sparakis to DSF, Sparakis stated that the summer paint program

¹³Investigators were unable to locate the second signatory on the waste manifests, Lefteris Sparakis, for an interview. According to Nickos Sparakis, Lefteris was traveling abroad.

¹⁴CSA's representatives had signed Spartan's transportation documents under a certification that the load contained "asbestos" and that the material came "solely and exclusively" from the site listed, "with no other material from any other source." The CSA signatures on these documents are illegible.

was completed in accordance with "all Federal, City, State Regulations and the listed OSHA protocols," and he identified nine sections of 29 CFR § 1926, including section 1926.62, which requires employee training. Sparakis closed the letter by asserting that "all workers used in this project were certified [l]ead abatement handlers."¹⁵

In fact, CSA's workers were neither appropriately trained nor certified in proper abatement techniques. The certificates that CSA submitted as proof that employees were educated about lead hazards and safety protocols were fraudulent. Specifically, the documents indicated that 33 employees attended lead training courses at the Asbestos Training Institute ("ATI"). However, according to ATI, it did not conduct such classes on the dates indicated on the certificates, and the company had no record that any of the 33 employees attended lead training courses.¹⁶ In addition, the numbers on the certificates that CSA submitted were inconsistent with ATI's numbering system.

Just as CSA had utilized documents from a previous asbestos removal job to prepare false waste manifests, CSA apparently had access to ATI training certificates from prior asbestos classes. Although ATI had no record of the 33 employees attending lead training, some had attended asbestos courses. According to ATI, eleven of the 33 employees named on the falsified training certificates attended the company's asbestos classes, including Lefteris Sparakis and Stavros Yannacopoulos.

Thus, Sparakis' letter to DSF asserting that all workers were appropriately trained in lead removal was false, and the ATI certificates that CSA submitted for 33 employees who supposedly worked on the project were fraudulent. As a result, these employees were not properly educated about the safety protocols to follow when working with lead-based paint. In particular, they were unaware of the abatement methods that were necessary to avoid risks to their own health and others present at the site.

¹⁵This letter was addressed to the "Board of Education" at the DSF address at 44-46 Vernon Boulevard in Long Island City, Queens.

¹⁶ATI's database for student transcript reports contains no record that any of the 33 employees attended lead training. However, according to the course director, he vaguely recalled that Nickos Sparakis was present for a lead class sometime in 1992, but there was no record of the class or any resulting certificate. In any event, there was no documentation that Sparakis subsequently renewed any such training.

B. Fraudulent Employee Medical Documents

To avoid compromising the health of employees working with lead, federal regulations (*see* 29 CFR § 1926.62) also require "biological monitoring," which consists of blood sampling and analysis for lead.¹⁷ In order to protect employees from exposure to hazardous levels of lead, the results of the blood tests determine whether employees can continue to work. However, CSA did not perform blood tests to monitor their employees' lead levels, and yet again, the subcontractor submitted false documents to conceal this failure. Thus, CSA did not even perform the biological monitoring which could have served as a safety net for those laborers whose lack of training may have exposed them to danger.

In the same September 27, 1994 letter to DSF which falsely stated that CSA employees were appropriately trained in lead abatement, Sparakis also indicated that the project was completed in accordance with federal regulations requiring biological monitoring. Moreover, in October 1994, CSA submitted to DSF, through JM, a copy of the "respiratory protection program" that was allegedly in place for those CSA employees working on the lead abatement project. The document bore the signature of "Nick Sparakis" and asserted that CSA employees would receive medical examinations that included blood testing for lead levels. Contrary to this claim, the medical reports that CSA later submitted in support of the blood tests were fraudulent.

Specifically, Sparakis submitted two letters from his father-in-law, "Mariano Roca-Rivas, M.D.," to satisfy the blood testing requirement. According to these letters, Dr. Roca-Rivas collected the blood samples for 20 CSA employees in September 1994 and from March to April 1995, and the National Health Laboratories ("National Health"), in Nashville, Tennessee, analyzed the blood samples for lead content. All employees allegedly tested within the "normal" range for "blood lead."

In fact, National Health did not perform the blood analysis. According to the vice-president of Laboratory Corporation of America, National Health's parent company, there is no record of National Health performing the laboratory work for the blood tests indicated in Dr. Roca-Rivas' two letters. Moreover, the company has no records of any accounts between National Health and Dr. Roca-Rivas, CSA, or the Board.

¹⁷The "biological monitoring" also consists of an analysis of zinc protoporphyrin levels in the blood, which is a method to measure the body's lead absorption over three to four months. Regular blood lead analysis reveals the body's current or recent absorption of lead. The timing of the blood tests varies according to how many hours and days an employee is exposed to lead, as well as the results of any previous blood tests within that year.

Anna Roca, the daughter of Dr. Mariano Roca-Rivas, told investigators that her father retired in 1989 from a practice at Kings County Hospital, and he did not practice medicine from his home.¹⁸ She claimed that her father was in Colombia, South America and unavailable for an interview.

Finally, even CSA's fraudulent medical documentation did not accurately account for all its supposed employees. A comparison of Dr. Roca-Rivas' letters to CSA's payroll reports for the lead abatement project indicates that there are potentially dozens more laborers who did not receive the requisite medical monitoring. Only 20 employees are named on the letters, while 45 employees are listed on the payroll reports as having worked on the project. In addition, two former CSA employees, who were neither reported on CSA's payroll records nor listed in Dr. Roca-Rivas' letter, told investigators that they worked on the lead abatement project for CSA but never received a blood test.¹⁹

Thus, CSA failed to monitor the health risks to their employees who were working directly with lead, and submitted fraudulent documentation to hide this neglect. Sparakis prepared a written "respiratory protection program" which falsely asserted that employees would receive medical examinations and blood tests; he sent a letter to DSF that falsely stated the project was completed in compliance with federal regulations, requiring medical monitoring; and he submitted a fraudulent blood test analysis of employees. As a result, CSA employees continued working on the project without knowing if they were being exposed to potentially hazardous levels of lead.²⁰

C. Fraudulent Payroll Records

In accordance with New York State Labor Law, Sparakis prepared payroll reports for the Office of the New York City Comptroller, on which he indicated that CSA was a "subcontractor" for the "NYC Board of Education" lead abatement contract at "various schools." Sparakis signed the payroll reports, under the certification that, "the above information represents wages and fringe benefits paid to all persons employed by my firm for construction work upon the above Project during the period shown. I understand that the [Board of Education] relies upon the information as being complete and accurate in making payments to the undersigned." Despite this certification, Sparakis did not fully disclose all laborers who worked on the project, misrepresented the actual wages paid to some CSA's employees, and falsely listed some individuals who did not work on the project.

¹⁸Records of the Kings County Hospital reflect that Dr. Roca-Rivas retired in September 1990.

¹⁹We are keeping confidential the identities of these two former CSA employees.

²⁰In addition, these employees still may not be aware that they possibly were exposed to hazardous levels of lead. However, given the time span, testing the employees now would not reveal that level. As a result, we cannot proclaim what their actual health risks were during the project or thereafter.

At least two former CSA employees known to this office and classified as "asbestos handlers," worked on the lead abatement project, but their names do not appear on the payroll records. CSA often paid these laborers in cash and did not provide them with W-2 forms for tax purposes. Each recalled receiving a check only on some occasions. In addition, at least two other employees who were listed on the payroll reports as working on the lead project were not compensated in the manner that Sparakis indicated on the documents. Sparakis claimed that he paid Ho Kim \$24 per hour and \$36 per overtime hour. However, Ho Kim told investigators that he was paid only \$22.50 per hour by CSA and did not earn any overtime pay. Likewise, Sparakis did not pay a second employee, Lefteris Sparakis, the money reflected on the payroll reports.²¹

Furthermore, Sparakis listed the names of individuals who did not work on the project. For example, he put his wife, Suri Roca, and her brother, Federico Roca, on the payroll form as receiving wages and benefits in connection with the lead abatement project.²² However, he told investigators that his wife Suri Roca did not actually perform the work.²³ Federico Roca, for his part, told investigators that he only performed asbestos removal work for CSA. Finally, Sparakis falsely listed the name of the operations manager at KAM, Dimitris Molohides, on the payroll report as receiving wages and benefits for working on the project. According to Molohides, KAM performed the laboratory tests, but he did not work on the lead removal project for Sparakis. In fact, the last time he worked for CSA was in 1993, as a consultant on an asbestos job in Poughkeepsie, New York.

Thus, with the knowledge that the Board and the Comptroller required full and accurate disclosure of all laborers who worked on the project, as well as wages paid, Sparakis prepared false payroll records to conceal his use of unreported workers and his failure to pay prevailing wage rates.

CSA's Response to Our Subpoena

On October 16, 1997, this office subpoenaed materials from CSA pertaining to the lead abatement project. Although CSA challenged the subpoena and the matter was litigated for over one year, the court ultimately ordered the subcontractor to turn over the requested documents. In response, on October 19, 1998, CSA provided some information. In particular, Sparakis forwarded copies of lead training certificates, dated January 13, 1995, for 53 employees who allegedly worked on the lead abatement project. All 53 are signed by "Gerald Schwartz, Industrial hygienist," who is based in Pennsylvania.

²¹Lefteris Sparakis is the brother of Nickos Sparakis.

²²In addition to brother-in-law Federico Roca, Sparakis also put two other brothers-in-law on payroll reports, Juan Carlos Roca and Mariano Roca. Like their father, Dr. Mariano Roca-Rivas, who was the purported signatory on the falsified medical testing documents, they could not be located for an interview.

²³Yannacopoulos also confirmed that Suri Roca worked only in the CSA office.

However, consistent with his pattern of submitting fraudulent documents in connection with the Board's lead project, Sparakis' response to our subpoena included false information. According to Gerald Schwartz, the signature on one training certificate was a forgery.²⁴ Moreover, although he taught a class on January 13, 1995 at CSA's offices, he had no documentation about the number of individuals who attended his course, their identities, or the number of certificates he signed.²⁵ Thus, he could not verify the validity of the names reflected on any of the forms.

In fact, these 53 certificates are inconsistent with CSA's payroll records, which suggests that these individuals were not even the laborers who worked on the project. Based upon a comparison of these certificates to payroll forms, 28 are not listed as employees on the project, and three others who are documented as paid workers do not have training certificates. Thus, the documentation that CSA provided pursuant to subpoena offers further proof that it utilized untrained and undocumented employees on the Board's lead abatement project.

CSA'S CURRENT CITY CONTRACTS AND FRAUD

After the Board's lead abatement project was completed, CSA continued to perform work under contract for other New York City agencies. In fact, CSA currently operates under the new corporate name of Icotek Group Incorporated ("Icotek"). Nickos Sparakis is still the president and "100% owner" of Icotek, of which CSA is now a subsidiary company. Just this past year, Icotek completed work on two reconstruction contracts with the Department of Parks and Recreation, for which it earned approximately \$966,000. Moreover, between 1996 and 1998, CSA earned approximately \$500,000 for work performed for the Department of Citywide Administrative Services.²⁶

²⁴In fact, the forged certificate also contained obvious errors concerning the date of the course and Schwartz's title. Additionally, the certificate number was a duplicate of another number that was issued to a different person.

²⁵Schwartz stated that he did not bring certificates to the one-day course at CSA's office. As a result, CSA generated its own certificates for him to sign.

²⁶According to the Financial Information Services Agency ("FISA"), CSA was paid \$503,476.90 from March 1996 through April 1998, in connection with the "Department of Health." However, according to a representative from the contract unit at the Department of Health, the work was for the Department of Citywide Administrative Services.

In order to conduct business with these and other New York City agencies, all business entities and their principals are required to complete "Vendex" questionnaires.²⁷ These questionnaires are required in order to ensure that the City "obeys the mandate of the New York City Charter to do business only with responsible vendors." The documents are signed under a sworn certification that "a materially false statement willfully or fraudulently made in connection with this questionnaire may result in rendering the submitting business entity not responsible with respect to the present bid or future bids, and, in addition, may subject the person making the false statement to criminal charges." As he did in connection with the lead abatement contract, Sparakis submitted falsified Vendex questionnaires.

Although fully aware that CSA and he had been under investigation by this office since fall 1997, Sparakis swore on two certified Vendex questionnaires, dated April 14, 1998, that neither CSA nor he was the subject of any investigation. On the business entity questionnaire, he answered "no" to the questions: (1) "in the past 5 years, has this business and/or any of its owners and/or officers...or any affiliated businesses...been the subject of a criminal investigation;" or (2) been "the subject of an investigation by any government agency." Likewise, on the principal questionnaire, Sparakis answered "no" to the related questions: (1) "in the past 5 years, have you been the subject of a criminal investigation;" or (2) has any business or organization for which he was the principal owner or officer "been the subject of a criminal investigation and/or any other type of investigation by any government agency...while [he was] a principal owner or officer." He signed both documents as the "president" of CSA.

With these false answers, CSA successfully bid on two asbestos removal contracts for the Department of Citywide Administrative Services.²⁸ Although CSA initially was awarded the contracts, when the scope of the project expanded, CSA was disqualified for other reasons. Nonetheless, CSA was only able to obtain the contracts in the first place by filing the falsified questionnaires.

²⁷Vendex is the Vendor Information Exchange System.

²⁸These two contracts totaled approximately \$99,800.

CONCLUSIONS AND RECOMMENDATIONS

On a lead abatement project that posed a potential health hazard to students, staff, and workers, CSA submitted fraudulent documents to conceal its utter failure to abide by contract specifications and state and federal regulations. CSA did not utilize employees who were appropriately trained in lead abatement, did not monitor the blood lead levels of its employees, did not prepare accurate payroll records, and did not properly dispose of the lead paint waste. As a result of the falsified waste manifests, training certificates, payroll records, and medical documents, respectively:

- The lead paint waste was improperly combined for disposal with asbestos waste;
- The job was performed by laborers who were not competent to perform lead abatement;
- Laborers were employed without proper compensation as required under State Labor Laws; and
- Employees were not properly tested for potentially hazardous levels of lead in their blood.

In short, from start to finish, CSA and Nickos Sparakis submitted fraudulent documents in connection with the lead abatement project. Although the laboratory reports suggest that the classrooms were deemed safe for students to occupy, CSA completely ignored the potential risks to students, school staff, CSA employees, and the environment. It is therefore the recommendation of this office that CSA be permanently barred from bidding on contracts with the Board and the City, and that this case be considered should CSA or Nickos Sparakis seek to register as an eligible bidder for the Board or the City. In addition, given that Sparakis is the "100% owner" of Icotek, which is the parent company of CSA, we further recommend that Icotek similarly be barred. Without such protection against companies that commit fraud, they gain an unfair advantage over those that do follow the law when bidding on and completing work for the Board or the City.

This matter will be referred to the Brooklyn District Attorney's Office for possible criminal prosecution.

We are forwarding a copy of this letter and of our report concerning this investigation to the Office of Legal Services. Copies will also be forwarded to the Brooklyn District Attorney's Office. Should you have any inquiries regarding the above, please contact Shawn Kerby, the attorney assigned to the case. She can be reached at (212) 510-1413. Please notify Ms. Kerby within thirty days of receipt of this letter of what, if any, action has been taken, or is contemplated with respect to our recommendations. Thank you for your attention to this matter.

Sincerely,

EDWARD F. STANCIK
Special Commissioner
of Investigation for the
New York City School District

By: _____

Robert M. Brenner
First Deputy Commissioner

EFS:RMB:SK:ai

c: Chad Vignola, Esq., Office of Legal Services
Patricia Zedalis, Chief Executive for School Facilities

February 11, 1999

Hon. William C. Thompson, Jr.
President
New York City Board of Education
110 Livingston Street; Room 1118
Brooklyn, NY 11201

Re: CSA Contracting Corporation
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Dear President Thompson:

In 1994, the Board of Education's Division of School Facilities ("DSF") awarded a \$2 million contract to J.M. Mechanical Construction Corporation ("JM") for a lead abatement and painting project that involved 84 schools throughout Brooklyn and Staten Island.¹ JM performed the plastering and painting portion of the contract but subcontracted the actual lead paint removal and disposal to CSA Contracting Corporation ("CSA"). In March 1997, during the processing of payment for the contract, the Board's Bureau of Engineering Audit ("BEA") questioned the authenticity of paperwork that CSA prepared in connection with its disposal of the paint waste and referred the matter to this office.

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¹The project consisted of four separate contracts that totaled \$2 million.

- CSA submitted fraudulent waste disposal manifests to conceal the improper disposal of the paint waste. In fact, the information on these documents regarding the manner in which the lead was transported, the company and driver who transported the waste, and the disposal site was entirely false. Instead, the lead was improperly combined with asbestos waste and disposed at an asbestos landfill.
- CSA submitted falsified training certificates to hide the fact that the project was completed by workers who were not trained in lead abatement or educated about safety protocol.
- CSA submitted employee medical documents, which falsely represented that it monitored laborers for potentially hazardous exposure to lead.
- CSA submitted false payroll records and did not compensate employees as required under State Labor Laws. Specifically, it utilized some employees who were not reported on payroll records, falsely named individuals who did not work on the project, and misrepresented the actual wages paid to some employees.
- Finally, in response to our subpoena, which it unsuccessfully challenged for over one year,² CSA submitted at least one fraudulent training certificate and other documentation that was inconsistent with its payroll records.

In fact, CSA's president admitted that the waste manifests were "fakes," that the lead paint was improperly combined with asbestos waste from an unrelated project, and that the payroll records were not accurate.

THE BOARD'S LEAD ABATEMENT PROJECT

From April to May 1994, DSF collected bids on contracts for lead abatement in numerous schools throughout the city. DSF awarded JM the contract for Brooklyn and Staten Island. JM performed the painting and plastering portion of the contract, but CSA conducted the actual removal and disposal of the lead paint waste. Although no official written subcontract between the Board and CSA was executed, DSF knew about the

²New York State Supreme Court Justice Franklin Weissberg ordered CSA to turn over documents that we requested pursuant to a subpoena. The matter has been litigated for over one year, and CSA is currently appealing that decision.

arrangement after reviewing a letter written by Nickos Sparakis, the president of CSA, which detailed the company's experience with lead removal.³ Moreover, it was obvious from the "payroll reports" prepared by Sparakis that CSA was the identified "subcontractor." Although CSA was the subcontractor, the Board authorized payment directly to JM, which in turn paid CSA.

Realizing that younger schoolchildren were more at risk from possible exposure to lead, the Board targeted elementary schools for the lead abatement project. Specifically, pre-kindergarten, kindergarten, and special education rooms were the first priority. Moreover, DSF instructed the contractors to assume that the paint in the classrooms contained lead, which required appropriate methods of removing the peeling paint, in addition to the plastering and painting of surfaces in need of repair.⁴

During summer 1994, JM and CSA completed Phase One of the lead abatement project in those Brooklyn and Staten Island elementary schools that required the most repair work. CSA removed peeling paint and disposed of the paint chips, while JM plastered and painted those surfaces in the classrooms. JM submitted "Contractor's Application for Payment" forms to DSF, which were processed by BEA. For some requests for payment, BEA approved partial payment and withheld ten percent from JM, due to the contractor's failure to submit paperwork from the landfill site where the waste was disposed.⁵

Before the classrooms could be deemed safe for students to occupy, a laboratory had to perform a "clearance wipe test," which assessed the level of airborne lead remaining in the rooms.⁶ For Phase One, the Board, rather than JM or CSA, was responsible for employing that laboratory. Specifically, the Board had a contract with H2M Laboratories ("H2M"). Some of the clearance wipes performed by H2M revealed that the remaining airborne lead levels in the classrooms exceeded the maximum allowable by the regulations of the Department of Housing and Urban Development ("HUD"). When the results so indicated, those rooms had to be cleaned and re-tested before they could be cleared for students to return.

³According to Joseph Gabriele, Assistant Director of Contract Administration, DSF does not require subcontractors to submit pre-qualification documentation during the bidding process. Instead, the prime contractor must demonstrate the experience of the subcontractor. In this case, in May 1994, JM provided letters that explained CSA's experience with lead removal, to the satisfaction of DSF.

⁴The Board assumed that all schools constructed prior to 1980 potentially contained lead-based paint. See *Chancellor's Task Force on Lead Hazard Reduction*, "Report on Lead Based Paint Policy Recommendations," August 4, 1993.

⁵BEA also frequently withheld additional sums for "exceptions," such as the failure to replace furniture, the improper measurement of the area painted, and the failure to plaster or paint additional areas.

⁶A "clearance wipe test" involved wiping particular areas of the classrooms with a wet cloth and testing these cloths for lead content. The results were used to assess whether the level of airborne lead remaining in the rooms was safe. If the level exceeded the maximum allowable, the rooms had to be thoroughly cleaned and tested again before they could be cleared for occupancy.

Phase Two of the lead abatement project began in December 1994 and ended in August 1995. While the division of work between JM and CSA remained the same as in Phase One, H2M did not continue to conduct the clearance wipes during Phase Two of the project. Instead, for financial reasons, the Board delegated to the contractor the responsibility of employing a laboratory to perform the tests.⁷ As a result, JM hired KAM Consultants ("KAM"). According to Ioannis Mastorakis, the president of JM, he selected KAM because the company assured quick results and because Sparakis recommended KAM for the job. In fact, in the early 1990's, KAM worked with CSA on an asbestos contract. Based on KAM's clearance wipe tests, the classrooms in Phase Two were deemed safe for students to return.

As in Phase One, after JM submitted requests for payment for work performed during Phase Two, BEA only approved partial payments to Mastorakis for the project. BEA withheld ten percent and attached "exception letters" to some of JM's payment requests, explaining that the deductions were for missing waste disposal documents.⁸

CSA'S FRAUDULENT DOCUMENTS

Fraudulent Waste Manifests

According to the contract specifications, both hazardous and non-hazardous waste had to be "expeditiously removed from the premises and disposed of at an EPA approved dumpsite," and any failure to turn over "all waste disposal manifests" to the Board could "result in withholding of payment." Despite these requirements, CSA initially asserted that the manifests were not required and failed to turn over the paperwork. This led BEA to withhold partial payments and to continue requesting the appropriate documentation. Ultimately, CSA submitted fraudulent forms to conceal its failure to appropriately dispose of the lead paint waste.

At the close of both phases of the lead abatement project in Brooklyn and Staten Island, the Board paid JM approximately \$1.9 million. It withheld approximately \$84,000 for the missing waste disposal documents and for other reductions. In January 1996, Mastorakis initiated discussions, in writing and by telephone, with DSF and BEA in order to clarify the outstanding balance, including the reduction for the missing paperwork.⁹ According to Mastorakis, because CSA was responsible for the paint removal and disposal, he telephoned Sparakis to request the waste manifests.

⁷According to correspondence in DSF files, DSF concluded that it would be more cost effective for the contractor to be responsible for the clearance wipe tests.

⁸BEA also withheld money for additional exceptions similar to those in Phase One.

⁹In addition to discussing the reductions for the missing waste manifests, JM also contested the reductions for the actual measurement of the areas painted.

Sparakis' response to Mastorakis' request for the waste disposal documents, however, was contradictory and suspect. Initially, in a letter to Mastorakis, dated May 16, 1996, Sparakis explained that there was no need for "any hazardous material manifest" because the lead paint chips tested below the hazardous level. Thus, he claimed that the waste "can be disposed of as regular construction debris." Nevertheless, despite Sparakis' position that no disposal forms were necessary, CSA later submitted to Mastorakis six waste manifests relating to 13 Brooklyn schools. Sometime between May and June 1996, Mastorakis forwarded these to BEA. These six documents stated that CSA collected "bags" of "lead" from various elementary schools and gave these bags to a driver for United Waste Systems, Incorporated ("United"), who drove the bags to a West Virginia disposal site, Ham Sanitary Landfill ("Ham").

After BEA reviewed the six forms, it informed Mastorakis that the money temporarily withheld would be permanently withheld "because the waste manifests submitted [were] invalid."¹⁰ From October 1996 to February 1997, Mastorakis wrote letters to BEA, asking why the documents were "invalid" and requesting that BEA return them for any necessary corrections. In March 1997, BEA referred the paperwork to this office for investigation.

Investigators from this office substantiated that the manifests were entirely false. In fact, the forms were not even designed to be used in connection with lead removal and were outdated. All six documents are entitled "United Waste Systems (Asbestos), Inc.," and state "certification of receipt of *asbestos* materials covered by this manifest" (emphasis added). CSA merely wrote "lead" and "non-hazardous" in the "description of materials" section of the asbestos forms. Moreover, contrary to the 1994 and 1995 dates that CSA recorded on these documents, United stopped using that particular asbestos form after 1992.

In addition to submitting a deceptive form, CSA falsified information regarding the company and driver who actually picked up the lead paint waste. Though the documents indicate that "Mark Lawton" of United transported the lead to the landfill, Jack Bedford, the general manager of that company, stated that they stopped doing business with CSA shortly after 1992, and that Mark Lawton left the company in 1993, prior to the dates that CSA recorded on the manifests.

¹⁰BEA informed Mastorakis about the invalid manifests in a letter dated October 2, 1996. According to Jack Edwards, the Director of BEA, he spoke with a representative from United and confirmed that the information on the waste manifests was false.

Furthermore, CSA not only misrepresented how the waste was disposed, but also falsely stated where it was disposed. According to all six forms, United transported the lead waste to Ham, where "Ronald Mann" signed as the recipient at the landfill. However, according to Ronald Mann, the vice president of Ham, the signatures on those forms were forgeries. Moreover, he has no record of receiving the shipments on the manifests. Indeed, Mann stated that his disposal facility accepts only asbestos waste, not lead.

When investigators confronted Nickos Sparakis with copies of the six manifests, he admitted "they are fakes." He explained that CSA was "under pressure" to produce documentation for the lead waste disposal and filled out blank forms. According to Sparakis, "someone from CSA" used blank forms from a previous asbestos disposal contract with United, but it had been "several years" since CSA last worked with that company. Although he stated that an unnamed "someone" had prepared the manifests, Sparakis identified the signatures on the forms as those of his brother Lefteris Sparakis¹¹ and Stavros Yannacopoulos, the site supervisor for many Brooklyn schools. These two CSA employees signed the fraudulent documents under a certification that the contents "are fully and accurately described above by proper shipping name and are classified, packed, marked, and labeled, and are in all respects in proper condition for transport by highway according to applicable international and government regulations." Lefteris Sparakis signed five manifests, and Yannacopoulos signed one. According to Nickos Sparakis, he knew the forms were delivered to JM, but stated that Mastorakis was not aware that they were fakes.

Nickos Sparakis also admitted that the lead paint waste from the Brooklyn and Staten Island schools was not disposed of at the Ham landfill site as suggested on the manifests. Rather, according to Sparakis, CSA disposed of the paint with "regular construction debris" at another site after it tested below the hazardous limit.¹² However, Sparakis' definition of "regular construction debris" included asbestos waste. Specifically, he told investigators that he combined the lead paint with asbestos waste from another job. During CSA's lead abatement subcontract, Sparakis had an on-going contract with Spartan Dismantling Corporation ("Spartan") to transport asbestos waste from other jobs to landfill sites in Maryland and Pennsylvania. He explained that because the asbestos containers were not completely filled, CSA placed the paint chips and other debris from the Board's project in Spartan's asbestos containers.

¹¹Lefteris Sparakis is also known as Eleftherios Sparakis.

¹²According to KAM, it performed the tests to assess the lead content of the paint chips and other disposable items. The laboratory reports indicate that the waste tested below the hazardous limit. If the tests and results are valid, there is no potential environmental danger for the disposal site. However, given that the waste was tested and disposed of in 1994 and 1995, it is not possible to verify these tests.

Likewise, Yannacopoulos told investigators that CSA workers put the bags of paint chips into Spartan's asbestos containers, which were transported to a landfill in Pennsylvania. He stated that he signed many manifests at the work sites, but they were for asbestos, not lead. However, when shown a copy of one falsified waste removal document that CSA submitted for the lead abatement project, Yannacopoulos acknowledged that the form contained his handwriting and his signature. He then recalled that on at least one occasion Lefteris Sparakis asked him to sign a manifest at the CSA office and further remembered signing blank manifests.¹³

Although Sparakis and Yannacopoulos admitted that CSA combined the lead with asbestos in Spartan's containers, Spartan was unaware that it was transporting this mixture.¹⁴ According to Joanne Parasole, the office manager, and Robert Mrose, the operations manager, Spartan only transports asbestos waste. In fact, they have to subcontract any lead disposal work to a company in New Jersey, but no such contract existed for CSA. According to Parasole, their records reflected that, during the time period in question, the company picked up only asbestos waste for CSA's work with other city agencies and private companies.

Fraudulent Employee Records

The waste manifests were not the only fraudulent documents that CSA submitted in connection with the Board's lead abatement project. The subcontractor also submitted falsified employee training certificates, employee medical tests, and payroll reports. As a result, the project was performed by untrained workers, the employees were not monitored for potentially hazardous exposure to lead, and not all were compensated in accordance with State Labor Laws.

A. Fraudulent Employee Training Certificates

Pursuant to federal regulations (*see* 29 CFR § 1926.62), all construction employees who may be exposed to lead must be trained in safe abatement procedures and educated about its hazards. On September 21, 1994, Anthony Staknys, the project manager for JM, forwarded to DSF copies of the training certificates that CSA submitted for the employees who worked on the lead abatement project. In a letter dated September 27, 1994, from Nickos Sparakis to DSF, Sparakis stated that the summer paint program

¹³Investigators were unable to locate the second signatory on the waste manifests, Lefteris Sparakis, for an interview. According to Nickos Sparakis, Lefteris was traveling abroad.

¹⁴CSA's representatives had signed Spartan's transportation documents under a certification that the load contained "asbestos" and that the material came "solely and exclusively" from the site listed, "with no other material from any other source." The CSA signatures on these documents are illegible.

was completed in accordance with "all Federal, City, State Regulations and the listed OSHA protocols," and he identified nine sections of 29 CFR § 1926, including section 1926.62, which requires employee training. Sparakis closed the letter by asserting that "all workers used in this project were certified [l]ead abatement handlers."¹⁵

In fact, CSA's workers were neither appropriately trained nor certified in proper abatement techniques. The certificates that CSA submitted as proof that employees were educated about lead hazards and safety protocols were fraudulent. Specifically, the documents indicated that 33 employees attended lead training courses at the Asbestos Training Institute ("ATI"). However, according to ATI, it did not conduct such classes on the dates indicated on the certificates, and the company had no record that any of the 33 employees attended lead training courses.¹⁶ In addition, the numbers on the certificates that CSA submitted were inconsistent with ATI's numbering system.

Just as CSA had utilized documents from a previous asbestos removal job to prepare false waste manifests, CSA apparently had access to ATI training certificates from prior asbestos classes. Although ATI had no record of the 33 employees attending lead training, some had attended asbestos courses. According to ATI, eleven of the 33 employees named on the falsified training certificates attended the company's asbestos classes, including Lefteris Sparakis and Stavros Yannacopoulos.

Thus, Sparakis' letter to DSF asserting that all workers were appropriately trained in lead removal was false, and the ATI certificates that CSA submitted for 33 employees who supposedly worked on the project were fraudulent. As a result, these employees were not properly educated about the safety protocols to follow when working with lead-based paint. In particular, they were unaware of the abatement methods that were necessary to avoid risks to their own health and others present at the site.

¹⁵This letter was addressed to the "Board of Education" at the DSF address at 44-46 Vernon Boulevard in Long Island City, Queens.

¹⁶ATI's database for student transcript reports contains no record that any of the 33 employees attended lead training. However, according to the course director, he vaguely recalled that Nickos Sparakis was present for a lead class sometime in 1992, but there was no record of the class or any resulting certificate. In any event, there was no documentation that Sparakis subsequently renewed any such training.

B. Fraudulent Employee Medical Documents

To avoid compromising the health of employees working with lead, federal regulations (*see* 29 CFR § 1926.62) also require "biological monitoring," which consists of blood sampling and analysis for lead.¹⁷ In order to protect employees from exposure to hazardous levels of lead, the results of the blood tests determine whether employees can continue to work. However, CSA did not perform blood tests to monitor their employees' lead levels, and yet again, the subcontractor submitted false documents to conceal this failure. Thus, CSA did not even perform the biological monitoring which could have served as a safety net for those laborers whose lack of training may have exposed them to danger.

In the same September 27, 1994 letter to DSF which falsely stated that CSA employees were appropriately trained in lead abatement, Sparakis also indicated that the project was completed in accordance with federal regulations requiring biological monitoring. Moreover, in October 1994, CSA submitted to DSF, through JM, a copy of the "respiratory protection program" that was allegedly in place for those CSA employees working on the lead abatement project. The document bore the signature of "Nick Sparakis" and asserted that CSA employees would receive medical examinations that included blood testing for lead levels. Contrary to this claim, the medical reports that CSA later submitted in support of the blood tests were fraudulent.

Specifically, Sparakis submitted two letters from his father-in-law, "Mariano Roca-Rivas, M.D.," to satisfy the blood testing requirement. According to these letters, Dr. Roca-Rivas collected the blood samples for 20 CSA employees in September 1994 and from March to April 1995, and the National Health Laboratories ("National Health"), in Nashville, Tennessee, analyzed the blood samples for lead content. All employees allegedly tested within the "normal" range for "blood lead."

In fact, National Health did not perform the blood analysis. According to the vice-president of Laboratory Corporation of America, National Health's parent company, there is no record of National Health performing the laboratory work for the blood tests indicated in Dr. Roca-Rivas' two letters. Moreover, the company has no records of any accounts between National Health and Dr. Roca-Rivas, CSA, or the Board.

¹⁷The "biological monitoring" also consists of an analysis of zinc protoporphyrin levels in the blood, which is a method to measure the body's lead absorption over three to four months. Regular blood lead analysis reveals the body's current or recent absorption of lead. The timing of the blood tests varies according to how many hours and days an employee is exposed to lead, as well as the results of any previous blood tests within that year.

Anna Roca, the daughter of Dr. Mariano Roca-Rivas, told investigators that her father retired in 1989 from a practice at Kings County Hospital, and he did not practice medicine from his home.¹⁸ She claimed that her father was in Colombia, South America and unavailable for an interview.

Finally, even CSA's fraudulent medical documentation did not accurately account for all its supposed employees. A comparison of Dr. Roca-Rivas' letters to CSA's payroll reports for the lead abatement project indicates that there are potentially dozens more laborers who did not receive the requisite medical monitoring. Only 20 employees are named on the letters, while 45 employees are listed on the payroll reports as having worked on the project. In addition, two former CSA employees, who were neither reported on CSA's payroll records nor listed in Dr. Roca-Rivas' letter, told investigators that they worked on the lead abatement project for CSA but never received a blood test.¹⁹

Thus, CSA failed to monitor the health risks to their employees who were working directly with lead, and submitted fraudulent documentation to hide this neglect. Sparakis prepared a written "respiratory protection program" which falsely asserted that employees would receive medical examinations and blood tests; he sent a letter to DSF that falsely stated the project was completed in compliance with federal regulations, requiring medical monitoring; and he submitted a fraudulent blood test analysis of employees. As a result, CSA employees continued working on the project without knowing if they were being exposed to potentially hazardous levels of lead.²⁰

C. Fraudulent Payroll Records

In accordance with New York State Labor Law, Sparakis prepared payroll reports for the Office of the New York City Comptroller, on which he indicated that CSA was a "subcontractor" for the "NYC Board of Education" lead abatement contract at "various schools." Sparakis signed the payroll reports, under the certification that, "the above information represents wages and fringe benefits paid to all persons employed by my firm for construction work upon the above Project during the period shown. I understand that the [Board of Education] relies upon the information as being complete and accurate in making payments to the undersigned." Despite this certification, Sparakis did not fully disclose all laborers who worked on the project, misrepresented the actual wages paid to some CSA's employees, and falsely listed some individuals who did not work on the project.

¹⁸Records of the Kings County Hospital reflect that Dr. Roca-Rivas retired in September 1990.

¹⁹We are keeping confidential the identities of these two former CSA employees.

²⁰In addition, these employees still may not be aware that they possibly were exposed to hazardous levels of lead. However, given the time span, testing the employees now would not reveal that level. As a result, we cannot proclaim what their actual health risks were during the project or thereafter.

At least two former CSA employees known to this office and classified as "asbestos handlers," worked on the lead abatement project, but their names do not appear on the payroll records. CSA often paid these laborers in cash and did not provide them with W-2 forms for tax purposes. Each recalled receiving a check only on some occasions. In addition, at least two other employees who were listed on the payroll reports as working on the lead project were not compensated in the manner that Sparakis indicated on the documents. Sparakis claimed that he paid Ho Kim \$24 per hour and \$36 per overtime hour. However, Ho Kim told investigators that he was paid only \$22.50 per hour by CSA and did not earn any overtime pay. Likewise, Sparakis did not pay a second employee, Lefteris Sparakis, the money reflected on the payroll reports.²¹

Furthermore, Sparakis listed the names of individuals who did not work on the project. For example, he put his wife, Suri Roca, and her brother, Federico Roca, on the payroll form as receiving wages and benefits in connection with the lead abatement project.²² However, he told investigators that his wife Suri Roca did not actually perform the work.²³ Federico Roca, for his part, told investigators that he only performed asbestos removal work for CSA. Finally, Sparakis falsely listed the name of the operations manager at KAM, Dimitris Molohides, on the payroll report as receiving wages and benefits for working on the project. According to Molohides, KAM performed the laboratory tests, but he did not work on the lead removal project for Sparakis. In fact, the last time he worked for CSA was in 1993, as a consultant on an asbestos job in Poughkeepsie, New York.

Thus, with the knowledge that the Board and the Comptroller required full and accurate disclosure of all laborers who worked on the project, as well as wages paid, Sparakis prepared false payroll records to conceal his use of unreported workers and his failure to pay prevailing wage rates.

CSA's Response to Our Subpoena

On October 16, 1997, this office subpoenaed materials from CSA pertaining to the lead abatement project. Although CSA challenged the subpoena and the matter was litigated for over one year, the court ultimately ordered the subcontractor to turn over the requested documents. In response, on October 19, 1998, CSA provided some information. In particular, Sparakis forwarded copies of lead training certificates, dated January 13, 1995, for 53 employees who allegedly worked on the lead abatement project. All 53 are signed by "Gerald Schwartz, Industrial hygienist," who is based in Pennsylvania.

²¹Lefteris Sparakis is the brother of Nickos Sparakis.

²²In addition to brother-in-law Federico Roca, Sparakis also put two other brothers-in-law on payroll reports, Juan Carlos Roca and Mariano Roca. Like their father, Dr. Mariano Roca-Rivas, who was the purported signatory on the falsified medical testing documents, they could not be located for an interview.

²³Yannacopoulos also confirmed that Suri Roca worked only in the CSA office.

However, consistent with his pattern of submitting fraudulent documents in connection with the Board's lead project, Sparakis' response to our subpoena included false information. According to Gerald Schwartz, the signature on one training certificate was a forgery.²⁴ Moreover, although he taught a class on January 13, 1995 at CSA's offices, he had no documentation about the number of individuals who attended his course, their identities, or the number of certificates he signed.²⁵ Thus, he could not verify the validity of the names reflected on any of the forms.

In fact, these 53 certificates are inconsistent with CSA's payroll records, which suggests that these individuals were not even the laborers who worked on the project. Based upon a comparison of these certificates to payroll forms, 28 are not listed as employees on the project, and three others who are documented as paid workers do not have training certificates. Thus, the documentation that CSA provided pursuant to subpoena offers further proof that it utilized untrained and undocumented employees on the Board's lead abatement project.

CSA'S CURRENT CITY CONTRACTS AND FRAUD

After the Board's lead abatement project was completed, CSA continued to perform work under contract for other New York City agencies. In fact, CSA currently operates under the new corporate name of Icotek Group Incorporated ("Icotek"). Nickos Sparakis is still the president and "100% owner" of Icotek, of which CSA is now a subsidiary company. Just this past year, Icotek completed work on two reconstruction contracts with the Department of Parks and Recreation, for which it earned approximately \$966,000. Moreover, between 1996 and 1998, CSA earned approximately \$500,000 for work performed for the Department of Citywide Administrative Services.²⁶

²⁴In fact, the forged certificate also contained obvious errors concerning the date of the course and Schwartz's title. Additionally, the certificate number was a duplicate of another number that was issued to a different person.

²⁵Schwartz stated that he did not bring certificates to the one-day course at CSA's office. As a result, CSA generated its own certificates for him to sign.

²⁶According to the Financial Information Services Agency ("FISA"), CSA was paid \$503,476.90 from March 1996 through April 1998, in connection with the "Department of Health." However, according to a representative from the contract unit at the Department of Health, the work was for the Department of Citywide Administrative Services.

In order to conduct business with these and other New York City agencies, all business entities and their principals are required to complete "Vendex" questionnaires.²⁷ These questionnaires are required in order to ensure that the City "obeys the mandate of the New York City Charter to do business only with responsible vendors." The documents are signed under a sworn certification that "a materially false statement willfully or fraudulently made in connection with this questionnaire may result in rendering the submitting business entity not responsible with respect to the present bid or future bids, and, in addition, may subject the person making the false statement to criminal charges." As he did in connection with the lead abatement contract, Sparakis submitted falsified Vendex questionnaires.

Although fully aware that CSA and he had been under investigation by this office since fall 1997, Sparakis swore on two certified Vendex questionnaires, dated April 14, 1998, that neither CSA nor he was the subject of any investigation. On the business entity questionnaire, he answered "no" to the questions: (1) "in the past 5 years, has this business and/or any of its owners and/or officers...or any affiliated businesses...been the subject of a criminal investigation;" or (2) been "the subject of an investigation by any government agency." Likewise, on the principal questionnaire, Sparakis answered "no" to the related questions: (1) "in the past 5 years, have you been the subject of a criminal investigation;" or (2) has any business or organization for which he was the principal owner or officer "been the subject of a criminal investigation and/or any other type of investigation by any government agency...while [he was] a principal owner or officer." He signed both documents as the "president" of CSA.

With these false answers, CSA successfully bid on two asbestos removal contracts for the Department of Citywide Administrative Services.²⁸ Although CSA initially was awarded the contracts, when the scope of the project expanded, CSA was disqualified for other reasons. Nonetheless, CSA was only able to obtain the contracts in the first place by filing the falsified questionnaires.

²⁷Vendex is the Vendor Information Exchange System.

²⁸These two contracts totaled approximately \$99,800.

CONCLUSIONS AND RECOMMENDATIONS

On a lead abatement project that posed a potential health hazard to students, staff, and workers, CSA submitted fraudulent documents to conceal its utter failure to abide by contract specifications and state and federal regulations. CSA did not utilize employees who were appropriately trained in lead abatement, did not monitor the blood lead levels of its employees, did not prepare accurate payroll records, and did not properly dispose of the lead paint waste. As a result of the falsified waste manifests, training certificates, payroll records, and medical documents, respectively:

- The lead paint waste was improperly combined for disposal with asbestos waste;
- The job was performed by laborers who were not competent to perform lead abatement;
- Laborers were employed without proper compensation as required under State Labor Laws; and
- Employees were not properly tested for potentially hazardous levels of lead in their blood.

In short, from start to finish, CSA and Nickos Sparakis submitted fraudulent documents in connection with the lead abatement project. Although the laboratory reports suggest that the classrooms were deemed safe for students to occupy, CSA completely ignored the potential risks to students, school staff, CSA employees, and the environment. It is therefore the recommendation of this office that CSA be permanently barred from bidding on contracts with the Board and the City, and that this case be considered should CSA or Nickos Sparakis seek to register as an eligible bidder for the Board or the City. In addition, given that Sparakis is the "100% owner" of Icotek, which is the parent company of CSA, we further recommend that Icotek similarly be barred. Without such protection against companies that commit fraud, they gain an unfair advantage over those that do follow the law when bidding on and completing work for the Board or the City.

This matter will be referred to the Brooklyn District Attorney's Office for possible criminal prosecution.

Hon. W. C. Thompson, Jr.

-15-

February 11, 1999

Should you have any inquiries regarding the above, please contact me or First Deputy Commissioner Robert M. Brenner. He can be reached at (212) 510-1414.

Sincerely,

EDWARD F. STANCIK
Special Commissioner
of Investigation for the
New York City School District

By:

Robert M. Brenner
First Deputy Commissioner

EFS:RMB:SK:ai

c: Members of the Board

February 11, 1999

Hon. Edward J. Kuriansky
Commissioner
New York City Department of Investigation
80 Maiden Lane, 17th Floor
New York, NY 10038

Re: CSA Contracting Corporation
SCI Case #97-0568

Dear Commissioner Kuriansky:

In 1994, the Board of Education's Division of School Facilities ("DSF") awarded a \$2 million contract to J.M. Mechanical Construction Corporation ("JM") for a lead abatement and painting project that involved 84 schools throughout Brooklyn and Staten Island.¹ JM performed the plastering and painting portion of the contract but subcontracted the actual lead paint removal and disposal to CSA Contracting Corporation ("CSA"). In March 1997, during the processing of payment for the contract, the Board's Bureau of Engineering Audit ("BEA") questioned the authenticity of paperwork that CSA prepared in connection with its disposal of the paint waste and referred the matter to this office.

Our investigation has substantiated that CSA seized every opportunity to submit fraudulent paperwork in connection with the lead abatement project. Indeed, during our inquiry, CSA stonewalled, and even when legally compelled to cooperate, it again provided falsified documents. Specifically, we substantiated the following:

¹The project consisted of four separate contracts that totaled \$2 million.

- CSA submitted fraudulent waste disposal manifests to conceal the improper disposal of the paint waste. In fact, the information on these documents regarding the manner in which the lead was transported, the company and driver who transported the waste, and the disposal site was entirely false. Instead, the lead was improperly combined with asbestos waste and disposed at an asbestos landfill.
- CSA submitted falsified training certificates to hide the fact that the project was completed by workers who were not trained in lead abatement or educated about safety protocol.
- CSA submitted employee medical documents, which falsely represented that it monitored laborers for potentially hazardous exposure to lead.
- CSA submitted false payroll records and did not compensate employees as required under State Labor Laws. Specifically, it utilized some employees who were not reported on payroll records, falsely named individuals who did not work on the project, and misrepresented the actual wages paid to some employees.
- Finally, in response to our subpoena, which it unsuccessfully challenged for over one year,² CSA submitted at least one fraudulent training certificate and other documentation that was inconsistent with its payroll records.

In fact, CSA's president admitted that the waste manifests were "fakes," that the lead paint was improperly combined with asbestos waste from an unrelated project, and that the payroll records were not accurate.

THE BOARD'S LEAD ABATEMENT PROJECT

From April to May 1994, DSF collected bids on contracts for lead abatement in numerous schools throughout the city. DSF awarded JM the contract for Brooklyn and Staten Island. JM performed the painting and plastering portion of the contract, but CSA conducted the actual removal and disposal of the lead paint waste. Although no official written subcontract between the Board and CSA was executed, DSF knew about the

²New York State Supreme Court Justice Franklin Weissberg ordered CSA to turn over documents that we requested pursuant to a subpoena. The matter has been litigated for over one year, and CSA is currently appealing that decision.

arrangement after reviewing a letter written by Nickos Sparakis, the president of CSA, which detailed the company's experience with lead removal.³ Moreover, it was obvious from the "payroll reports" prepared by Sparakis that CSA was the identified "subcontractor." Although CSA was the subcontractor, the Board authorized payment directly to JM, which in turn paid CSA.

Realizing that younger schoolchildren were more at risk from possible exposure to lead, the Board targeted elementary schools for the lead abatement project. Specifically, pre-kindergarten, kindergarten, and special education rooms were the first priority. Moreover, DSF instructed the contractors to assume that the paint in the classrooms contained lead, which required appropriate methods of removing the peeling paint, in addition to the plastering and painting of surfaces in need of repair.⁴

During summer 1994, JM and CSA completed Phase One of the lead abatement project in those Brooklyn and Staten Island elementary schools that required the most repair work. CSA removed peeling paint and disposed of the paint chips, while JM plastered and painted those surfaces in the classrooms. JM submitted "Contractor's Application for Payment" forms to DSF, which were processed by BEA. For some requests for payment, BEA approved partial payment and withheld ten percent from JM, due to the contractor's failure to submit paperwork from the landfill site where the waste was disposed.⁵

Before the classrooms could be deemed safe for students to occupy, a laboratory had to perform a "clearance wipe test," which assessed the level of airborne lead remaining in the rooms.⁶ For Phase One, the Board, rather than JM or CSA, was responsible for employing that laboratory. Specifically, the Board had a contract with H2M Laboratories ("H2M"). Some of the clearance wipes performed by H2M revealed that the remaining airborne lead levels in the classrooms exceeded the maximum allowable by the regulations of the Department of Housing and Urban Development ("HUD"). When the results so indicated, those rooms had to be cleaned and re-tested before they could be cleared for students to return.

³According to Joseph Gabriele, Assistant Director of Contract Administration, DSF does not require subcontractors to submit pre-qualification documentation during the bidding process. Instead, the prime contractor must demonstrate the experience of the subcontractor. In this case, in May 1994, JM provided letters that explained CSA's experience with lead removal, to the satisfaction of DSF.

⁴The Board assumed that all schools constructed prior to 1980 potentially contained lead-based paint. See *Chancellor's Task Force on Lead Hazard Reduction*, "Report on Lead Based Paint Policy Recommendations," August 4, 1993.

⁵BEA also frequently withheld additional sums for "exceptions," such as the failure to replace furniture, the improper measurement of the area painted, and the failure to plaster or paint additional areas.

⁶A "clearance wipe test" involved wiping particular areas of the classrooms with a wet cloth and testing these cloths for lead content. The results were used to assess whether the level of airborne lead remaining in the rooms was safe. If the level exceeded the maximum allowable, the rooms had to be thoroughly cleaned and tested again before they could be cleared for occupancy.

Phase Two of the lead abatement project began in December 1994 and ended in August 1995. While the division of work between JM and CSA remained the same as in Phase One, H2M did not continue to conduct the clearance wipes during Phase Two of the project. Instead, for financial reasons, the Board delegated to the contractor the responsibility of employing a laboratory to perform the tests.⁷ As a result, JM hired KAM Consultants ("KAM"). According to Ioannis Mastorakis, the president of JM, he selected KAM because the company assured quick results and because Sparakis recommended KAM for the job. In fact, in the early 1990's, KAM worked with CSA on an asbestos contract. Based on KAM's clearance wipe tests, the classrooms in Phase Two were deemed safe for students to return.

As in Phase One, after JM submitted requests for payment for work performed during Phase Two, BEA only approved partial payments to Mastorakis for the project. BEA withheld ten percent and attached "exception letters" to some of JM's payment requests, explaining that the deductions were for missing waste disposal documents.⁸

CSA'S FRAUDULENT DOCUMENTS

Fraudulent Waste Manifests

According to the contract specifications, both hazardous and non-hazardous waste had to be "expeditiously removed from the premises and disposed of at an EPA approved dumpsite," and any failure to turn over "all waste disposal manifests" to the Board could "result in withholding of payment." Despite these requirements, CSA initially asserted that the manifests were not required and failed to turn over the paperwork. This led BEA to withhold partial payments and to continue requesting the appropriate documentation. Ultimately, CSA submitted fraudulent forms to conceal its failure to appropriately dispose of the lead paint waste.

At the close of both phases of the lead abatement project in Brooklyn and Staten Island, the Board paid JM approximately \$1.9 million. It withheld approximately \$84,000 for the missing waste disposal documents and for other reductions. In January 1996, Mastorakis initiated discussions, in writing and by telephone, with DSF and BEA in order to clarify the outstanding balance, including the reduction for the missing paperwork.⁹ According to Mastorakis, because CSA was responsible for the paint removal and disposal, he telephoned Sparakis to request the waste manifests.

⁷According to correspondence in DSF files, DSF concluded that it would be more cost effective for the contractor to be responsible for the clearance wipe tests.

⁸BEA also withheld money for additional exceptions similar to those in Phase One.

⁹In addition to discussing the reductions for the missing waste manifests, JM also contested the reductions for the actual measurement of the areas painted.

Sparakis' response to Mastorakis' request for the waste disposal documents, however, was contradictory and suspect. Initially, in a letter to Mastorakis, dated May 16, 1996, Sparakis explained that there was no need for "any hazardous material manifest" because the lead paint chips tested below the hazardous level. Thus, he claimed that the waste "can be disposed of as regular construction debris." Nevertheless, despite Sparakis' position that no disposal forms were necessary, CSA later submitted to Mastorakis six waste manifests relating to 13 Brooklyn schools. Sometime between May and June 1996, Mastorakis forwarded these to BEA. These six documents stated that CSA collected "bags" of "lead" from various elementary schools and gave these bags to a driver for United Waste Systems, Incorporated ("United"), who drove the bags to a West Virginia disposal site, Ham Sanitary Landfill ("Ham").

After BEA reviewed the six forms, it informed Mastorakis that the money temporarily withheld would be permanently withheld "because the waste manifests submitted [were] invalid."¹⁰ From October 1996 to February 1997, Mastorakis wrote letters to BEA, asking why the documents were "invalid" and requesting that BEA return them for any necessary corrections. In March 1997, BEA referred the paperwork to this office for investigation.

Investigators from this office substantiated that the manifests were entirely false. In fact, the forms were not even designed to be used in connection with lead removal and were outdated. All six documents are entitled "United Waste Systems (Asbestos), Inc.," and state "certification of receipt of *asbestos* materials covered by this manifest" (emphasis added). CSA merely wrote "lead" and "non-hazardous" in the "description of materials" section of the asbestos forms. Moreover, contrary to the 1994 and 1995 dates that CSA recorded on these documents, United stopped using that particular asbestos form after 1992.

In addition to submitting a deceptive form, CSA falsified information regarding the company and driver who actually picked up the lead paint waste. Though the documents indicate that "Mark Lawton" of United transported the lead to the landfill, Jack Bedford, the general manager of that company, stated that they stopped doing business with CSA shortly after 1992, and that Mark Lawton left the company in 1993, prior to the dates that CSA recorded on the manifests.

¹⁰BEA informed Mastorakis about the invalid manifests in a letter dated October 2, 1996. According to Jack Edwards, the Director of BEA, he spoke with a representative from United and confirmed that the information on the waste manifests was false.

Furthermore, CSA not only misrepresented how the waste was disposed, but also falsely stated where it was disposed. According to all six forms, United transported the lead waste to Ham, where "Ronald Mann" signed as the recipient at the landfill. However, according to Ronald Mann, the vice president of Ham, the signatures on those forms were forgeries. Moreover, he has no record of receiving the shipments on the manifests. Indeed, Mann stated that his disposal facility accepts only asbestos waste, not lead.

When investigators confronted Nickos Sparakis with copies of the six manifests, he admitted "they are fakes." He explained that CSA was "under pressure" to produce documentation for the lead waste disposal and filled out blank forms. According to Sparakis, "someone from CSA" used blank forms from a previous asbestos disposal contract with United, but it had been "several years" since CSA last worked with that company. Although he stated that an unnamed "someone" had prepared the manifests, Sparakis identified the signatures on the forms as those of his brother Lefteris Sparakis¹¹ and Stavros Yannacopoulos, the site supervisor for many Brooklyn schools. These two CSA employees signed the fraudulent documents under a certification that the contents "are fully and accurately described above by proper shipping name and are classified, packed, marked, and labeled, and are in all respects in proper condition for transport by highway according to applicable international and government regulations." Lefteris Sparakis signed five manifests, and Yannacopoulos signed one. According to Nickos Sparakis, he knew the forms were delivered to JM, but stated that Mastorakis was not aware that they were fakes.

Nickos Sparakis also admitted that the lead paint waste from the Brooklyn and Staten Island schools was not disposed of at the Ham landfill site as suggested on the manifests. Rather, according to Sparakis, CSA disposed of the paint with "regular construction debris" at another site after it tested below the hazardous limit.¹² However, Sparakis' definition of "regular construction debris" included asbestos waste. Specifically, he told investigators that he combined the lead paint with asbestos waste from another job. During CSA's lead abatement subcontract, Sparakis had an on-going contract with Spartan Dismantling Corporation ("Spartan") to transport asbestos waste from other jobs to landfill sites in Maryland and Pennsylvania. He explained that because the asbestos containers were not completely filled, CSA placed the paint chips and other debris from the Board's project in Spartan's asbestos containers.

¹¹Lefteris Sparakis is also known as Eleftherios Sparakis.

¹²According to KAM, it performed the tests to assess the lead content of the paint chips and other disposable items. The laboratory reports indicate that the waste tested below the hazardous limit. If the tests and results are valid, there is no potential environmental danger for the disposal site. However, given that the waste was tested and disposed of in 1994 and 1995, it is not possible to verify these tests.

Likewise, Yannacopoulos told investigators that CSA workers put the bags of paint chips into Spartan's asbestos containers, which were transported to a landfill in Pennsylvania. He stated that he signed many manifests at the work sites, but they were for asbestos, not lead. However, when shown a copy of one falsified waste removal document that CSA submitted for the lead abatement project, Yannacopoulos acknowledged that the form contained his handwriting and his signature. He then recalled that on at least one occasion Lefteris Sparakis asked him to sign a manifest at the CSA office and further remembered signing blank manifests.¹³

Although Sparakis and Yannacopoulos admitted that CSA combined the lead with asbestos in Spartan's containers, Spartan was unaware that it was transporting this mixture.¹⁴ According to Joanne Parasole, the office manager, and Robert Mrose, the operations manager, Spartan only transports asbestos waste. In fact, they have to subcontract any lead disposal work to a company in New Jersey, but no such contract existed for CSA. According to Parasole, their records reflected that, during the time period in question, the company picked up only asbestos waste for CSA's work with other city agencies and private companies.

Fraudulent Employee Records

The waste manifests were not the only fraudulent documents that CSA submitted in connection with the Board's lead abatement project. The subcontractor also submitted falsified employee training certificates, employee medical tests, and payroll reports. As a result, the project was performed by untrained workers, the employees were not monitored for potentially hazardous exposure to lead, and not all were compensated in accordance with State Labor Laws.

A. Fraudulent Employee Training Certificates

Pursuant to federal regulations (*see* 29 CFR § 1926.62), all construction employees who may be exposed to lead must be trained in safe abatement procedures and educated about its hazards. On September 21, 1994, Anthony Staknys, the project manager for JM, forwarded to DSF copies of the training certificates that CSA submitted for the employees who worked on the lead abatement project. In a letter dated September 27, 1994, from Nickos Sparakis to DSF, Sparakis stated that the summer paint program

¹³Investigators were unable to locate the second signatory on the waste manifests, Lefteris Sparakis, for an interview. According to Nickos Sparakis, Lefteris was traveling abroad.

¹⁴CSA's representatives had signed Spartan's transportation documents under a certification that the load contained "asbestos" and that the material came "solely and exclusively" from the site listed, "with no other material from any other source." The CSA signatures on these documents are illegible.

was completed in accordance with "all Federal, City, State Regulations and the listed OSHA protocols," and he identified nine sections of 29 CFR § 1926, including section 1926.62, which requires employee training. Sparakis closed the letter by asserting that "all workers used in this project were certified [l]ead abatement handlers."¹⁵

In fact, CSA's workers were neither appropriately trained nor certified in proper abatement techniques. The certificates that CSA submitted as proof that employees were educated about lead hazards and safety protocols were fraudulent. Specifically, the documents indicated that 33 employees attended lead training courses at the Asbestos Training Institute ("ATI"). However, according to ATI, it did not conduct such classes on the dates indicated on the certificates, and the company had no record that any of the 33 employees attended lead training courses.¹⁶ In addition, the numbers on the certificates that CSA submitted were inconsistent with ATI's numbering system.

Just as CSA had utilized documents from a previous asbestos removal job to prepare false waste manifests, CSA apparently had access to ATI training certificates from prior asbestos classes. Although ATI had no record of the 33 employees attending lead training, some had attended asbestos courses. According to ATI, eleven of the 33 employees named on the falsified training certificates attended the company's asbestos classes, including Lefteris Sparakis and Stavros Yannacopoulos.

Thus, Sparakis' letter to DSF asserting that all workers were appropriately trained in lead removal was false, and the ATI certificates that CSA submitted for 33 employees who supposedly worked on the project were fraudulent. As a result, these employees were not properly educated about the safety protocols to follow when working with lead-based paint. In particular, they were unaware of the abatement methods that were necessary to avoid risks to their own health and others present at the site.

¹⁵This letter was addressed to the "Board of Education" at the DSF address at 44-46 Vernon Boulevard in Long Island City, Queens.

¹⁶ATI's database for student transcript reports contains no record that any of the 33 employees attended lead training. However, according to the course director, he vaguely recalled that Nickos Sparakis was present for a lead class sometime in 1992, but there was no record of the class or any resulting certificate. In any event, there was no documentation that Sparakis subsequently renewed any such training.

B. Fraudulent Employee Medical Documents

To avoid compromising the health of employees working with lead, federal regulations (*see* 29 CFR § 1926.62) also require "biological monitoring," which consists of blood sampling and analysis for lead.¹⁷ In order to protect employees from exposure to hazardous levels of lead, the results of the blood tests determine whether employees can continue to work. However, CSA did not perform blood tests to monitor their employees' lead levels, and yet again, the subcontractor submitted false documents to conceal this failure. Thus, CSA did not even perform the biological monitoring which could have served as a safety net for those laborers whose lack of training may have exposed them to danger.

In the same September 27, 1994 letter to DSF which falsely stated that CSA employees were appropriately trained in lead abatement, Sparakis also indicated that the project was completed in accordance with federal regulations requiring biological monitoring. Moreover, in October 1994, CSA submitted to DSF, through JM, a copy of the "respiratory protection program" that was allegedly in place for those CSA employees working on the lead abatement project. The document bore the signature of "Nick Sparakis" and asserted that CSA employees would receive medical examinations that included blood testing for lead levels. Contrary to this claim, the medical reports that CSA later submitted in support of the blood tests were fraudulent.

Specifically, Sparakis submitted two letters from his father-in-law, "Mariano Roca-Rivas, M.D.," to satisfy the blood testing requirement. According to these letters, Dr. Roca-Rivas collected the blood samples for 20 CSA employees in September 1994 and from March to April 1995, and the National Health Laboratories ("National Health"), in Nashville, Tennessee, analyzed the blood samples for lead content. All employees allegedly tested within the "normal" range for "blood lead."

In fact, National Health did not perform the blood analysis. According to the vice-president of Laboratory Corporation of America, National Health's parent company, there is no record of National Health performing the laboratory work for the blood tests indicated in Dr. Roca-Rivas' two letters. Moreover, the company has no records of any accounts between National Health and Dr. Roca-Rivas, CSA, or the Board.

¹⁷The "biological monitoring" also consists of an analysis of zinc protoporphyrin levels in the blood, which is a method to measure the body's lead absorption over three to four months. Regular blood lead analysis reveals the body's current or recent absorption of lead. The timing of the blood tests varies according to how many hours and days an employee is exposed to lead, as well as the results of any previous blood tests within that year.

Anna Roca, the daughter of Dr. Mariano Roca-Rivas, told investigators that her father retired in 1989 from a practice at Kings County Hospital, and he did not practice medicine from his home.¹⁸ She claimed that her father was in Colombia, South America and unavailable for an interview.

Finally, even CSA's fraudulent medical documentation did not accurately account for all its supposed employees. A comparison of Dr. Roca-Rivas' letters to CSA's payroll reports for the lead abatement project indicates that there are potentially dozens more laborers who did not receive the requisite medical monitoring. Only 20 employees are named on the letters, while 45 employees are listed on the payroll reports as having worked on the project. In addition, two former CSA employees, who were neither reported on CSA's payroll records nor listed in Dr. Roca-Rivas' letter, told investigators that they worked on the lead abatement project for CSA but never received a blood test.¹⁹

Thus, CSA failed to monitor the health risks to their employees who were working directly with lead, and submitted fraudulent documentation to hide this neglect. Sparakis prepared a written "respiratory protection program" which falsely asserted that employees would receive medical examinations and blood tests; he sent a letter to DSF that falsely stated the project was completed in compliance with federal regulations, requiring medical monitoring; and he submitted a fraudulent blood test analysis of employees. As a result, CSA employees continued working on the project without knowing if they were being exposed to potentially hazardous levels of lead.²⁰

C. Fraudulent Payroll Records

In accordance with New York State Labor Law, Sparakis prepared payroll reports for the Office of the New York City Comptroller, on which he indicated that CSA was a "subcontractor" for the "NYC Board of Education" lead abatement contract at "various schools." Sparakis signed the payroll reports, under the certification that, "the above information represents wages and fringe benefits paid to all persons employed by my firm for construction work upon the above Project during the period shown. I understand that the [Board of Education] relies upon the information as being complete and accurate in making payments to the undersigned." Despite this certification, Sparakis did not fully disclose all laborers who worked on the project, misrepresented the actual wages paid to some CSA's employees, and falsely listed some individuals who did not work on the project.

¹⁸Records of the Kings County Hospital reflect that Dr. Roca-Rivas retired in September 1990.

¹⁹We are keeping confidential the identities of these two former CSA employees.

²⁰In addition, these employees still may not be aware that they possibly were exposed to hazardous levels of lead. However, given the time span, testing the employees now would not reveal that level. As a result, we cannot proclaim what their actual health risks were during the project or thereafter.

At least two former CSA employees known to this office and classified as "asbestos handlers," worked on the lead abatement project, but their names do not appear on the payroll records. CSA often paid these laborers in cash and did not provide them with W-2 forms for tax purposes. Each recalled receiving a check only on some occasions. In addition, at least two other employees who were listed on the payroll reports as working on the lead project were not compensated in the manner that Sparakis indicated on the documents. Sparakis claimed that he paid Ho Kim \$24 per hour and \$36 per overtime hour. However, Ho Kim told investigators that he was paid only \$22.50 per hour by CSA and did not earn any overtime pay. Likewise, Sparakis did not pay a second employee, Lefteris Sparakis, the money reflected on the payroll reports.²¹

Furthermore, Sparakis listed the names of individuals who did not work on the project. For example, he put his wife, Suri Roca, and her brother, Federico Roca, on the payroll form as receiving wages and benefits in connection with the lead abatement project.²² However, he told investigators that his wife Suri Roca did not actually perform the work.²³ Federico Roca, for his part, told investigators that he only performed asbestos removal work for CSA. Finally, Sparakis falsely listed the name of the operations manager at KAM, Dimitris Molohides, on the payroll report as receiving wages and benefits for working on the project. According to Molohides, KAM performed the laboratory tests, but he did not work on the lead removal project for Sparakis. In fact, the last time he worked for CSA was in 1993, as a consultant on an asbestos job in Poughkeepsie, New York.

Thus, with the knowledge that the Board and the Comptroller required full and accurate disclosure of all laborers who worked on the project, as well as wages paid, Sparakis prepared false payroll records to conceal his use of unreported workers and his failure to pay prevailing wage rates.

CSA's Response to Our Subpoena

On October 16, 1997, this office subpoenaed materials from CSA pertaining to the lead abatement project. Although CSA challenged the subpoena and the matter was litigated for over one year, the court ultimately ordered the subcontractor to turn over the requested documents. In response, on October 19, 1998, CSA provided some information. In particular, Sparakis forwarded copies of lead training certificates, dated January 13, 1995, for 53 employees who allegedly worked on the lead abatement project. All 53 are signed by "Gerald Schwartz, Industrial hygienist," who is based in Pennsylvania.

²¹Lefteris Sparakis is the brother of Nickos Sparakis.

²²In addition to brother-in-law Federico Roca, Sparakis also put two other brothers-in-law on payroll reports, Juan Carlos Roca and Mariano Roca. Like their father, Dr. Mariano Roca-Rivas, who was the purported signatory on the falsified medical testing documents, they could not be located for an interview.

²³Yannacopoulos also confirmed that Suri Roca worked only in the CSA office.

However, consistent with his pattern of submitting fraudulent documents in connection with the Board's lead project, Sparakis' response to our subpoena included false information. According to Gerald Schwartz, the signature on one training certificate was a forgery.²⁴ Moreover, although he taught a class on January 13, 1995 at CSA's offices, he had no documentation about the number of individuals who attended his course, their identities, or the number of certificates he signed.²⁵ Thus, he could not verify the validity of the names reflected on any of the forms.

In fact, these 53 certificates are inconsistent with CSA's payroll records, which suggests that these individuals were not even the laborers who worked on the project. Based upon a comparison of these certificates to payroll forms, 28 are not listed as employees on the project, and three others who are documented as paid workers do not have training certificates. Thus, the documentation that CSA provided pursuant to subpoena offers further proof that it utilized untrained and undocumented employees on the Board's lead abatement project.

CSA'S CURRENT CITY CONTRACTS AND FRAUD

After the Board's lead abatement project was completed, CSA continued to perform work under contract for other New York City agencies. In fact, CSA currently operates under the new corporate name of Icotek Group Incorporated ("Icotek"). Nickos Sparakis is still the president and "100% owner" of Icotek, of which CSA is now a subsidiary company. Just this past year, Icotek completed work on two reconstruction contracts with the Department of Parks and Recreation, for which it earned approximately \$966,000. Moreover, between 1996 and 1998, CSA earned approximately \$500,000 for work performed for the Department of Citywide Administrative Services.²⁶

²⁴In fact, the forged certificate also contained obvious errors concerning the date of the course and Schwartz's title. Additionally, the certificate number was a duplicate of another number that was issued to a different person.

²⁵Schwartz stated that he did not bring certificates to the one-day course at CSA's office. As a result, CSA generated its own certificates for him to sign.

²⁶According to the Financial Information Services Agency ("FISA"), CSA was paid \$503,476.90 from March 1996 through April 1998, in connection with the "Department of Health." However, according to a representative from the contract unit at the Department of Health, the work was for the Department of Citywide Administrative Services.

In order to conduct business with these and other New York City agencies, all business entities and their principals are required to complete "Vendex" questionnaires.²⁷ These questionnaires are required in order to ensure that the City "obeys the mandate of the New York City Charter to do business only with responsible vendors." The documents are signed under a sworn certification that "a materially false statement willfully or fraudulently made in connection with this questionnaire may result in rendering the submitting business entity not responsible with respect to the present bid or future bids, and, in addition, may subject the person making the false statement to criminal charges." As he did in connection with the lead abatement contract, Sparakis submitted falsified Vendex questionnaires.

Although fully aware that CSA and he had been under investigation by this office since fall 1997, Sparakis swore on two certified Vendex questionnaires, dated April 14, 1998, that neither CSA nor he was the subject of any investigation. On the business entity questionnaire, he answered "no" to the questions: (1) "in the past 5 years, has this business and/or any of its owners and/or officers...or any affiliated businesses...been the subject of a criminal investigation;" or (2) been "the subject of an investigation by any government agency." Likewise, on the principal questionnaire, Sparakis answered "no" to the related questions: (1) "in the past 5 years, have you been the subject of a criminal investigation;" or (2) has any business or organization for which he was the principal owner or officer "been the subject of a criminal investigation and/or any other type of investigation by any government agency...while [he was] a principal owner or officer." He signed both documents as the "president" of CSA.

With these false answers, CSA successfully bid on two asbestos removal contracts for the Department of Citywide Administrative Services.²⁸ Although CSA initially was awarded the contracts, when the scope of the project expanded, CSA was disqualified for other reasons. Nonetheless, CSA was only able to obtain the contracts in the first place by filing the falsified questionnaires.

²⁷Vendex is the Vendor Information Exchange System.

²⁸These two contracts totaled approximately \$99,800.

CONCLUSIONS AND RECOMMENDATIONS

On a lead abatement project that posed a potential health hazard to students, staff, and workers, CSA submitted fraudulent documents to conceal its utter failure to abide by contract specifications and state and federal regulations. CSA did not utilize employees who were appropriately trained in lead abatement, did not monitor the blood lead levels of its employees, did not prepare accurate payroll records, and did not properly dispose of the lead paint waste. As a result of the falsified waste manifests, training certificates, payroll records, and medical documents, respectively:

- The lead paint waste was improperly combined for disposal with asbestos waste;
- The job was performed by laborers who were not competent to perform lead abatement;
- Laborers were employed without proper compensation as required under State Labor Laws; and
- Employees were not properly tested for potentially hazardous levels of lead in their blood.

In short, from start to finish, CSA and Nickos Sparakis submitted fraudulent documents in connection with the lead abatement project. Although the laboratory reports suggest that the classrooms were deemed safe for students to occupy, CSA completely ignored the potential risks to students, school staff, CSA employees, and the environment. Therefore, we have recommended to the Board of Education that CSA be permanently barred from bidding on contracts with the Board and the City, and that this case be considered should CSA or Nickos Sparakis seek to register as an eligible bidder for the Board or the City. In addition, given that Sparakis is the "100% owner" of Icotek, which is the parent company of CSA, we have further recommended that Icotek similarly be barred. Without such protection against companies that commit fraud, they gain an unfair advantage over those that do follow the law when bidding on and completing work for the Board or the City.

This matter will be referred to the Brooklyn District Attorney's Office for possible criminal prosecution.

Hon. E. J. Kuriansky

-15-

February 11, 1999

Should you have any inquiries regarding the above, please contact me or First Deputy Commissioner Robert M. Brenner. He can be reached at (212) 510-1414.

Sincerely,

EDWARD F. STANCIK
Special Commissioner
of Investigation for the
New York City School District

By:

Robert M. Brenner
First Deputy Commissioner

EFS:RMB:SK:ai

February 11, 1999

Hon. Edward J. Kuriansky
Commissioner
New York City Department of Investigation
80 Maiden Lane, 17th Floor
New York, NY 10038

Re: CSA Contracting Corporation
SCI Case #97-0568

Dear Commissioner Kuriansky:

In 1994, the Board of Education's Division of School Facilities ("DSF") awarded a \$2 million contract to J.M. Mechanical Construction Corporation ("JM") for a lead abatement and painting project that involved 84 schools throughout Brooklyn and Staten Island.¹ JM performed the plastering and painting portion of the contract but subcontracted the actual lead paint removal and disposal to CSA Contracting Corporation ("CSA"). In March 1997, during the processing of payment for the contract, the Board's Bureau of Engineering Audit ("BEA") questioned the authenticity of paperwork that CSA prepared in connection with its disposal of the paint waste and referred the matter to this office.

Our investigation has substantiated that CSA seized every opportunity to submit fraudulent paperwork in connection with the lead abatement project. Indeed, during our inquiry, CSA stonewalled, and even when legally compelled to cooperate, it again provided falsified documents. Specifically, we substantiated the following:

¹The project consisted of four separate contracts that totaled \$2 million.

- CSA submitted fraudulent waste disposal manifests to conceal the improper disposal of the paint waste. In fact, the information on these documents regarding the manner in which the lead was transported, the company and driver who transported the waste, and the disposal site was entirely false. Instead, the lead was improperly combined with asbestos waste and disposed at an asbestos landfill.
- CSA submitted falsified training certificates to hide the fact that the project was completed by workers who were not trained in lead abatement or educated about safety protocol.
- CSA submitted employee medical documents, which falsely represented that it monitored laborers for potentially hazardous exposure to lead.
- CSA submitted false payroll records and did not compensate employees as required under State Labor Laws. Specifically, it utilized some employees who were not reported on payroll records, falsely named individuals who did not work on the project, and misrepresented the actual wages paid to some employees.
- Finally, in response to our subpoena, which it unsuccessfully challenged for over one year,² CSA submitted at least one fraudulent training certificate and other documentation that was inconsistent with its payroll records.

In fact, CSA's president admitted that the waste manifests were "fakes," that the lead paint was improperly combined with asbestos waste from an unrelated project, and that the payroll records were not accurate.

THE BOARD'S LEAD ABATEMENT PROJECT

From April to May 1994, DSF collected bids on contracts for lead abatement in numerous schools throughout the city. DSF awarded JM the contract for Brooklyn and Staten Island. JM performed the painting and plastering portion of the contract, but CSA conducted the actual removal and disposal of the lead paint waste. Although no official written subcontract between the Board and CSA was executed, DSF knew about the

²New York State Supreme Court Justice Franklin Weissberg ordered CSA to turn over documents that we requested pursuant to a subpoena. The matter has been litigated for over one year, and CSA is currently appealing that decision.

arrangement after reviewing a letter written by Nickos Sparakis, the president of CSA, which detailed the company's experience with lead removal.³ Moreover, it was obvious from the "payroll reports" prepared by Sparakis that CSA was the identified "subcontractor." Although CSA was the subcontractor, the Board authorized payment directly to JM, which in turn paid CSA.

Realizing that younger schoolchildren were more at risk from possible exposure to lead, the Board targeted elementary schools for the lead abatement project. Specifically, pre-kindergarten, kindergarten, and special education rooms were the first priority. Moreover, DSF instructed the contractors to assume that the paint in the classrooms contained lead, which required appropriate methods of removing the peeling paint, in addition to the plastering and painting of surfaces in need of repair.⁴

During summer 1994, JM and CSA completed Phase One of the lead abatement project in those Brooklyn and Staten Island elementary schools that required the most repair work. CSA removed peeling paint and disposed of the paint chips, while JM plastered and painted those surfaces in the classrooms. JM submitted "Contractor's Application for Payment" forms to DSF, which were processed by BEA. For some requests for payment, BEA approved partial payment and withheld ten percent from JM, due to the contractor's failure to submit paperwork from the landfill site where the waste was disposed.⁵

Before the classrooms could be deemed safe for students to occupy, a laboratory had to perform a "clearance wipe test," which assessed the level of airborne lead remaining in the rooms.⁶ For Phase One, the Board, rather than JM or CSA, was responsible for employing that laboratory. Specifically, the Board had a contract with H2M Laboratories ("H2M"). Some of the clearance wipes performed by H2M revealed that the remaining airborne lead levels in the classrooms exceeded the maximum allowable by the regulations of the Department of Housing and Urban Development ("HUD"). When the results so indicated, those rooms had to be cleaned and re-tested before they could be cleared for students to return.

³According to Joseph Gabriele, Assistant Director of Contract Administration, DSF does not require subcontractors to submit pre-qualification documentation during the bidding process. Instead, the prime contractor must demonstrate the experience of the subcontractor. In this case, in May 1994, JM provided letters that explained CSA's experience with lead removal, to the satisfaction of DSF.

⁴The Board assumed that all schools constructed prior to 1980 potentially contained lead-based paint. See *Chancellor's Task Force on Lead Hazard Reduction*, "Report on Lead Based Paint Policy Recommendations," August 4, 1993.

⁵BEA also frequently withheld additional sums for "exceptions," such as the failure to replace furniture, the improper measurement of the area painted, and the failure to plaster or paint additional areas.

⁶A "clearance wipe test" involved wiping particular areas of the classrooms with a wet cloth and testing these cloths for lead content. The results were used to assess whether the level of airborne lead remaining in the rooms was safe. If the level exceeded the maximum allowable, the rooms had to be thoroughly cleaned and tested again before they could be cleared for occupancy.

Phase Two of the lead abatement project began in December 1994 and ended in August 1995. While the division of work between JM and CSA remained the same as in Phase One, H2M did not continue to conduct the clearance wipes during Phase Two of the project. Instead, for financial reasons, the Board delegated to the contractor the responsibility of employing a laboratory to perform the tests.⁷ As a result, JM hired KAM Consultants ("KAM"). According to Ioannis Mastorakis, the president of JM, he selected KAM because the company assured quick results and because Sparakis recommended KAM for the job. In fact, in the early 1990's, KAM worked with CSA on an asbestos contract. Based on KAM's clearance wipe tests, the classrooms in Phase Two were deemed safe for students to return.

As in Phase One, after JM submitted requests for payment for work performed during Phase Two, BEA only approved partial payments to Mastorakis for the project. BEA withheld ten percent and attached "exception letters" to some of JM's payment requests, explaining that the deductions were for missing waste disposal documents.⁸

CSA'S FRAUDULENT DOCUMENTS

Fraudulent Waste Manifests

According to the contract specifications, both hazardous and non-hazardous waste had to be "expeditiously removed from the premises and disposed of at an EPA approved dumpsite," and any failure to turn over "all waste disposal manifests" to the Board could "result in withholding of payment." Despite these requirements, CSA initially asserted that the manifests were not required and failed to turn over the paperwork. This led BEA to withhold partial payments and to continue requesting the appropriate documentation. Ultimately, CSA submitted fraudulent forms to conceal its failure to appropriately dispose of the lead paint waste.

At the close of both phases of the lead abatement project in Brooklyn and Staten Island, the Board paid JM approximately \$1.9 million. It withheld approximately \$84,000 for the missing waste disposal documents and for other reductions. In January 1996, Mastorakis initiated discussions, in writing and by telephone, with DSF and BEA in order to clarify the outstanding balance, including the reduction for the missing paperwork.⁹ According to Mastorakis, because CSA was responsible for the paint removal and disposal, he telephoned Sparakis to request the waste manifests.

⁷According to correspondence in DSF files, DSF concluded that it would be more cost effective for the contractor to be responsible for the clearance wipe tests.

⁸BEA also withheld money for additional exceptions similar to those in Phase One.

⁹In addition to discussing the reductions for the missing waste manifests, JM also contested the reductions for the actual measurement of the areas painted.

Sparakis' response to Mastorakis' request for the waste disposal documents, however, was contradictory and suspect. Initially, in a letter to Mastorakis, dated May 16, 1996, Sparakis explained that there was no need for "any hazardous material manifest" because the lead paint chips tested below the hazardous level. Thus, he claimed that the waste "can be disposed of as regular construction debris." Nevertheless, despite Sparakis' position that no disposal forms were necessary, CSA later submitted to Mastorakis six waste manifests relating to 13 Brooklyn schools. Sometime between May and June 1996, Mastorakis forwarded these to BEA. These six documents stated that CSA collected "bags" of "lead" from various elementary schools and gave these bags to a driver for United Waste Systems, Incorporated ("United"), who drove the bags to a West Virginia disposal site, Ham Sanitary Landfill ("Ham").

After BEA reviewed the six forms, it informed Mastorakis that the money temporarily withheld would be permanently withheld "because the waste manifests submitted [were] invalid."¹⁰ From October 1996 to February 1997, Mastorakis wrote letters to BEA, asking why the documents were "invalid" and requesting that BEA return them for any necessary corrections. In March 1997, BEA referred the paperwork to this office for investigation.

Investigators from this office substantiated that the manifests were entirely false. In fact, the forms were not even designed to be used in connection with lead removal and were outdated. All six documents are entitled "United Waste Systems (Asbestos), Inc.," and state "certification of receipt of *asbestos* materials covered by this manifest" (emphasis added). CSA merely wrote "lead" and "non-hazardous" in the "description of materials" section of the asbestos forms. Moreover, contrary to the 1994 and 1995 dates that CSA recorded on these documents, United stopped using that particular asbestos form after 1992.

In addition to submitting a deceptive form, CSA falsified information regarding the company and driver who actually picked up the lead paint waste. Though the documents indicate that "Mark Lawton" of United transported the lead to the landfill, Jack Bedford, the general manager of that company, stated that they stopped doing business with CSA shortly after 1992, and that Mark Lawton left the company in 1993, prior to the dates that CSA recorded on the manifests.

¹⁰BEA informed Mastorakis about the invalid manifests in a letter dated October 2, 1996. According to Jack Edwards, the Director of BEA, he spoke with a representative from United and confirmed that the information on the waste manifests was false.

Furthermore, CSA not only misrepresented how the waste was disposed, but also falsely stated where it was disposed. According to all six forms, United transported the lead waste to Ham, where "Ronald Mann" signed as the recipient at the landfill. However, according to Ronald Mann, the vice president of Ham, the signatures on those forms were forgeries. Moreover, he has no record of receiving the shipments on the manifests. Indeed, Mann stated that his disposal facility accepts only asbestos waste, not lead.

When investigators confronted Nickos Sparakis with copies of the six manifests, he admitted "they are fakes." He explained that CSA was "under pressure" to produce documentation for the lead waste disposal and filled out blank forms. According to Sparakis, "someone from CSA" used blank forms from a previous asbestos disposal contract with United, but it had been "several years" since CSA last worked with that company. Although he stated that an unnamed "someone" had prepared the manifests, Sparakis identified the signatures on the forms as those of his brother Lefteris Sparakis¹¹ and Stavros Yannacopoulos, the site supervisor for many Brooklyn schools. These two CSA employees signed the fraudulent documents under a certification that the contents "are fully and accurately described above by proper shipping name and are classified, packed, marked, and labeled, and are in all respects in proper condition for transport by highway according to applicable international and government regulations." Lefteris Sparakis signed five manifests, and Yannacopoulos signed one. According to Nickos Sparakis, he knew the forms were delivered to JM, but stated that Mastorakis was not aware that they were fakes.

Nickos Sparakis also admitted that the lead paint waste from the Brooklyn and Staten Island schools was not disposed of at the Ham landfill site as suggested on the manifests. Rather, according to Sparakis, CSA disposed of the paint with "regular construction debris" at another site after it tested below the hazardous limit.¹² However, Sparakis' definition of "regular construction debris" included asbestos waste. Specifically, he told investigators that he combined the lead paint with asbestos waste from another job. During CSA's lead abatement subcontract, Sparakis had an on-going contract with Spartan Dismantling Corporation ("Spartan") to transport asbestos waste from other jobs to landfill sites in Maryland and Pennsylvania. He explained that because the asbestos containers were not completely filled, CSA placed the paint chips and other debris from the Board's project in Spartan's asbestos containers.

¹¹Lefteris Sparakis is also known as Eleftherios Sparakis.

¹²According to KAM, it performed the tests to assess the lead content of the paint chips and other disposable items. The laboratory reports indicate that the waste tested below the hazardous limit. If the tests and results are valid, there is no potential environmental danger for the disposal site. However, given that the waste was tested and disposed of in 1994 and 1995, it is not possible to verify these tests.

Likewise, Yannacopoulos told investigators that CSA workers put the bags of paint chips into Spartan's asbestos containers, which were transported to a landfill in Pennsylvania. He stated that he signed many manifests at the work sites, but they were for asbestos, not lead. However, when shown a copy of one falsified waste removal document that CSA submitted for the lead abatement project, Yannacopoulos acknowledged that the form contained his handwriting and his signature. He then recalled that on at least one occasion Lefteris Sparakis asked him to sign a manifest at the CSA office and further remembered signing blank manifests.¹³

Although Sparakis and Yannacopoulos admitted that CSA combined the lead with asbestos in Spartan's containers, Spartan was unaware that it was transporting this mixture.¹⁴ According to Joanne Parasole, the office manager, and Robert Mrose, the operations manager, Spartan only transports asbestos waste. In fact, they have to subcontract any lead disposal work to a company in New Jersey, but no such contract existed for CSA. According to Parasole, their records reflected that, during the time period in question, the company picked up only asbestos waste for CSA's work with other city agencies and private companies.

Fraudulent Employee Records

The waste manifests were not the only fraudulent documents that CSA submitted in connection with the Board's lead abatement project. The subcontractor also submitted falsified employee training certificates, employee medical tests, and payroll reports. As a result, the project was performed by untrained workers, the employees were not monitored for potentially hazardous exposure to lead, and not all were compensated in accordance with State Labor Laws.

A. Fraudulent Employee Training Certificates

Pursuant to federal regulations (*see* 29 CFR § 1926.62), all construction employees who may be exposed to lead must be trained in safe abatement procedures and educated about its hazards. On September 21, 1994, Anthony Staknys, the project manager for JM, forwarded to DSF copies of the training certificates that CSA submitted for the employees who worked on the lead abatement project. In a letter dated September 27, 1994, from Nickos Sparakis to DSF, Sparakis stated that the summer paint program

¹³Investigators were unable to locate the second signatory on the waste manifests, Lefteris Sparakis, for an interview. According to Nickos Sparakis, Lefteris was traveling abroad.

¹⁴CSA's representatives had signed Spartan's transportation documents under a certification that the load contained "asbestos" and that the material came "solely and exclusively" from the site listed, "with no other material from any other source." The CSA signatures on these documents are illegible.

was completed in accordance with "all Federal, City, State Regulations and the listed OSHA protocols," and he identified nine sections of 29 CFR § 1926, including section 1926.62, which requires employee training. Sparakis closed the letter by asserting that "all workers used in this project were certified [l]ead abatement handlers."¹⁵

In fact, CSA's workers were neither appropriately trained nor certified in proper abatement techniques. The certificates that CSA submitted as proof that employees were educated about lead hazards and safety protocols were fraudulent. Specifically, the documents indicated that 33 employees attended lead training courses at the Asbestos Training Institute ("ATI"). However, according to ATI, it did not conduct such classes on the dates indicated on the certificates, and the company had no record that any of the 33 employees attended lead training courses.¹⁶ In addition, the numbers on the certificates that CSA submitted were inconsistent with ATI's numbering system.

Just as CSA had utilized documents from a previous asbestos removal job to prepare false waste manifests, CSA apparently had access to ATI training certificates from prior asbestos classes. Although ATI had no record of the 33 employees attending lead training, some had attended asbestos courses. According to ATI, eleven of the 33 employees named on the falsified training certificates attended the company's asbestos classes, including Lefteris Sparakis and Stavros Yannacopoulos.

Thus, Sparakis' letter to DSF asserting that all workers were appropriately trained in lead removal was false, and the ATI certificates that CSA submitted for 33 employees who supposedly worked on the project were fraudulent. As a result, these employees were not properly educated about the safety protocols to follow when working with lead-based paint. In particular, they were unaware of the abatement methods that were necessary to avoid risks to their own health and others present at the site.

¹⁵This letter was addressed to the "Board of Education" at the DSF address at 44-46 Vernon Boulevard in Long Island City, Queens.

¹⁶ATI's database for student transcript reports contains no record that any of the 33 employees attended lead training. However, according to the course director, he vaguely recalled that Nickos Sparakis was present for a lead class sometime in 1992, but there was no record of the class or any resulting certificate. In any event, there was no documentation that Sparakis subsequently renewed any such training.

B. Fraudulent Employee Medical Documents

To avoid compromising the health of employees working with lead, federal regulations (*see* 29 CFR § 1926.62) also require "biological monitoring," which consists of blood sampling and analysis for lead.¹⁷ In order to protect employees from exposure to hazardous levels of lead, the results of the blood tests determine whether employees can continue to work. However, CSA did not perform blood tests to monitor their employees' lead levels, and yet again, the subcontractor submitted false documents to conceal this failure. Thus, CSA did not even perform the biological monitoring which could have served as a safety net for those laborers whose lack of training may have exposed them to danger.

In the same September 27, 1994 letter to DSF which falsely stated that CSA employees were appropriately trained in lead abatement, Sparakis also indicated that the project was completed in accordance with federal regulations requiring biological monitoring. Moreover, in October 1994, CSA submitted to DSF, through JM, a copy of the "respiratory protection program" that was allegedly in place for those CSA employees working on the lead abatement project. The document bore the signature of "Nick Sparakis" and asserted that CSA employees would receive medical examinations that included blood testing for lead levels. Contrary to this claim, the medical reports that CSA later submitted in support of the blood tests were fraudulent.

Specifically, Sparakis submitted two letters from his father-in-law, "Mariano Roca-Rivas, M.D.," to satisfy the blood testing requirement. According to these letters, Dr. Roca-Rivas collected the blood samples for 20 CSA employees in September 1994 and from March to April 1995, and the National Health Laboratories ("National Health"), in Nashville, Tennessee, analyzed the blood samples for lead content. All employees allegedly tested within the "normal" range for "blood lead."

In fact, National Health did not perform the blood analysis. According to the vice-president of Laboratory Corporation of America, National Health's parent company, there is no record of National Health performing the laboratory work for the blood tests indicated in Dr. Roca-Rivas' two letters. Moreover, the company has no records of any accounts between National Health and Dr. Roca-Rivas, CSA, or the Board.

¹⁷The "biological monitoring" also consists of an analysis of zinc protoporphyrin levels in the blood, which is a method to measure the body's lead absorption over three to four months. Regular blood lead analysis reveals the body's current or recent absorption of lead. The timing of the blood tests varies according to how many hours and days an employee is exposed to lead, as well as the results of any previous blood tests within that year.

Anna Roca, the daughter of Dr. Mariano Roca-Rivas, told investigators that her father retired in 1989 from a practice at Kings County Hospital, and he did not practice medicine from his home.¹⁸ She claimed that her father was in Colombia, South America and unavailable for an interview.

Finally, even CSA's fraudulent medical documentation did not accurately account for all its supposed employees. A comparison of Dr. Roca-Rivas' letters to CSA's payroll reports for the lead abatement project indicates that there are potentially dozens more laborers who did not receive the requisite medical monitoring. Only 20 employees are named on the letters, while 45 employees are listed on the payroll reports as having worked on the project. In addition, two former CSA employees, who were neither reported on CSA's payroll records nor listed in Dr. Roca-Rivas' letter, told investigators that they worked on the lead abatement project for CSA but never received a blood test.¹⁹

Thus, CSA failed to monitor the health risks to their employees who were working directly with lead, and submitted fraudulent documentation to hide this neglect. Sparakis prepared a written "respiratory protection program" which falsely asserted that employees would receive medical examinations and blood tests; he sent a letter to DSF that falsely stated the project was completed in compliance with federal regulations, requiring medical monitoring; and he submitted a fraudulent blood test analysis of employees. As a result, CSA employees continued working on the project without knowing if they were being exposed to potentially hazardous levels of lead.²⁰

C. Fraudulent Payroll Records

In accordance with New York State Labor Law, Sparakis prepared payroll reports for the Office of the New York City Comptroller, on which he indicated that CSA was a "subcontractor" for the "NYC Board of Education" lead abatement contract at "various schools." Sparakis signed the payroll reports, under the certification that, "the above information represents wages and fringe benefits paid to all persons employed by my firm for construction work upon the above Project during the period shown. I understand that the [Board of Education] relies upon the information as being complete and accurate in making payments to the undersigned." Despite this certification, Sparakis did not fully disclose all laborers who worked on the project, misrepresented the actual wages paid to some CSA's employees, and falsely listed some individuals who did not work on the project.

¹⁸Records of the Kings County Hospital reflect that Dr. Roca-Rivas retired in September 1990.

¹⁹We are keeping confidential the identities of these two former CSA employees.

²⁰In addition, these employees still may not be aware that they possibly were exposed to hazardous levels of lead. However, given the time span, testing the employees now would not reveal that level. As a result, we cannot proclaim what their actual health risks were during the project or thereafter.

At least two former CSA employees known to this office and classified as "asbestos handlers," worked on the lead abatement project, but their names do not appear on the payroll records. CSA often paid these laborers in cash and did not provide them with W-2 forms for tax purposes. Each recalled receiving a check only on some occasions. In addition, at least two other employees who were listed on the payroll reports as working on the lead project were not compensated in the manner that Sparakis indicated on the documents. Sparakis claimed that he paid Ho Kim \$24 per hour and \$36 per overtime hour. However, Ho Kim told investigators that he was paid only \$22.50 per hour by CSA and did not earn any overtime pay. Likewise, Sparakis did not pay a second employee, Lefteris Sparakis, the money reflected on the payroll reports.²¹

Furthermore, Sparakis listed the names of individuals who did not work on the project. For example, he put his wife, Suri Roca, and her brother, Federico Roca, on the payroll form as receiving wages and benefits in connection with the lead abatement project.²² However, he told investigators that his wife Suri Roca did not actually perform the work.²³ Federico Roca, for his part, told investigators that he only performed asbestos removal work for CSA. Finally, Sparakis falsely listed the name of the operations manager at KAM, Dimitris Molohides, on the payroll report as receiving wages and benefits for working on the project. According to Molohides, KAM performed the laboratory tests, but he did not work on the lead removal project for Sparakis. In fact, the last time he worked for CSA was in 1993, as a consultant on an asbestos job in Poughkeepsie, New York.

Thus, with the knowledge that the Board and the Comptroller required full and accurate disclosure of all laborers who worked on the project, as well as wages paid, Sparakis prepared false payroll records to conceal his use of unreported workers and his failure to pay prevailing wage rates.

CSA's Response to Our Subpoena

On October 16, 1997, this office subpoenaed materials from CSA pertaining to the lead abatement project. Although CSA challenged the subpoena and the matter was litigated for over one year, the court ultimately ordered the subcontractor to turn over the requested documents. In response, on October 19, 1998, CSA provided some information. In particular, Sparakis forwarded copies of lead training certificates, dated January 13, 1995, for 53 employees who allegedly worked on the lead abatement project. All 53 are signed by "Gerald Schwartz, Industrial hygienist," who is based in Pennsylvania.

²¹Lefteris Sparakis is the brother of Nickos Sparakis.

²²In addition to brother-in-law Federico Roca, Sparakis also put two other brothers-in-law on payroll reports, Juan Carlos Roca and Mariano Roca. Like their father, Dr. Mariano Roca-Rivas, who was the purported signatory on the falsified medical testing documents, they could not be located for an interview.

²³Yannacopoulos also confirmed that Suri Roca worked only in the CSA office.

However, consistent with his pattern of submitting fraudulent documents in connection with the Board's lead project, Sparakis' response to our subpoena included false information. According to Gerald Schwartz, the signature on one training certificate was a forgery.²⁴ Moreover, although he taught a class on January 13, 1995 at CSA's offices, he had no documentation about the number of individuals who attended his course, their identities, or the number of certificates he signed.²⁵ Thus, he could not verify the validity of the names reflected on any of the forms.

In fact, these 53 certificates are inconsistent with CSA's payroll records, which suggests that these individuals were not even the laborers who worked on the project. Based upon a comparison of these certificates to payroll forms, 28 are not listed as employees on the project, and three others who are documented as paid workers do not have training certificates. Thus, the documentation that CSA provided pursuant to subpoena offers further proof that it utilized untrained and undocumented employees on the Board's lead abatement project.

CSA'S CURRENT CITY CONTRACTS AND FRAUD

After the Board's lead abatement project was completed, CSA continued to perform work under contract for other New York City agencies. In fact, CSA currently operates under the new corporate name of Icotek Group Incorporated ("Icotek"). Nickos Sparakis is still the president and "100% owner" of Icotek, of which CSA is now a subsidiary company. Just this past year, Icotek completed work on two reconstruction contracts with the Department of Parks and Recreation, for which it earned approximately \$966,000. Moreover, between 1996 and 1998, CSA earned approximately \$500,000 for work performed for the Department of Citywide Administrative Services.²⁶

²⁴In fact, the forged certificate also contained obvious errors concerning the date of the course and Schwartz's title. Additionally, the certificate number was a duplicate of another number that was issued to a different person.

²⁵Schwartz stated that he did not bring certificates to the one-day course at CSA's office. As a result, CSA generated its own certificates for him to sign.

²⁶According to the Financial Information Services Agency ("FISA"), CSA was paid \$503,476.90 from March 1996 through April 1998, in connection with the "Department of Health." However, according to a representative from the contract unit at the Department of Health, the work was for the Department of Citywide Administrative Services.

In order to conduct business with these and other New York City agencies, all business entities and their principals are required to complete "Vendex" questionnaires.²⁷ These questionnaires are required in order to ensure that the City "obeys the mandate of the New York City Charter to do business only with responsible vendors." The documents are signed under a sworn certification that "a materially false statement willfully or fraudulently made in connection with this questionnaire may result in rendering the submitting business entity not responsible with respect to the present bid or future bids, and, in addition, may subject the person making the false statement to criminal charges." As he did in connection with the lead abatement contract, Sparakis submitted falsified Vendex questionnaires.

Although fully aware that CSA and he had been under investigation by this office since fall 1997, Sparakis swore on two certified Vendex questionnaires, dated April 14, 1998, that neither CSA nor he was the subject of any investigation. On the business entity questionnaire, he answered "no" to the questions: (1) "in the past 5 years, has this business and/or any of its owners and/or officers...or any affiliated businesses...been the subject of a criminal investigation;" or (2) been "the subject of an investigation by any government agency." Likewise, on the principal questionnaire, Sparakis answered "no" to the related questions: (1) "in the past 5 years, have you been the subject of a criminal investigation;" or (2) has any business or organization for which he was the principal owner or officer "been the subject of a criminal investigation and/or any other type of investigation by any government agency...while [he was] a principal owner or officer." He signed both documents as the "president" of CSA.

With these false answers, CSA successfully bid on two asbestos removal contracts for the Department of Citywide Administrative Services.²⁸ Although CSA initially was awarded the contracts, when the scope of the project expanded, CSA was disqualified for other reasons. Nonetheless, CSA was only able to obtain the contracts in the first place by filing the falsified questionnaires.

²⁷Vendex is the Vendor Information Exchange System.

²⁸These two contracts totaled approximately \$99,800.

CONCLUSIONS AND RECOMMENDATIONS

On a lead abatement project that posed a potential health hazard to students, staff, and workers, CSA submitted fraudulent documents to conceal its utter failure to abide by contract specifications and state and federal regulations. CSA did not utilize employees who were appropriately trained in lead abatement, did not monitor the blood lead levels of its employees, did not prepare accurate payroll records, and did not properly dispose of the lead paint waste. As a result of the falsified waste manifests, training certificates, payroll records, and medical documents, respectively:

- The lead paint waste was improperly combined for disposal with asbestos waste;
- The job was performed by laborers who were not competent to perform lead abatement;
- Laborers were employed without proper compensation as required under State Labor Laws; and
- Employees were not properly tested for potentially hazardous levels of lead in their blood.

In short, from start to finish, CSA and Nickos Sparakis submitted fraudulent documents in connection with the lead abatement project. Although the laboratory reports suggest that the classrooms were deemed safe for students to occupy, CSA completely ignored the potential risks to students, school staff, CSA employees, and the environment. Therefore, we have recommended to the Board of Education that CSA be permanently barred from bidding on contracts with the Board and the City, and that this case be considered should CSA or Nickos Sparakis seek to register as an eligible bidder for the Board or the City. In addition, given that Sparakis is the "100% owner" of Icotek, which is the parent company of CSA, we have further recommended that Icotek similarly be barred. Without such protection against companies that commit fraud, they gain an unfair advantage over those that do follow the law when bidding on and completing work for the Board or the City.

This matter will be referred to the Brooklyn District Attorney's Office for possible criminal prosecution.

Hon. E. J. Kuriansky

-15-

February 11, 1999

Should you have any inquiries regarding the above, please contact me or First Deputy Commissioner Robert M. Brenner. He can be reached at (212) 510-1414.

Sincerely,

EDWARD F. STANCIK
Special Commissioner
of Investigation for the
New York City School District

By:

Robert M. Brenner
First Deputy Commissioner

EFS:RMB:SK:ai