



***United States Attorney
Southern District of New York***

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**MANHATTAN U.S. ATTORNEY CHARGES FORMER SAIC EXECUTIVE
WITH RECEIVING MORE THAN \$5 MILLION IN ILLEGAL
KICKBACKS ON CITYTIME PROJECT**

*Defendant Also Charged With Wire Fraud
And Money Laundering Crimes*

PREET BHARARA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the unsealing of a Complaint charging GERARD DENAULT, a former executive of Science Applications International Corporation ("SAIC"), with receiving at least \$5 million in illegal kickbacks in connection with his work as SAIC's project manager for the information technology project known as CityTime. DENAULT was also charged with wire fraud conspiracy and money laundering conspiracy. He was arrested in Danbury, Connecticut, yesterday. He is expected to be presented in Manhattan federal court today.

Manhattan U.S. Attorney PREET BHARARA said: "Since we first brought criminal charges in connection with the \$80 million CityTime fraud last December, our investigation has unfortunately only expanded. As charged, CityTime Project Manager Gerard Denault accepted more than \$5 million in kickbacks laundered through international shell companies while steering more than \$450 million worth of New York City funds to the technology company behind the kickbacks. It is deeply disturbing that while he was hired to help cut costs and save money, in reality, Gerard Denault was allegedly ripping City taxpayers off to pad his own pockets. Today's arrest is just the latest example of our ongoing and vital partnership with Commissioner Rose Gill Hearn and her DOI team. The CityTime investigation remains very much ongoing, and there are more individuals yet to be held accountable."

DOI Commissioner ROSE GILL HEARN said: "This defendant sold his influence on the CityTime project, skimming millions for himself and leaving taxpayers to foot the bill, according to the charges. As the prime contractor's representative on a worthwhile project intended to eliminate a paper timekeeping system, this defendant instead engineered a lucrative kickback scheme to benefit himself, hiking up the cost to the City. This is no way to do business with the City of New York. City investigators and federal prosecutors exposed this self-dealing, the latest advance in an active investigation that has already resulted in multiple arrests and the seizure of approximately \$30 million. DOI and the U.S. Attorneys' Office for the Southern District of New York continue to push forward in this significant case."

According to the Complaint filed today in Manhattan federal court:

For much of the past decade, the City of New York (the "City") has been developing and attempting to implement the CityTime project ("CityTime"), an initiative to modernize the payroll system for City employees. CityTime was originally budgeted to cost the City \$63 million to complete, but has in fact cost approximately \$700 million to date, with additional expenditures still required to complete the project.

SAIC was the prime contractor on the CityTime project. Technodyne, LLC ("Technodyne"), was the principal information technology ("IT") subcontractor that SAIC hired to work on CityTime. Between 2003 and 2010, the City disbursed over \$628 million to SAIC in connection with CityTime, and over \$464 million of those funds were passed along to Technodyne.

Between 2003 and 2010, DENAULT was an employee of SAIC and served as SAIC's Program Manager for CityTime. According to the Complaint, DENAULT recommended that SAIC hire Technodyne, and he subsequently sought and received payment from the City for the ballooning costs of the work that SAIC and its subcontractors, including Technodyne, were purportedly providing on CityTime. However, as alleged in the Complaint, throughout virtually the entire period in which he served as Project Manager on CityTime, DENAULT received at least \$5.6 million in illegal kickbacks from Technodyne and its principals.

According to the Complaint, Technodyne's principals allegedly transferred kickbacks to DENAULT through a series of international wire transfers designed to conceal the nature of the funds. The kickbacks were routed to DENAULT in two ways. First, Technodyne transferred money to its corporate affiliates

in India. Second, Technodyne's Indian affiliates transferred the funds to a sham consulting company, "MKG Consulting," that was wholly owned and controlled by DENAULT.

Additionally, at the same time that DENAULT was allegedly receiving the millions of dollars of kickbacks, he knowingly approved requests to the City for payments to SAIC, Technodyne, and other entities that exceeded the value of the actual work being performed.

In February 2011, a grand jury in the Southern District of New York returned a seven-count Indictment charging five individuals with crimes relating to the CityTime Project. That case, U.S. v. Mark Mazer, et al., is currently pending before U.S. District Judge GEORGE B. DANIELS.

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The Complaint charges DENAULT, 49, with one count of honest services fraud conspiracy, one count of wire fraud conspiracy, and one count of money laundering conspiracy. He faces a total maximum sentence of 60 years in prison and a maximum fine of \$1 million or twice the gross gain or loss from the offenses.

Mr. BHARARA praised the investigative work of the New York City Department of Investigation.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant U.S. Attorneys HOWARD S. MASTER and ANDREW D. GOLDSTEIN are in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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