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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA *ex rel.* JOHN
DOE and THE STATE OF NEW YORK *ex rel.*
JOHN DOE,

Plaintiffs,

v.

STRUCTURED EMPLOYMENT ECONOMIC
DEVELOPMENT CORPORATION,

Defendant.

COMPLAINT IN INTERVENTION
OF THE UNITED STATES OF
AMERICA

11 Civ. 6425 (AKH)

UNITED STATES OF AMERICA,

Plaintiff-Intervenor,

v.

STRUCTURED EMPLOYMENT ECONOMIC
DEVELOPMENT CORPORATION,
ALEX SAAVEDRA, SHOMARI GREENE,
ALAN KATZ, TAGEWATEE CHANDARPAUL,
SHANDELL SANTIAGO-VELEZ, MITCHELL
MCCLINTON, and MONIQUE TARRY,

Defendants.

The United States of America, by its attorney, Preet Bharara, United States Attorney for the Southern District of New York, having filed a notice of intervention pursuant to 31 U.S.C. § 3730(b)(4), alleges for its complaint-in-intervention as follows:

PRELIMINARY STATEMENT

1. This is a civil fraud action brought by the United States of America against Structured Employment Economic Development Corporation (“SEEDCO”) and its former employees Alex Saavedra, Shomari “Rick” Greene, Alan Katz, Tagewatee Chandarpaul, Shandell Santiago-Velez, Mitchell McClinton, and Monique Tarry (collectively, the “Individual Defendants”), for defrauding the United States by making misrepresentations about job candidates being placed in jobs purportedly with the assistance of the federally funded career centers they operated. Instead of reporting actual job placements for which SEEDCO could legitimately take credit, Defendants reported false placements, often by claiming credit for a job the candidate already had on arrival at the center or a job the candidate held in the past. SEEDCO Workforce1 directors and supervisors, namely defendants Saavedra, Greene, Katz, McClinton, Chandarpaul, Santiago-Velez, and Tarry, directly instructed clerical staff members to enter as job placements into the governmental reporting database a job candidate’s current or prior employment obtained before any involvement with SEEDCO, despite knowing that information was false.

2. SEEDCO and certain of the Individual Defendants also instructed SEEDCO employees to report that employees of other companies had been placed directly in their positions by SEEDCO, when those individuals had never even been job candidates at SEEDCO. In addition, SEEDCO and certain of the Individual Defendants instructed SEEDCO

employees to have their own family and friends fill out SEEDCO's intake forms so that their family members' employment could be falsely reported as placements achieved by SEEDCO.

3. SEEDCO and the Individual Defendants engaged in this fraudulent scheme in an attempt to maintain SEEDCO's contract in connection with SEEDCO's career center, known as the Workforce1 Career Center, in Upper Manhattan, to acquire its more recent contract to operate a WorkForce1 Career Center in the Bronx, and to maintain and increase its compensation in connection with both centers. SEEDCO caused false and inflated placement figures to be reported through New York City and New York State to the United States Department of Labor, in order to receive federal subsidies for its job program under the Workforce Investment Act of 1998 ("WIA"), 29 U.S.C. § 2801 *et seq.* During the period of defendants' fraud, SEEDCO received more than \$8 million in federal funds for its operation of Workforce1 Career Centers, a portion of which related to, and was intended for, the provision of job placement services.

4. This misconduct constitutes violations of the False Claims Act, 31 U.S.C. §§ 3729 *et seq.*, and states common law claims of fraud, unjust enrichment, and payment under mistake of fact.

JURISDICTION AND VENUE

5. This Court has jurisdiction over the claims brought under the False Claims Act pursuant to 31 U.S.C. § 3730(a), and 28 U.S.C §§ 1331, 1345, over the remaining claims pursuant to 28 U.S.C. § 1345, and over all claims pursuant to the Court's general equitable jurisdiction.

6. Venue lies in this District pursuant to 31 U.S.C. § 3732(a), and 28 U.S.C. §§ 1391(b) and 1391(c), because SEEDCO is a corporation which is headquartered in this district, and because the acts set out herein, which violate 31 U.S.C. § 3729, occurred in this district.

PARTIES

7. Plaintiff is the United States of America on behalf of its agency the United States Department of Labor.

8. Relator William Harper, named as “John Doe,” is a former Strategic Operations Coordinator, as well as a former Deputy Director, of SEEDCO’s Upper Manhattan Workforce1 Career Center. He resides in the State of Washington.

9. Defendant Structured Employment Economic Development Corporation is a New York corporation, which maintains its principal place of business at 915 Broadway, New York, New York 10010, and operates or has operated Workforce1 Career Centers in Manhattan and the Bronx.

10. Defendant Alex Saavedra is a former Director of both of SEEDCO’s New York City Workforce1 Career Centers. Upon information and belief, he resides in New York County, New York.

11. Defendant Shomari “Rick” Greene is a former Deputy Director of SEEDCO’s Upper Manhattan Workforce1 Career Center. Upon information and belief, he resides in Queens County, New York.

12. Defendant Alan Katz is a former Manager of SEEDCO's Upper Manhattan Workforce1 Career Center. Upon information and belief, he resides in Westchester County, New York.

13. Defendant Tagewatee Chandarpaul is a former Director, as well as Deputy Director, of SEEDCO's Bronx Workforce1 Career Center. Upon information and belief, she resides in Kings County, New York.

14. Defendant Shandell Santiago-Velez is a former Director, as well as Deputy Director, of SEEDCO's Upper Manhattan Workforce1 Career Center. Upon information and belief, she resides in Northampton County, Pennsylvania.

15. Defendant Mitchell McClinton is a former manager of SEEDCO's Upper Manhattan Workforce1 Career Center. Upon information and belief, he resides in Kings County, New York.

16. Defendant Monique Tarry is a former manager of SEEDCO's Upper Manhattan Workforce1 Career Center. Upon information and belief, she resides in New York County, New York.

FACTS

I. STATUTORY FRAMEWORK

17. SEEDCO's Workforce1 Career Centers are funded by federal money provided through the Workforce Investment Act of 1998, 29 U.S.C. § 2801 *et seq.*, and the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, which included stimulus funds for job placement assistance. Congress enacted WIA to encourage and fund nationwide workforce development. WIA provides funding to states to help their residents secure jobs,

including by creating career centers designed to help place unemployed and underemployed persons in jobs.

18. New York State delegates the responsibility for management, contracting, and oversight of the career centers to localities, including New York City. The WIA directs that localities, such as New York City, designate vendor partners or sub-recipients to operate the career centers and conduct oversight of those partners and centers.

19. Each year, to fund the Workforce1 Career Centers as well as other operations pursuant to WIA, the United States Department of Labor (“US DOL”) enters into a funding agreement with the New York State Department of Labor (“NYS DOL”). That agreement states that “[f]unds provided under this grant agreement must be expended in accordance with all applicable federal statutes, regulations and policies, including those of the Workforce Investment Act ...” Workforce Investment Act (WIA) Program Annual Funding Agreement - PY 2011, Section 3.

20. In addition, the New York Department of Labor must execute annual certifications, termed “Standard Assurances and Certifications,” which include the assurance and certification that New York “will comply with all applicable requirements of all other Federal laws, executive orders, regulations and policies governing this program.”

A. Requirements for Reporting of Performance Measures

21. The WIA requires states and localities to report certain measures and indicators to the United States “in order to optimize the return on investment of Federal funds in statewide and local workforce investment activities.” 29 U.S.C. § 2871(a). Among the items that must be reported quarterly and annually are “performance measures” based on “core

indicators,” including the number of job candidates who gain “entry into unsubsidized employment” through participation in the program. 20 C.F.R. §§ 666.100(a)(1)(i), (a)(2)(i).

Both states and localities may receive incentive grants for achieving certain levels of performance for core indicators, or alternatively may be sanctioned for failure to achieve those levels. *See* 20 C.F.R. § 666 Subparts B & D.

22. The WIA requires states and localities to submit both quarterly and annual reports by local area district, which reports include their performance measures of the core indicators. Both the quarterly and annual reports are necessary for NYSDOL to receive funding for its Workforce1 programs in all districts, including New York City. Among other things, the WIA requires the City and State of New York to report the “entered employment” rate for its workforce programs.

23. US DOL guidance makes clear that a job candidate’s current employment at the time the candidate seeks assistance from a federally-funded career center cannot be counted in the “entered employment” rate, *i.e.* as a job placement achieved through the center. *See, e.g.,* WIA Title IB Performance Measures and Related Clarifications, Program Years 2005 and 2006, Section C.

B. SEEDCO’s Operation of Workforce1 Centers By Contract with New York City and Its Reporting Through WorkSource1

24. New York City’s Division of Small Business Services (“SBS”) is responsible for administering the program directed at adults and dislocated workers in New York City and for making required reports to NYS DOL. As allowed by federal law, SBS contracts

with vendors to operate the career centers, known in New York City as Workforce1 Career Centers. SBS also determines the annual job placement goals for its center operators.

25. SEEDCO is a nationwide corporation that receives funding from government as well as private sources to promote community economic development, including providing employment training and placement assistance, community lending, and small business services. Beginning in 2004, SEEDCO contracted with SBS to operate Workforce 1 Career Centers, first in Upper Manhattan (the “Upper Manhattan center”), and beginning in January 2011, in the Bronx (the “Bronx center”). The contracts for Workforce1 services between SEEDCO and SBS (the “Contracts”), the first of which went into effect on April 1, 2004, make clear that the Workforce1 Career Centers’ operation and funding are intended “to provide workforce investment activities that increase the employment, retention and earnings of participants”

26. The Contracts financed SEEDCO’s provision of job placement assistance to New Yorkers, among other services. In addition, SEEDCO receives compensation under the Contracts related to its success in placing candidates in jobs. In particular, SEEDCO was eligible to receive 30% of its expenses paid via “Performance Payments . . . upon its achievement of certain service levels, exit levels, and outcome goals[.]” The “Outcome Goals” upon which “performance payments” are based include the achievement of job placement goals, termed by the contract as the “entered employment” rate goals. From 2005 through 2010, SEEDCO received more than \$1.6 million in performance payments based upon its reported achievement of its job placement goals.

27. SEEDCO's Workforce1 placements are reported to SBS through a database maintained and controlled by SBS, called WorkSource1. Typically, upon a job candidate's first interaction with a Workforce1 center, whether at an orientation or a recruitment event, the candidate fills out an intake form, called a Customer Information Form ("CIF"). An intake department staff member then enters the job candidate's information into the WorkSource1 system, including identifying information such as name and contact information. The CIF also includes a field for work history, which can include both past and current employment information. That work history information is to be entered into WorkSource1 at the time of the center's initial interaction with the candidate. The CIF does not include any field in which the job candidate or SEEDCO can or is supposed to record a job placement through SEEDCO.

28. Other interactions or events in connection with a job candidate are also entered into the WorkSource1 system. For example, SEEDCO is supposed to report a candidate's job training, referral to a possible employer, or job placement in the WorkSource1 system. In general, the Operations Assistants in the Recruitment and Placement department were assigned to enter job placements into the WorkSource1 database. SEEDCO staff members were instructed to provide placement information to an Operations Assistant on a form called the Employment Information Form ("EIF"), which does not include a candidate's work history. Operations Assistants use the EIFs as their source for entering job placements into WorkSource1.

29. On a weekly basis, the WorkSource1 system automatically transmits to NYS DOL's reporting system the information entered into WorkSource1 about participants, including job placement information. That information is then relayed to the United States by

NYS DOL, as required, and is relied upon by the United States in determining grant recipients and terms, including grant amounts, in addition to any performance incentives or sanctions. The information is also summarized and reported to the United States Congress.

30. On a monthly basis, in order to receive payment under its contracts, SEEDCO provided a financial report of its expenditures to SBS. On each report, SEEDCO certified that “the expenditures reported were made solely for the purposes specified in the contract for this project.”

31. SEEDCO and the Individual Defendants knew or recklessly disregarded that the Workforce1 centers were funded through WIA grant moneys provided by the United States and that placement information they provided to SBS, through the WorkSource1 system, ultimately was reported to the United States.

II. DEFENDANTS’ FRAUDULENT SCHEME TO REPORT FALSE JOB PLACEMENTS

32. Defendants conspired to report false job placements and instructed others to participate in their fraud. Defendants did so knowingly or acting with deliberate ignorance or with reckless disregard for the truth. Defendants also failed to train staff members on the accurate reporting of job placements, which served to facilitate the fraud. The false reporting began at least as early as 2009, and continued into 2012. Each of the Individual Defendants was a manager for one or both of the SEEDCO Workforce1 Career Centers during the period of the fraud.

33. The purpose of the false reporting was at least in part to enable SEEDCO to meet its targets under its contracts with SBS in order for SEEDCO to retain its Upper

Manhattan center contract and to acquire the Bronx center contract. Moreover, through their participation in the fraud, the Individual Defendants maintained or acquired managerial positions. Each of the Individual Defendants who did not already hold the position of Center Director at the beginning of their work with SEEDCO achieved a promotion during the period in which they participated in the fraud.

34. Center Directors, including Saavedra, Greene, Chandarpaul, and Santiago-Velez, reported to SEEDCO headquarters. SEEDCO regularly pressured the Center Directors to meet placement targets and achieve numbers equal to or higher than the placement figures at other New York City Workforce1 centers.

35. Defendants Saavedra, Greene, and Chandarpaul led staff meetings at the Upper Manhattan center and told staff members, in sum and substance, that if placement targets were not met, “no one will have a job.” During meetings, Chandarpaul and Greene both communicated that staff members needed to “get” the placement numbers, regardless of how the placement goals were reached.

36. Defendants reported false placements to create the appearance that SEEDCO was achieving contractual target placement goals, as set by SBS. SBS’s regular progress reports to SEEDCO would show SEEDCO either hitting “red lights” or “green lights” depending on whether it was either failing to achieve, or achieving, its job placement targets based upon its reporting through WorkSource1. Thus, at SEEDCO, hitting a “green light” meant it was reporting enough job placements to meet its contractual job placement goals.

A. Defendants Falsely Reported Jobseekers' Work History as Job Placements

37. The most pervasive tactic employed in defendants' fraudulent scheme involved defendants conspiring to falsely report job candidates' work history as job placements. They did so by pressuring clerical staff members falsely to report candidates' prior or current employment as a job placement obtained with SEEDCO's support.

38. This instruction from SEEDCO directors and managers -- to record and report a job candidate's work history as a placement -- occurred during staff meetings at the Workforce1 Career Centers. In particular, both Greene and Katz gave that instruction during full staff meetings at the Upper Manhattan center, which were led or attended by Saavedra. In addition, during Recruitment and Placement Department meetings at the Upper Manhattan center, which were led variously by Katz, Greene, and Santiago-Velez, staff members were instructed to report current employment of new job candidates as placements. Also, Greene, Katz, and McClinton each gave this instruction directly in small or one-on-one meetings with the Operations Assistants who entered job placements into the WorkSource1 system.

39. In connection with this scheme, intake department staff members who were responsible for entering a new job candidate's identifying and background information into WorkSource1 based upon the CIF information were instructed not to enter the candidate's work history information along with the candidate's other background information. That way, the Operations Assistants in the Recruitment and Placement team, responsible for entering job placements into WorkSource1, could alter the job start dates from a job candidate's work history to instead record it as a job placement. While Tarry was the head of the intake department at the Upper Manhattan center, she instructed her staff to fill out new job candidates' current

employment information on placement forms, but not include their dates of employment. Tarry did so to facilitate the false placement reporting.

40. Also, during an early 2011 meeting of the recruitment and placement department, McClinton and Tarry instructed staff members to use the work history information found on candidates' intake forms, refrain from entering their employment history into WorkSource1, and instead falsely claim that the candidates' current employment was a job placement creditable to SEEDCO. Tarry and a staff member informed another lower level clerical employee that this was how things had previously been done in order to meet quota.

41. The false placements that were reported based on candidates' work history were reported in a category of job placements termed "indirect placements." In SEEDCO terminology, "indirect placements" are placements obtained by the candidate after he or she receives an orientation or service from a SEEDCO Workforce1 center. This is distinct from employment obtained directly through a referral by SEEDCO to a job opening in one of SEEDCO's actively managed accounts; those are termed "direct placements."

42. In addition to giving the instruction in staff meetings, certain of the Individual Defendants sent e-mails instructing staff members to engage in the fraudulent reporting practice. Both Katz and Saavedra sent center-wide emails instructing staff members to falsify "indirect placements" based upon a job candidate's current or prior employment. Defendants used not only the information on CIFs for this purpose, but also information found on job candidates' resumes.

43. For example, in a May 17, 2010 email to all center staff, with the subject line "RE: Need more Indirect Placements!!!", Katz instructed staff to "**continue to collect**

indirect placements. If you have resumes in your area or receive resumes from customers, please check to see if the customer is currently working which should be noted as ‘present’ on the resume. We’ve been hitting the green light on a weekly basis due to your assistance . . . ” (emphasis added). Accordingly, in this email, Katz instructed staff members to report current employment of job candidates as an “indirect placement.”

44. Similarly, on January 19, 2011, an Operations Assistant who was responsible for entering job placements into WorkSource1 emailed the center staff distribution list, stating that “if you come across any customers who are employed, please capture their placement information and bring it over to me. We are currently at 164 placements, we need to be at 441 placements by the end of the month to achieve a green light for January. Due to all our hard work, we spent the entire 2010 in green.” Saavedra replied to the center staff list and endorsed the instruction. Thanking the clerical employee, Saavedra stated, “I would like to emphasize that it is important to be at par with the rest of the system. We are also digging in here in the Bronx to capture as many placements as possible.”

45. After SEEDCO began operating the Bronx center in January 2011, the same fraudulent scheme that was in place at the Upper Manhattan center was carried over to the new center. As part of this scheme, the intake CIF forms routinely were kept and used by staff members who were not in the intake department for the purpose of entering false placements based upon job candidates’ work history. Chandarpaul, who was then Deputy Director of the Bronx Center, directed the center’s intake department coordinator not to let her staff enter the information from CIFs for candidates who were already employed so that recruitment and

placement department staff members could falsely input the candidate's current employment as a job placement obtained through SEEDCO.

46. In particular, Chandarpaul instructed the intake department coordinator to give the intake CIF forms to an Operations Assistant responsible for entering job placements into the WorkSource1 database. Chandarpaul told the intake coordinator, in a January 2011 email, "You have to let you [*sic*] staff know not to enter any CIFs for customers that are working. Leave them for [the Operations Assistant] to enter. If we do not follow this process, the indirect will not be counted." Chandarpaul admonished the intake coordinator for failing to have her staff carry out the scheme properly, stating that as a result, "we were unable to enter the placement info for the indirects today." Similarly, on April 6, 2011, when intake department staff members were failing to adhere properly to the scheme, another subordinate informed Chandarpaul by email that "Intake is still entering work history from CIF's. [W]e are losing indirects."

47. In approximately March 2011, SBS changed its document retention policy for CIFs. The new policy required SEEDCO to collect and retain the CIFs for provision to SBS, instead of shredding them, as had been the prior policy. This change in policy interfered with defendants' fraudulent scheme. Thus, on April 7, 2011, Chandarpaul forwarded an e-mail containing a placement status report to Katz and a subordinate, with a copy to Saavedra, asking "what is our plan for this week to ensure we do not get a red light? We are behind everyone." Katz replied that, "Intake is giving all CIFs to us." Chandarpaul then responded, "How are we doing the Intake CIFs, we cannot do this anymore since SBS will be asking for these CIFs?" In his reply, Katz queried a data entry clerk responsible for entering placements, "correct me if I'm

wrong, but they're entering the CIFs minus the work history for us to capture the placement without any backlash from SBS, right?" The data entry clerk replied, "Correct," and Chandarpaul responded that, "If the work history is on the CIFs, we cannot count that now."

48. Similar to their general scheme of using work history from intake CIFs as job placements, SEEDCO departments not involved with the Workforce1 job placement programs also asked those using their services to complete CIFs. This occurred in connection with SEEDCO's Business Solutions Centers, which provide services to small businesses, as well as with individuals who sought SEEDCO's assistance in applying for public benefits. Those CIFs were used to record and report false job placements in the WorkSource1 database. In particular, Santiago-Velez and Katz regularly communicated with the Business Solutions Center ("BSC") staff in order to gather information from BSC in order to record and report false job placements in the WorkSource1 database. Greene also encouraged SEEDCO Workforce1 staff members, by e-mail, to gather "indirect placements" from the individuals using the Workforce1 center services for "taxes, benefits, etc."

49. In addition to carrying out the fraud described above, SEEDCO and its managers took measures to disguise it from discovery by SBS. For example, as required by federal law, SBS employed a third party data verification company to measure the accuracy of SEEDCO's reporting. As part of this program, the data verification company would make telephone calls to a small sample of the individuals reported by SEEDCO as placed in employment. At staff meetings, SEEDCO managers discussed their belief that, when SBS's third party data verifiers telephoned individuals reportedly placed in employment through SEEDCO, they asked only whether the individual was working, and not when the individual

started in the position. Accordingly, in meetings, SEEDCO managers and staff members communicated their belief that they could falsify job placement information using candidates' current employment without being caught.

50. SEEDCO managers also expressed the belief that the data verification process would not reject a claimed placement where the telephone number provided for the candidate was incorrect or out of service. Thus, SEEDCO managers, including McClinton, instructed staff to submit false contact information in connection with false placements, in order to conceal the fraud.

51. Defendants' contemporaneous concealment of the fraud also involved their manipulation of the total number of job placements SEEDCO reported quarterly to SBS. Defendants were in a position to manipulate the quarterly totals because they already were falsifying the individual placements. In this connection, SEEDCO pre-determined the total placements that would be reported in a given period, so that the number would present to an outsider what would seem to be a realistic number.

52. For example, internal placement status reports were circulated daily, by e-mail, to the center directors and deputy directors. On August 9, 2010, Greene forwarded one such status report to Katz and Santiago-Velez, instructing them that "Lets not over correct too much on the self placements. Having around 100-125 for the quarter is still very good and more reflective of our placement reality." Katz forwarded Greene's email that same day to several Operations Assistants, who were responsible for entering job placements into WorkSource1, with a copy to Santiago-Velez, and wrote: "From this point forward, please feel free to add 14 indirect placements per week. Let's cap the quarterly number of 'indirects' at 140."

(1) Examples of Specific Work History Intake Information Falsely Reported to the Government as Job Placements

53. A comparison of CIFs filled out by job candidates and the WorkSource1 entry for those individuals further evidences the fraud. For example:

54. Job candidate A signed and dated a CIF on November 5, 2010. The work history section of his CIF stated that he had been employed at "Blake and Todd New York" from May 15, 2010 until November 1, 2010. The WorkSource1 entry for Job candidate A includes a placement as a "Line Cook" with "Blake & Todd," falsely reported as having begun on November 21, 2010 so that SEEDCO could take credit for the placement.

55. Job candidate B signed and dated a CIF on October 28, 2010. The work history section of his CIF states that he was employed since June 4, 2006 as a "Head Waiter" at "The Brownstone House." The WorkSource1 entry for job candidate B includes his placement in that position, falsely reported as having begun on December 4, 2010 so that SEEDCO could take credit for the placement.

56. Job candidate C signed and dated a CIF on November 19, 2010. His CIF indicates that he is presently employed as a server at Big Daddy's and started in the position on May 1, 2010. The WorkSource1 entry for job candidate C includes his placement in that position, falsely reported as having begun on December 4, 2010 so that SEEDCO could take credit for the placement.

57. Job candidate D signed and dated a CIF on November 8, 2010. Her CIF includes in the work history section a current position described as "Front Desk Manager/Lead Teacher" for "Scribble Press," beginning on April 1, 2010. The WorkSource1 entry for Job

candidate D includes a placement as "Front Desk Manager" for "Scribble Press," falsely reported as having begun on November 15, 2010 so that SEEDCO could take credit for the placement.

58. Job candidate E signed and dated a CIF on September 27, 2010. Her CIF includes in the work history section a prior position as a "Hairdresser Ast" for "Charles Gorgan Studio" in March 2006. The WorkSource1 entry for Job candidate E includes a placement as "Hairdresser Assistant" for "Charles Grogan Studio," falsely reported as having begun on November 23, 2010 so that SEEDCO could take credit for the placement.

59. Job candidate F signed and dated a CIF on December 2, 2010. Her CIF includes in the work history section a current position as "Marketing Coord" for "Green Energy Council," beginning in September 2009. The WorkSource1 entry for Job candidate F includes a placement in that same position, falsely reported as having begun on February 1, 2011 so that SEEDCO could take credit for the placement.

60. The discrepancies between the information in the above CIF examples and the corresponding false WorkSource1 entries were the intended result of defendants' fraudulent scheme to report false job placements based on candidates' work history. For these job candidates and at least hundreds of others, SEEDCO falsely stated and reported that they were placed in jobs as a result of SEEDCO's efforts, when they were not.

B. Defendants Employed Numerous Other Fraudulent Schemes to Report False Placements

61. Defendants employed numerous other schemes to be able to report false placements and achieve the "green light" from SBS.

62. For example, SEEDCO managers directed account managers, i.e. employees who dealt with SEEDCO's business partners in connection with actively managed accounts, to use their relationships with businesses to generate false placements. The account managers would facilitate having the businesses' current employees fill out CIFs. SEEDCO then used the information in those CIFs to record the employment as job placements, although the individuals had no prior relationship with SEEDCO Workforce1 and had not been recruited into the job by SEEDCO. According to witnesses, this occurred in connection with numerous businesses, including but not limited to Target, Costco, Ricky's NYC, BBQ, and New York Health Care.

63. In addition, SEEDCO managers including Katz and McClinton instructed Operations Assistants to pull resumes from job search websites, such as Monster.com and Careerbuilder.com, and report the employment of individuals sourced from those downloaded resumes as job placements in WorkSource1. In particular, the Operations Assistants were instructed to search for individuals who had worked at a business with which SEEDCO had an actively-managed account. Accordingly, SEEDCO could and did use the individual's identity and employment history to claim a "direct" placement, although the individual had not been referred to that position by SEEDCO.

64. Finally, SEEDCO managers, including McClinton, asked staff members to have family and friends fill out CIFs, so that their employment falsely could be reported as a SEEDCO job placement.

C. The Conspiracy to Conceal the Fraud Continued After Relator Blew the Whistle

65. In early Spring 2011, after the relator invoked SEEDCO's whistleblower policies and reported certain of the above-described fraudulent practices to SEEDCO management, SEEDCO responded by undertaking an internal audit of its "data entry process." The audit was so cursory as to result in nothing more than a masking of the fraud. Among other things, it was conducted without the participation of any neutral third-party; instead, it was overseen and directed by high-level SEEDCO officers, who relied upon information provided by several of the Individual Defendants to determine whether any misconduct had occurred.

66. SEEDCO reported no misconduct or fraudulent practices discovered as a result of the purported "audit" to any outside entity. Instead of addressing the fraud, SEEDCO's corrective actions focused on training staff members on better data entry practices. However, after the audit, the fraud continued in both old and new ways. This outcome was a foregone conclusion since some of the very people SEEDCO assigned to the "task force" to participate in the audit and corrective action plan were the same individuals the relator had told SEEDCO were the ones responsible for the fraud. Indeed, Saavedra and Greene led the "task force," and Santiago-Velez, Chandarpaul, McClinton, and Tarry were also members.

67. In furtherance of the conspiracy to conceal the fraud, in April 2011, SEEDCO reported false audit results to SBS. At that time, high-level SEEDCO employees already had learned that Katz had instructed clerical staff to enter false placements. These allegations were additional to the relator's previous specific allegations of fraud. Also,

SEEDCO's internal review of WorkSource1 data compared to CIF information had resulted in a finding of more than fifty percent of job placements "with issues."

68. Despite this knowledge, SEEDCO misrepresented to SBS that "[i]n total, there are just under 60 placements across the two centers that should not have been logged as placements. . . . I definitely think this was a training issue that we have already begun to resolve." SEEDCO also referred to the false placements as the result of a "misunderstanding," whereas they were in fact the result of fraud.

69. Indeed, in the Fall of 2011, Saavedra, McClinton and Santiago-Velez met to discuss the allegations of false reporting that had appeared in the *New York Times* and to prepare for a meeting with SBS. In that meeting, Saavedra relayed to McClinton and Santiago-Velez that, at the SEEDCO Board meeting earlier in the day, SEEDCO Board members expressed support for the Workforce1 managers despite the fraud allegations and communicated an attitude about the allegations that "[expletive] happens." Also at the meeting with McClinton and Santiago-Velez, Saavedra discussed SEEDCO's inability to fire another staff member who was "intimating that she's got dirt. And if she leaves, she's gonna spill it ...[,]" and that Saavedra believed the employee was reporting or would report that "'everybody knows that there were certain practices at those centers...' Whether it's right, wrong or indifferent, she's gonna [expletive] us."

70. Hundreds, if not thousands, of the job placements SEEDCO reported to SBS in connection with its New York City Workforce1 centers were false. Without reporting false placements, SEEDCO would not have reached its placement targets and would not have received the amount of compensation and performance payments it received. SEEDCO's

Workforce1 Career Centers received federal funding for the purpose of providing job placement assistance, among other services. Defendants' falsification of job placements, instead of actually providing those services, meant that SEEDCO was paid millions of dollars for job placement services it did not provide.

71. Furthermore, if SEEDCO's fraudulent reporting of false placements had been known by the United States, SEEDCO would not and could not have received WIA funding for its operation of the Workforce1 Career Centers.

FIRST CLAIM

Violations of the False Claims Act

(31 U.S.C. § 3729 (a)(1))

Causing False Claims to Be Presented for Payment

72. The United States incorporates by reference paragraphs 1 through 71 above as if fully set forth in this paragraph.

73. As set forth above, defendants knowingly or with deliberate ignorance or reckless disregard for the truth, presented, or caused to be presented, to an officer, employee or agent of the United States, and/or to a grantee or subgrantee of federal funds, false or fraudulent claims for WIA funding relating to Workforce1 centers. Those claims were false or fraudulent because the required reporting in connection with those payments were factually false, and well as in violation of applicable WIA requirements.

74. Defendants' fraudulent conduct caused false claims to be presented to New York City, for payments of funds provided by the United States through the WIA grant to the State of New York. Defendants' misconduct further caused false claims to be presented by

the State of New York State to the United States through the State's annual WIA grant contracts and certifications.

75. New York City, as the sub-grantee of the United States' WIA funding, made payments under the WIA because of the false or fraudulent claims of defendants.

76. By reason of defendants' false claims, the United States has been damaged in a substantial amount to be determined at trial.

SECOND CLAIM

Violations of the False Claims Act (31 U.S.C. § 3729 (a)(2)) Use of False Statements

77. The United States incorporates by reference paragraphs 1 through 76 above as if fully set forth in this paragraph.

78. As set forth above, defendants knowingly or with deliberate ignorance or reckless disregard of the truth, made, used, and caused to be made and used, false records and statements material to false or fraudulent claims in connection with SEEDCO's receipt of WIA funding under its contracts with SBS for operation of the Upper Manhattan and Bronx Workforce1 Career Centers.

79. Defendants made numerous false records and statements that individuals had been placed by defendants in jobs, when they had not. Defendants oversaw the entry of the false records and statements into a City database, and that information automatically was transmitted to New York State and to the United States. Based upon these false records and statements, claims for payment were made to New York City, as well as made by the State of

New York State to the United States pursuant to the State's annual WIA grant agreements and certifications.

80. New York City, as the sub-grantee of the United States, paid such false or fraudulent claims because of the acts and conduct of defendants.

81. By reason of defendants' false statements and false claims, the United States has been damaged in a substantial amount to be determined at trial.

THIRD CLAIM

Violations of the False Claims Act (31 U.S.C. § 3729 (a)(3)) Conspiracy to Violate 31 U.S.C. § 3729 (a)(1) and (a)(2)

82. The United States incorporates by reference paragraphs 1 through 81 above as if fully set forth in this paragraph.

83. As set forth above, defendants knowingly or with deliberate ignorance or reckless disregard of the truth, made, used, and caused to be made and used, false records and statements material to false or fraudulent claims in connection with SEEDCO's receipt of WIA funding under its contracts with SBS for operation of the Upper Manhattan and Bronx Workforce1 Career Centers.

84. Defendants agreed to make or cause false statements to be made material to the presentation of false claims, and to present or cause false claims to be presented to the United States.

85. Defendants committed overt acts in furtherance of their agreement to make or cause false statements to be made material to false claims, and to present or cause false claims

to be presented to the United States, as well as committed overt acts in furtherance of concealing the fraud.

86. New York City, as the sub-grantee of the United States, paid such false or fraudulent claims because of the acts and conduct of defendants.

87. By reason of defendants' conspiracy to make false statements and present false claims, the United States has been damaged in a substantial amount to be determined at trial.

FOURTH CLAIM

Common Law Fraud

88. The United States incorporates by reference paragraphs 1 through 87 above as if fully set forth herein.

89. As set forth above, defendants knowingly or with deliberate ignorance or reckless disregard of the truth, made, used, and caused to be made and used, false records and statements material to false or fraudulent claims in connection with SEEDCO's receipt of WIA funding under its contracts with SBS for operation of the Upper Manhattan and Bronx Workforce1 Career Centers.

90. Defendants made numerous false records and statements that certain individuals had been placed in jobs, when they had not. Defendants oversaw the entry of the false records and statements into a New York City database, and that information automatically was transmitted to New York State and then to the United States. Based upon these false records and statements, claims for payment to SEEDCO were made to New York City, as well as made

by the State of New York State to the United States pursuant to the State's annual WIA grant agreements and certifications.

91. New York City, as the sub-grantee of the United States, paid such false or fraudulent claims because of the acts and conduct of defendants.

92. By reason of defendants' false statements and presentation of false claims, the United States has been damaged in a substantial amount to be determined at trial.

FIFTH CLAIM

Unjust Enrichment

93. The United States incorporates by reference paragraphs 1 through 92 above as if fully set forth herein.

94. By reason of the payment of federal funds made to SEEDCO, pursuant to its Workforce1 Career Center contracts with SBS, SEEDCO has been unjustly enriched.

95. SEEDCO claimed credit for job placements which did not exist, in order to maintain the Upper Manhattan Workforce1 Career Center contract, gain the Bronx Workforce1 Career Center contract, and meet performance goals stated in both contracts, thus unlawfully maintaining and increasing their WIA-funded payments. SEEDCO therefore was unjustly enriched by this practice because it gained contractual benefits to which it would not have been entitled absent the fraud.

96. Likewise, the Individual Defendants participated in the fraud to maintain their managerial positions and achieve promotions in several instances, and thus were unjustly enriched through moneys paid under the WIA to which they would not have been entitled absent the fraud.

97. Accordingly, the circumstances of SEEDCO's receipt of payments are such that, in equity and good conscience, it should not retain these payments, the amount of which is to be determined at trial.

SIXTH CLAIM

Payment Under Mistake of Fact

98. The United States incorporates by reference paragraphs 1 through 97 above as if fully set forth herein.

99. The United States seeks relief against defendants to recover monies paid under mistake of fact.

100. The United States made payments under the WIA program under the erroneous belief that SEEDCO was entitled to payment of such funds. In making such payments, the United States relied upon and assumed the truth of SEEDCO's representation that it had complied with the applicable WIA rules and regulations and that SEEDCO's reporting of its performance for reimbursement was factually true and consistent with applicable regulations. This erroneous belief was material to the United States' decision to pay funds to SEEDCO, via New York State and New York City. In such circumstances, the United States' payment of federal funds to SEEDCO, through the WIA program, was by mistake and not authorized. Upon information and belief, the Individual Defendants' compensation also was paid from these wrongfully disbursed funds.

101. Because of these payments by mistake, defendants received monies to which they were not entitled.

WHEREFORE, plaintiff, the United States, requests that judgment be entered in its favor, jointly and severally, against defendants as follows:

- (a) On the First, Second, and Third Claims for relief (Violations of the False Claims Act, 31 U.S.C. § 3729(a)(1), 3729(a)(2), and 3729(a)(3)), for treble the United States' damages, in an amount to be determined at trial, plus an \$11,000 penalty for each violation;
- (b) On the First, Second, and Third Claims for relief, an award of costs pursuant to 31 U.S.C. § 3729(a);
- (c) On the Fourth Claim for Relief (Fraud), in an amount to be determined at trial, together with costs and interest; and
- (d) On the Fifth Claim for Relief (Unjust Enrichment), in an amount to be determined at trial, together with costs and interest;
- (e) On the Sixth Claim for Relief (Payment Under Mistake of Fact), in an amount to be determined at trial, together with costs and interest; and
- (f) awarding such further relief as is proper.

Dated: New York, New York
May 22, 2012

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