



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, MARCH 31, 2010
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FORMER CONTRACTOR INDICTED IN BID-RIGGING CONSPIRACY AT NEW YORK CITY HOSPITAL AND FOR TAX FRAUD

Co-Conspirator Indicted on Tax Fraud Conspiracy

WASHINGTON — An indictment by a Manhattan grand jury was unsealed today charging a former contractor for participating in a bid-rigging conspiracy related to contracts at New York Presbyterian Hospital (NYPH) and for filing a false tax return. The indictment also charges the former contractor and a co-conspirator for their participation in a conspiracy to defraud the Internal Revenue Service (IRS), the Department of Justice announced today.

The three-count indictment, originally filed under seal on Feb. 18, 2010, was unsealed today in the U.S. District Court in Manhattan. The indictment charges David Porath, a former owner of a maintenance and insulation company, with engaging in a conspiracy to rig bids on NYPH contracts for re-insulation services. According to the indictment, between approximately 2000 and March 2005, NYPH awarded a number of contracts for re-insulation services to Porath's company. Porath and his co-conspirators created the false appearance that NYPH was awarding contracts based on competitive bids by submitting fraudulently high bids by competitor companies, which allowed Porath's company to appear to be the low bidder and thus win the contracts.

The indictment further charges Porath and another individual, Andrzej Gosek, with participating in a conspiracy to defraud the IRS. Gosek was the owner of a Langhorne, Pa., company that provides asbestos abatement services. According to the indictment, between October 2000 and February 2005, Porath gave Gosek checks made out to companies in Brooklyn, N.Y., purportedly for work done at NYPH by those companies as sub-contractors to Porath's company when, in fact, the companies had not performed such work. The Brooklyn companies cashed the checks and Gosek delivered the cash back to Porath. Based upon these checks to the Brooklyn companies, Porath took false deductions on his company's and his personal federal tax returns, allowing Porath to fraudulently reduce his taxable income. Porath is also charged with filing a false federal tax return on or about Feb. 17, 2005, which substantially understated his income.

The bid-rigging violation that Porath is charged with carries a maximum penalty of 10 years in prison, and a \$1 million fine. The tax fraud conspiracy violation that Porath and Gosek are charged with carries a maximum penalty of five years in prison, and a \$250,000 fine. The maximum fine may be increased to twice the gain derived from the crime or twice the loss

suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. Porath's violation of false subscription on his tax return carries a maximum penalty of three years in prison and a \$100,000 fine.

The charges announced today resulted from an ongoing federal antitrust investigation of bid rigging, fraud, bribery and tax-related offenses relating to contracts administered by the Facilities Operations Department and the Engineering Department at NYPH and the Engineering Department at Mount Sinai Medical Center. To date, eight individuals and three companies have pleaded guilty to charges arising out of the same investigation.

The investigation is being conducted by the Antitrust Division's New York Field Office, the FBI and the IRS Criminal Investigation's New York Field Office. Anyone with information concerning bid rigging, bribery, tax offenses or fraud related to contracts administered by the Facilities Operation Department or the Engineering Department at NYPH or the Engineering Department at Mount Sinai should contact the Antitrust Division's New York Field Office at 212-264-9308 or the FBI's New York Division at 212-384-1000 or visit <http://www.justice.gov/atr/contact/newcase.htm>.

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