



U.S. Department of Justice

*United States Attorney
Eastern District of New York*

One Pierrepont Plaza

Brooklyn, New York 11201

*Mailing Address: 147 Pierrepont Street
Brooklyn, New York 11201*

FOR IMMEDIATE RELEASE

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**Robert Nardoza
United States Attorney's Office
(718) 254-6323**

**Catherine A. Gromek
Office of Inspector General
U.S. Department of Labor
(202) 693-5238**

**Joseph Foy
Internal Revenue Service, Criminal
Investigation
(212) 436-1032**

**Emily Gest
New York City Department of
Investigation
(212) 825-3650**

PRESS RELEASE

CONTRACTOR PLEADS GUILTY TO STRUCTURING SCHEME INVOLVING HOUSING AUTHORITY CONTRACTS

ROSLYNN R. MAUSKOPF, United States Attorney for the Eastern District of New York, **GORDON S. HEDDELL**, Inspector General for the United States Department of Labor, **MICHAEL J. THOMAS**, Special Agent-in-Charge of the Internal Revenue Service, Criminal Investigation, New York, and **ROSE GILL HEARN**, Commissioner, New York City

Department of Investigation, announced that HARPAL SINGH RAI, the owner of Crane Mechanical Corp., Crest Construction, Paul Painting and Falcon Construction Corp., all Bronx, New York, construction companies, pleaded guilty today to structuring cash withdrawals from a bank account in Queens, New York, as part of a scheme to hide his failure to pay his workers the prevailing wage on contracts with the New York City Housing Authority (“NYCHA”). The plea proceedings were held before United States Magistrate Judge Joan M. Azrack at the United States Courthouse in Brooklyn, New York.

Under the terms of the plea agreement, RAI faces up to ten years imprisonment and a maximum fine of \$500,000. He has also agreed to forfeit to the government \$5 million, representing the proceeds of his crime.

The government’s investigation -- which was conducted by the Office of the Inspector General of the Department of Labor, the Internal Revenue Service, Criminal Investigation, and the New York City Department of Investigation -- revealed that since 1998, RAI’s companies were awarded contracts by NYCHA worth approximately \$70 million. These contracts, which included a contract to renovate all bathrooms and kitchens in New York City Housing Projects, were principally funded by the United States Department of Housing and Urban Development (“HUD”), and as such, they were subject to the requirements of the Davis-Bacon Act (“Davis-Bacon”). Davis-Bacon requires that contracts entered into by public housing agencies that receive funding from HUD must contain a provision requiring that laborers be paid the prevailing wage, to be determined by the Secretary of Labor, consisting of a basic hourly rate and fringe benefits based on the job classification and geographical area of the work’s performance. Davis-Bacon also requires that contractors certify that they have complied with the

prevailing wage requirements prior to receiving payment under a contract with a public housing agency funded by HUD.

Accordingly, the NYCHA required Crane Mechanical Corp. and RAI's other companies to submit certified payrolls on a weekly basis. This involved RAI signing a statement that was submitted to the NYCHA, together with each payroll, certifying that the payroll contained information that was correct and complete. The government's investigation revealed that, contrary to the certifications RAI submitted, he was not paying his workers the prevailing wage, and in fact was paying his workers well below the prevailing wage largely through a cash payroll. In order to fund this cash payroll, RAI structured cash withdrawals from a North Fork Bank account in Queens, New York, maintained by Crane Mechanical Corp. On a regular basis between 1998 and 2003, RAI wrote checks to cash in the amount of \$9,000 or \$9,500, drawn on the North Fork account, and then cashed those checks, or had employees cash them, to be used for payroll. The law requires that banks file a Currency Transaction Report, or "CTR," with the Internal Revenue Service for each transaction, such as a deposit or withdrawal, in excess of \$10,000. It is unlawful to "structure" a financial transaction by breaking down an amount of currency exceeding \$10,000 into amounts of \$10,000 or less in order to avoid filing a CTR.

On November 20, 2003, RAI was arrested, and a federal search warrant was executed at his place of business.

At the plea proceedings today, RAI admitted that he did not pay his workers the prevailing wage, filed false certifications with the NYCHA, and structured cash withdrawals from Crane Mechanical Corp.'s North Fork bank account in order avoid filing CTRs.

"The defendant stole \$5 million in wages from his employees for his own

personal gain,” stated United States Attorney **ROSLYNN R. MAUSKOPF**. “Fortunately, we and our law enforcement colleagues were able to put an end to his scheme and recover the proceeds of the crime.”

Department of Labor Inspector General **GORDON S. HEDDELL** stated, “Ensuring that workers are appropriately compensated and employers are held accountable for their obligations is essential to the integrity of federal contracts.”

IRS Special Agent-in-Charge **MICHAEL J. THOMAS** stated, “Structuring transactions in order to pay employees off the books causes a loss of future social security or Medicare benefits. The public should know that IRS Criminal Investigators investigate this type of fraud and bring those who abuse the system to justice.”

New York City Department of Investigation Commissioner **ROSE GILL HEARN** stated, “Mr. Rai unjustly chose to enrich himself rather than pay his employees their rightful wages. We are pleased Mr. Rai will forfeit \$5 million to the government. In addition, DOI will seek to prevent Mr. Rai’s companies from obtaining future contracts with the City. DOI has been and will continue to work with NYCHA to make sure that its contractors adhere to prevailing wage laws.”

The government’s case was prosecuted by Assistant United States Attorneys Richard Faughnan and Richard Weber.

The Defendant:

Harpal Singh Rai
DOB: 3/16/63
Residence: 94 Delmar Avenue
Cresskill, N.J. 07626

