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Manhattan U.S. Attorney Settles Civil Fraud Lawsuit Against SEEDCO For \$1.725 Million

FOR IMMEDIATE RELEASE

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Defendant Admits Falsification of Job Placement Records, and Agrees To Implement Reforms

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that the United States has settled a civil fraud lawsuit against STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CORPORATION, or SEEDCO, a national not-for-profit corporation that operated two New York City Workforce1 Career Centers. Workforce1 is a service provided through New York City's Department of Small Business Services, ("SBS") that prepares and connects job candidates to job opportunities. The Government's lawsuit, filed May 22, 2012, sought damages and civil penalties under the False Claims Act against SEEDCO and seven former managers for fraud in connection with a federally-funded program to provide job placement assistance to unemployed and underemployed New York City residents. Among other things, the suit accused SEEDCO of routinely falsifying entries in the government job placement reporting database. The settlement requires SEEDCO to pay \$1.725 million in damages, to admit the false reporting, and to institute a compliance program. The consent order, which was filed in federal court in Manhattan was approved by U.S. District Judge Alvin K. Hellerstein.

Manhattan U.S. Attorney Preet Bharara said: "Programs that provide job placement assistance to the unemployed and under-employed perform an urgently needed service. In addition to being illegal, it is insensitive to the people who desperately need employment help to exploit public funding for these programs by falsifying job placement reports, as SEEDCO admitted to doing in this case. In addition to paying a heavy fine and making admissions, SEEDCO has agreed to implement a comprehensive compliance program to ensure that this never happens again. At a time of high unemployment and strained federal budgets, we will not tolerate the abuse of federally funded programs."

According to the Complaint filed in Manhattan federal court:

SEEDCO 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 federally funded Workforce 1 Career Centers, first in Upper Manhattan, and beginning in January 2011, also in the Bronx. The centers provide unemployed and under-employed New York City residents with job placement assistance, and other employment-related services. SEEDCO operated both centers until at least April

2012.

SEEDCO was required to report job placement performance in order to receive federal funding for operation of the Workforce1 Career Centers. SEEDCO made these reports through a governmental reporting database maintained by SBS, called WorkSource1. The information was relied on by the United States in determining grant recipients and terms, including grant amounts, as well as performance incentives or, when appropriate, sanctions. The information was also reported to the United States Congress.

SEEDCO'S reports regarding its job placement performance are replete with falsifications, including the following:

- Dates of employment provided by job candidates on their initial enrollment forms were falsified when entered into the WorkSource1 database to enable SEEDCO to take credit for a job candidate's prior or current employment. On many occasions, the forms represented that a job candidate acquired a position after coming to the Workforce1 center when, in fact, the job candidate remained unemployed and the reported job was actually a past position that the individual no longer held.
- SEEDCO also used its other departments not involved with the job placement programs – including a program that provided services to small businesses, and another that helped individuals apply for public benefits – to gather information about people using those services to falsely report their past or current employment as job placements.
- SEEDCO managers directed employees to use their relationships with businesses to generate false placements. The employees would visit the businesses and gather information from the businesses' current employees. SEEDCO then used that information to falsely report that employment as a job placement obtained for the candidate by SEEDCO, although the individuals had no prior relationship with SEEDCO and had not been recruited into the job by SEEDCO.
- SEEDCO managers instructed clerical employees to pull resumes from job search websites, such as Monster.com and Careerbuilder.com, and to report the employment of individuals sourced from those downloaded resumes as job placements.
- SEEDCO managers asked staff members to have family and friends fill out intake forms so that those individuals' employment could be reported falsely as a SEEDCO job placement.

SEEDCO engaged in this fraudulent scheme to maintain its contract in connection with its Upper Manhattan Workforce1 Career Center, to acquire its more recent contract to operate a WorkForce1 Career Center in the Bronx, and to 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, to receive federal subsidies for its job program.

By filing its Complaint, the Government joined a private whistleblower lawsuit that had been filed against SEEDCO on September 14, 2011, under the False Claims Act.

* * *

As part of the settlement, pursuant to the Consent Decree, SEEDCO admitted, acknowledged, and accepted responsibility for the fact that, beginning in at least 2009 and ending in 2011, its Workforce1 Career Centers submitted reports to the City of New York representing that job candidates had been placed in jobs by or with the involvement of SEEDCO when that was not the case. SEEDCO specifically admitted to falsely reporting that current or prior employment had been obtained by or with the involvement of SEEDCO.

As part of the settlement, SEEDCO will pay the United States \$1.725 million within 15 days of the settlement.

Further, under the terms of the Consent Decree, within 30 days, SEEDCO must implement a Compliance Plan, Code of Conduct, and Whistleblower Policy, which, among other things, require SEEDCO to:

- Institute a compliance program headed by a compliance officer, with the purpose of preventing fraud, false statements, and misuse of funds by SEEDCO related to United States Department of Labor grants;
- Create an internal fraud hotline, and support effective policies encouraging whistleblower activities;
- Initially, and then annually, train employees on the applicable laws, regulations, and standards of conduct that the individual is expected to follow with regard to US Department of Labor grants;
- Hire an independent consultant to conduct annual reviews of SEEDCO's adherence to the compliance plan; and
- Promptly respond to any Government inquiries under the compliance plan's broad federal government inspection, audit, and review rights.

Today's settlement resolves claims only relating to SEEDCO. The civil fraud lawsuit continues against the seven individual defendants who are former SEEDCO Workforce1 Center Directors, Deputy Directors and/or Managers: Alex Saavedra, Shomari Greene, Alan Katz, Tagewatee Chandarpaul, Shandell Santiago-Velez, Mitchell McClinton, and Monique Tarry. The lawsuit alleges that the defendants oversaw the day-to-day operations of SEEDCO's New York City Workforce1 centers and routinely falsified, and directed others to falsify, entries into the WorkSource1 reporting database to make it appear that numerous job candidates had been placed in jobs by or with the involvement of SEEDCO. The lawsuit also alleges that certain individual defendants threatened Workforce1 clerical employees with the loss of employment if job placement goals were not achieved; that through their participation in the fraud, the individual defendants maintained or acquired managerial positions; and that after the fraud was reported internally by a whistleblower, several of the individual defendants responded by seeking to conceal the fraudulent conduct.

Mr. Bharara thanked the United States Department of Labor, Office of Labor Racketeering and Fraud Investigations for its assistance in this case. He also thanked the United States Department of Labor Employment and Training Administration.

The case is being handled by Assistant United States Attorney Sarah J. North of the Office's Civil Frauds Unit.

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