



# NEWS RELEASE



**CONTACT:** Bill Reynolds (Comptroller)  
(518) 474-4015  
Kate Gurnett (Inspector General)  
(518) 474-1010

**FOR RELEASE:** Immediately  
December 28, 2010

## **CONSTRUCTION COMPANY PADDED CONTRACTS BY MORE THAN A QUARTER MILLION DOLLARS Investigation Uncovers Fraudulent Billing and Forged Documents**

A Suffolk County contractor overbilled the state by more than \$272,000 for emergency construction jobs, a joint investigation by Inspector General Joseph Fisch and New York State Comptroller Thomas P. DiNapoli has concluded. The findings, detailed in a 15-page report released today, were forwarded to the State Attorney General's office for possible criminal prosecution.

Investigators determined that Lin-Kim Company of Lindenhurst engaged in the fraudulent activity between 2006 and 2008 following a referral from the Office of General Services (OGS).

Lin-Kim Vice President Kenneth Buddenhagen, 55, and his stepdaughter, Melissa Peters, 36, are accused of repeatedly overbilling the state on contracting jobs at the Otisville, Queensboro, Wallkill and other correctional facilities. The pair allegedly submitted fraudulent bills for payroll, insurance and taxes.

"Some contractors must think that when it comes to fraud, state taxpayers are easy pickings," said DiNapoli. "Apparently for some, making an honest living just isn't enough. They need to know that sooner or later, they will get caught."

"Once again, contractors doing work for New York State are warned that their dealings will be closely scrutinized and they will not escape being penalized for any dishonesty or deceit," Fisch said.

"The Lin-Kim case exemplifies the quality of work performed by the OGS Design and Construction and Internal Audit teams. They review thousands of invoices on an annual basis, with a careful eye on billings for equipment and services delivered," said OGS Acting Commissioner Carla Chiaro.

In one instance, Buddenhagen, of Lindenhurst, charged the state more than \$1,000 for three hours of work. During that time, he actually spent the afternoon at a Days Inn near the job site with a co-worker. Peters, of Copiague, submitted the company's paperwork. Peters told investigators that she "just did as I was told, or did what I was given, or did what I always did."

**-more-**

DiNapoli's and Fisch's investigators determined that Lin-Kim allegedly:

- Overcharged the state \$143,690 for unemployment insurance taxes and workers' compensation insurance;
- Misclassified work titles to take in roughly \$100,000, repeatedly claiming "plumbers" pay for employees who performed less-skilled tasks from truck driving to raking lawns;
- Inflated the number of work hours and omitted lunch breaks to collect nearly \$13,000 in unearned pay. Lin-Kim also habitually paid workers four to six months late on every project, in violation of a state labor law requirement of payment within seven days of actual work. As a result, the state Department of Labor issued a violation against Lin-Kim and collected wages, interest and a penalty; and
- Falsified invoices and other documents to reap an unearned \$9,770 for sewage repair at Otisville Correctional Facility.

DiNapoli and Fisch forwarded the case for possible criminal prosecution to the Attorney General and recommended that OGS and the Department of Labor take steps to prevent the company from being awarded future state contracts. In addition, Lin-Kim faces possible fines and damages.

<b>Summary of Lin-Kim's Scheme to Defraud New York State</b>	
Forged Checks and Falsified Invoices	\$9,770
Billed for Hours Not Worked	\$12,693
Overcharged for Unemployment Insurance Taxes	\$73,536
Overcharged for Workers' Compensation Insurance	\$70,155
Misclassified Work to Reap More Profits	\$99,574
Double Billed for the Same Piece of Equipment	\$7,149
	<b>Total = \$272,877</b>

###