



NEWS RELEASE

From New York State Inspector General
Catherine Leahy Scott

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FORMER SENIOR INVESTIGATOR CHARGED AND PLEADS GUILTY TO DEFRAUDING THE NEW YORK POWER AUTHORITY IN \$3 MILLION GOVERNMENT CONTRACT SCHEME

*Arrest Makes This the Third Person Charged in Ongoing Joint State and Federal Investigation
into Bid Rigging, Fraud and Tax-Related Offenses in The Award of Contracts at NYPA's
Westchester Facilities*

WHITE PLAINS – New York State Inspector General Catherine Leahy Scott, the United States Department of Justice, the Federal Bureau of Investigations and the Internal Revenue Service announce that a former senior investigator of the New York Power Authority (“NYPA”) was arrested and pleaded guilty today to federal charges of conspiring to defraud his former State agency, and for filing a false 2010 tax return to hide substantial income from the government.

Between 2009 and 2012, Stephen Sheridan, 54, of Valley Cottage, New York, conspired to defraud NYPA in connection with a \$3 million landscaping and maintenance contract awarded to a co-conspirator’s company, Over Rock Construction LLC. Sheridan, who left NYPA in 2007 for reasons unrelated to the charges, helped the owner of Over Rock skim money that should have gone to the employees who did the work, and fraudulently receive reimbursement from NYPA for fake, “no show” employees. As a result, Sheridan received hundreds of thousands of dollars that were supposed to go to the working employees. In connection with the scheme, Sheridan also filed a false tax return for 2010, according to the two-count felony charge filed in U.S. District Court of the Southern District of New York in White Plains.

“This former employee used his insider knowledge to corrupt the State contracting process, steal from taxpayers and undercut hard-working employees trying to make an honest, living wage,” **said Inspector General Leahy Scott**. I will continue dedicating the resources of my office and working with local and federal law enforcement partners to fight waste, fraud and abuse in New York and bring to justice anyone who defrauds the State and takes advantage of the labor force.”

“The defendant schemed to keep money from the NYPA contract that should have gone to the employees who actually did the work,” **said Assistant Attorney General Bill Baer** of the Justice Department’s Antitrust Division. “And he doubled down on this crime by hiding that extra income from the IRS. The division will continue to work with our partners at the FBI, IRS and New York Inspector General to hold accountable individuals who corrupt the public procurement process.”

“Government employees have access to money and influence the general public doesn’t. The belief that no one is watching can lead to greed and corruption,” said **Assistant Director in Charge Diego Rodriguez** of the FBI’s New York Field Office. “This case should prove the FBI and our law enforcement partners won’t stop weeding out those in power who try gaming the system.”

“Mr. Sheridan, for his own personal benefit, not only took advantage of the NYPA, but of the employees who were contracted to do work for it and law abiding taxpayers,” said **Special Agent in Charge Shantelle P. Kitchen** of the IRS Criminal Investigation New York Field Office. “He is now held accountable for the money he diverted and kept for his own use. IRS Criminal Investigation remains committed to ensuring that everyone pays their fair share of taxes.”

Sheridan’s fraud conspiracy charge carries a maximum penalty of 20 years in prison; his tax charge carries a maximum penalty of three years in prison. Each charge carries a maximum fine of \$250,000, which may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine. Sheridan will also be ordered to pay restitution to NYPA.

The charges against Sheridan arose from an investigation initiated by Inspector General Leahy Scott and are part of an ongoing joint federal and state investigation of bid rigging, fraud and tax-related offenses in the award of contracts at NYPA’s facility in White Plains. Sheridan is the third individual charged in connection with the investigation.

In June 2015, Sheridan’s neighbor and co-conspirator Thomas Delaney, 46, of Valley Cottage, owner of Over Rock Construction LLC, pleaded guilty to federal charges of conspiring to defraud NYPA and to a tax violation. In October 2009, Over Rock was awarded a five-year, \$3 million contract to perform landscaping, snow removal and masonry work at NYPA’s administrative facility in White Plains. To generate illicit cash for those involved in the scheme, Delaney, with the assistance of his co-conspirators, submitted fraudulent certified payroll statements and invoices to NYPA for reimbursement for individuals who performed no services on behalf of Over Rock at NYPA. Between 2009 and 2012, the false and fraudulent overcharges paid by NYPA to Over Rock totaled more than \$400,000. Delaney also pleaded guilty to filing a false and fraudulent tax return which substantially understated his income.

Delaney pleaded guilty to a fraud conspiracy charge that carries a maximum penalty of 20 years in prison, three years of supervised release and a \$250,000 fine. Delaney also pleaded guilty to subscribing to a false tax return, which carries a maximum penalty of three years in prison and a \$100,000 fine. The maximum fines for each of these charges may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

In December 2015, Peter Shine, 42, of Orangeburg, pleaded guilty to filing a false tax return as part of the ongoing investigation. He filed a federal tax Form 1040 for the tax year 2013 that substantially understated his taxable income. Shine pleaded guilty to subscribing to a false tax return, which carries a maximum penalty of three years in prison and a \$250,000 fine.

Sheridan, Delaney and Shine each await sentencing.

The ongoing investigation is being conducted by Inspector General Leahy Scott in conjunction with the Justice Department’s Antitrust Division’s New York Office, the Federal Bureau of Investigations, and the IRS Criminal Investigation New York Field Office. NYPA is cooperating with the investigation.

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