

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE CITY OF NEW YORK,

Plaintiff,

v.

CHILDRENS COMMUNITY SERVICES INC; THOMAS  
BRANSKY; RUTH MANDELBAUM; AMX  
DISTRIBUTORS LLC; ASE FLEET SERVICES LLC; AZ  
SECURITY SERVICES LLC; DELTA IT SOLUTIONS  
LLC; SASY ENTERPRISES INC.; SUPREME AUTO  
LEASING CORP.; and "JOHN DOE," "JANE DOE," and  
"JANE DOE BUSINESS ENTITIES" 1 to 100,

Defendants.

**VERIFIED COMPLAINT**

Index No. \_\_\_\_\_

Filed with the Clerk of the Court  
on January 29, 2020

Plaintiff designates New York  
County as the place of trial.

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Plaintiff The City of New York by its attorney James E. Johnson, Corporation  
Counsel of the City of New York (the "City" or "Plaintiff"), as and for its complaint against  
Defendants Childrens Community Services, Inc. ("CCS"), Thomas Bransky ("Bransky"), Ruth  
Mandelbaum ("Mandelbaum"), AMX Distributors LLC ("AMX"), ASE Fleet Services LLC  
("ASE"), AZ Security Services LLC ("AZ"), Delta IT Solutions LLC ("Delta"), SASY Enterprises  
Inc. ("SASY"), Supreme Auto Leasing Corp. ("Supreme"), and John Doe, Jane Doe and Jane Doe  
Business Entities 1 to 100 ("Unknown Parties," and together with CCS, Bransky, Mandelbaum,  
AMX, ASE, AZ, Delta, SASY, and Supreme, "Defendants") respectfully alleges upon personal  
knowledge as to itself and upon information and belief as to all other matters, as follows:

**PRELIMINARY STATEMENT**

1. This is an action for breach of contract, an accounting, common law fraud,  
violations of the New York City and New York State False Claims Acts, and for unjust  
enrichment, arising out of CCS's contracts to provide shelter services for homeless persons in both

stand-alone shelters and hotels. Upon information and belief, CCS breached its contracts with the City, and CCS, and its top officials, Bransky and Mandelbaum, engaged in fraudulent billing and invoicing practices that put in jeopardy the approximately 1,900 households experiencing homelessness, including individuals and families with children, served by CCS in connection with the City's mandate to provide shelter.

2. The New York City Department of Homeless Services ("DHS") referred CCS to the New York City Department of Investigation ("DOI") in May 2018, and, on January 27, 2020, DOI, in conjunction with federal prosecutors, executed a number of criminal search warrants at addresses associated with CCS and its vendors.

3. As a result of the steps taken by DOI and the federal prosecutors, DHS can no longer make any advances or pay any invoices under the contracts with CCS and must now begin the process of suspending and/or terminating CCS as a City vendor, and re-letting contracts to other competent providers.

4. Due to the number of individuals and families being served by CCS, no existing DHS contractors have the capacity to provide shelter services on an emergency basis. Accordingly, in addition to seeking damages from CCS and the other Defendants for participating in this fraud upon the public *fisc*, the City also seeks the appointment of a temporary receiver to manage CCS's day-to-day operations, review and replace any existing subcontracts with *bona fide* vendors, and wind down the operations of CCS under its contracts with the City, and, pending the assumption of duties by a temporary receiver, a temporary restraining order and preliminary injunction restraining CCS from transferring funds, except for personnel expenses for shelter employees working at CCS-operated shelter facilities and directly providing client care, and use and occupancy charges for such clients.

**THE PARTIES**

5. The City, is a municipal corporation organized and existing under and by virtue of the laws of the State of New York.

6. Upon information and belief, CCS is a domestic not-for-profit corporation organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 91-12 175<sup>th</sup> Street, Unit 2B, Jamaica, New York.

7. Upon information and belief, Bransky is the Chief Executive Officer of CCS, who resides at 220 Steven Place, Woodmere, New York.

8. Upon information and belief, Mandelbaum is the Chief Operating Officer of CCS, who resides at 4 Hastings Road, Monsey, New York.

9. Upon information and belief, AMX is a domestic limited liability company organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 92 Saint Nicholas Avenue, Ste. 4H, New York, New York.

10. Upon information and belief, ASE is a domestic limited liability company organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 245 Passaic Avenue, E10, Passaic, New Jersey.

11. Upon information and belief, AZ is a domestic limited liability company organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 456a Central Avenue, Cedarhurst, New York.

12. Upon information and belief, Delta is a domestic limited liability company organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 924 Meehan Avenue, Far Rockaway, New York.

13. Upon information and belief, SASY is a domestic business corporation organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 260 Central Avenue, #402, Lawrence, New York.

14. Upon information and belief, Supreme is a domestic business corporation organized and existing under and by virtue of the laws of the State of New York with a principal place of business located at 1367 Teaneck Road, Teaneck, New Jersey.

15. Upon information and belief, John Doe, Jane Doe and Jane Doe Business Entities 1 to 100, the Unknown Parties, are fictitiously named persons and business entities who are CCS's subcontractors and vendors or other related persons that have participated in the wrongdoing by CCS and the other named defendants herein.

### **JURISDICTION AND VENUE**

16. This Court has jurisdiction over Defendants pursuant to CPLR 301 and 302.

17. Venue in New York County is proper pursuant to CPLR 503(a).

### **FACTS**

#### **A. DHS's Homeless Shelter Programs**

18. DHS provides temporary, emergency shelter for New Yorkers and helps individuals and families experiencing homelessness transition into permanent housing and self-sufficiency. In New York City, homeless families and individuals have a right to shelter. That right is protected by State law, including a court order and consent decree.<sup>1</sup> DHS is charged with the responsibility to provide shelter to all such eligible families and individuals, and to assist them

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<sup>1</sup> *Callahan v. Carey*, "Final Judgment by Consent," Index No. 42582/79 (Sup. Ct., N.Y. County August 26, 1981). Provisions of the Consent Decree were held applicable to homeless women in *Eldredge v. Koch*, 118 Misc. 2d 163 (Sup. Ct., N.Y. County 1982), *aff'd*, 98 A.D.2d 675 (1st Dep't 1983). The terms of the settlement for homeless families with children are embodied in

in finding permanent housing as expeditiously as possible. Pursuant to the court order and consent decree, the City must not only provide shelter to every eligible homeless person who applies for temporary housing assistance, but also must provide such shelter to such persons on the day they apply. In accordance with this legal and moral mandate, DHS must, and does, shelter homeless single adults and families 24 hours a day, 7 days a week, and 365 days a year. This means that shelter must be available on an immediate basis for every person who seeks it. Among the primary types of shelters administered by DHS are Shelters for Families with Children, known as Tier 2 Shelters; Single Adult Shelters; Adult Family Shelters, Drop-in Centers, Safe Havens, and Emergency Shelter in Commercial Hotels.

**B. DHS Contracts with CCS**

19. Beginning in 2014, DHS began contracting with CCS for cluster site housing in various apartment buildings, for shelter in dedicated facilities and in hotels (the “Inactive Agreements”). These Agreements have terminated, and CCS is not currently providing services under these Agreements, but payments thereunder remain at issue because of the subsequently discovered financial irregularities described herein.

20. There are eight Inactive Agreements that have outstanding issues. These Agreements are for the provision of shelter services at (a) various cluster site locations, under contract number CT107120181406876 (the “First Cluster Agreement”); (b) various cluster site locations, under contract number CT107120201408028 (the “Second Cluster Agreement”); (c) commercial hotels, under contract number CT107120180003034 (the “Single Adult Hotel Agreement”); and (d) five emergency contracts for social services in commercial hotels, under

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the December 12, 2008 Final Judgment in *Boston v. City of New York*, Index No. 402296/08 (Sup. Ct., NY County).

contract numbers CT107120161419701, CT107120161421306, CT107120161423945, CT107120181400558, and CT107120180003034 (the “Emergency Agreements”).

21. On June 23, 2017, the City, acting by and through DHS, and CCS entered into a contract for the provision of shelter services at commercial hotels, under contract number CT07120180003037 (the “Homeless Family Hotel Agreement”), with a not-to-exceed (“NTE”) amount of approximately \$369 million. Following amendments increasing the contract amount, the NTE amount on the Homeless Family Hotel Agreement is presently \$599.7 million. Pursuant to the Homeless Family Hotel Agreement, CCS is currently providing services for approximately 1,700 households including families with children who are experiencing homelessness.

22. On October 2, 2017, the City, acting by and through DHS, and CCS entered into a contract for the provision of shelter services at a dedicated facility located at 652 Park Avenue, Brooklyn, New York, under contract number CT107120181408718 (the “Park Avenue Agreement”), with an NTE amount of approximately \$18.6 million. Following amendments increasing the contract amount, the NTE amount on the Park Avenue Agreement is presently \$19.0 million. Pursuant to the Park Avenue Agreement, CCS is currently providing services for approximately 60 households, including families with children who are experiencing homelessness.

23. On October 19, 2017, the City, acting by and through DHS, and CCS entered into a contract for the provision of shelter services at a dedicated facility located at 466, 468, 470 and 474-476 Pulaski Street, Brooklyn, New York, under contract number CT107120191404279 (the “Bedcourt Agreement”), with an NTE amount of approximately \$18.7 million. The NTE amount for the Bedcourt Agreement has not been increased. Pursuant to the

Bedcourt Agreement, CCS is currently providing services for approximately 60 households, including families with children who are experiencing homelessness.

24. On March 8, 2018, the City, acting by and through DHS, and CCS entered into a contract for the provision of shelter services at a dedicated facility located at 1851 Phelan Place, Bronx, New York, under contract number CT107120181421032 (the “Phelan Place Agreement”), with an NTE amount of approximately \$32.0 million. The NTE amount for the Phelan Place Agreement has not been increased. Pursuant to the Phelan Place Agreement, CCS is currently providing services for approximately 140 individuals experiencing homelessness.

25. CCS has not been compliant with DHS billing and financial practices, presenting numerous issues to DHS in the administration and closeout of the Inactive Agreements.

26. CCS’s has continued to have serious billing and financial practice issues on the currently in place Homeless Family Hotel, Park Avenue, Bedcourt, and Phelan Place Agreements (collectively, the “Active Agreements,” and together with the Inactive Agreements, the “CCS Agreements”).

27. CCS’s performance under the CCS Agreements implicates several provisions of those agreements.

28. The CCS Agreements provide that CCS must “fully cooperate and comply with the Fiscal Manual on all fiscal matters related to this Agreement.” *See, e.g.*, Homeless Family Hotel Agreement, §4.01; Park Avenue Agreement, §4.01; Bedcourt Agreement, §4.01; Phelan Place Agreement, §4.01.

29. DHS’s Fiscal Manual requires that DHS approve all subcontracts in excess of \$20,000 prior to the commencement of work. DHS Fiscal Manual (rev. April 2019), at 19-20.

30. DHS's Fiscal Manual also requires the submission of all monthly invoices for payment and related backup documentation be made by the 25<sup>th</sup> of the following month. DHS Fiscal Manual (rev. April 2019), at 58.

31. The CCS Agreements make clear that failure to submit "financial reports and invoices, along with required documentation" in accordance with the Fiscal Manual, and that the "repeated failure to submit required financial reports within the time limits prescribed may result in termination of this Agreement." *See, e.g.*, Homeless Family Hotel Agreement, §4.04; Park Avenue Agreement, §4.04; Bedcourt Agreement, §4.04; Phelan Place Agreement, §4.04.

32. For the subcontractor and vendor procurements made by CCS in connection with its work for DHS, the CCS Agreements generally require CCS to obtain three written estimates before procuring goods and services. *See, e.g.*, Homeless Family Hotel Agreement, §4.05; Park Avenue Agreement, §4.05; Bedcourt Agreement, §4.05; Phelan Place Agreement, §4.05.

33. The CCS Agreements also provide that "[n]o funds obtained through this Agreement shall be spent for any expense not incurred in accordance with the terms of the Agreement. All such funds shall be administered in accordance with the Fiscal Manual." *See, e.g.*, Homeless Family Hotel Agreement, §4.06(A); Park Avenue Agreement, §4.06(A); Bedcourt Agreement, §4.06(A); Phelan Place Agreement, §4.06(A).

34. The Scope of Work for three of the four CCS Agreements similarly provides that CCS "shall make no expenditures with funds provided under this Agreement except those properly incurred pursuant to and during the performance period of this Agreement." Homeless Family Hotel Agreement, ¶10.02, *id.*, Apx. B, §15.04(B); Park Avenue Agreement, ¶10.02, *id.*, Apx. B, §15.04(C); Bedcourt Agreement, ¶10.02, *id.*, Apx. B, §15.04(C).



35. Included as a part of each of the CCS Agreements are General Provisions Governing Contracts for Consultants, Professional, Technical, Human and Client Services (“General Provisions”). *See, e.g.*, Homeless Family Hotel Agreement, §10.02, *id.*, Apx. A; Park Avenue Agreement, §10.02, *id.*, Apx. A; Bedcourt Agreement, §10.02, *id.*, Apx. A; Phelan Place Agreement, §10.02, *id.*, Apx. A.

36. The General Provisions require that, for all subcontracts in excess \$5,000, CCS must obtain prior approval from DHS for the procurement of such subcontractors. General Provisions, §3.02.

**C. CCS’s Financial Improprieties**

**i. CCS’s Corrective Action Plan**

37. A substantial amount of CCS’s invoices under the Emergency Agreements were from an unlicensed temp agency, Defendant SASY Enterprises, Inc. (“SASY”). CCS used this unlicensed temp agency to provide all their staffing (instead of using a traditional payroll service), program development, IT services, staff training, recruitment, and computer maintenance.

38. The invoices themselves had many problems: they included large lump sum payments for provisioning and furnishing rooms without explanation, were unclear as to the nature of certain services being provided by SASY, many employee titles were unidentified, and numerous duplicative invoices were submitted for staff training, recruitment and advertisement. These invoices also included a 25% markup on all amounts spent by SASY, including 25% markups for any gas and electricity bills paid in shelter units. SASY also would be paid 43% of gross salary for staff recruitment and 10% of gross salary for training staff.

39. In February 2017, following DHS's concerns about CCS's financial practices, governance and management, DHS and CCS entered into a Capacity Building Plan, also described as a Corrective Action Plan (the "CAP") to address some of these issues.

40. Among the terms of the CAP were additional training for staff and management, retention of a fiscal monitor, establishing a growth plan for the organization, policy changes, and a right for DHS to review any CCS executive staff.

41. CCS did engage the fiscal monitor as requested, however DHS was unsatisfied with the fiscal monitor's report and requested follow-up, which has not been provided to date.

**ii. DHS's Budgeting, Care Day Advance and Invoice Processes**

42. Contractors such as CCS are required to submit budgets covering program services for each fiscal year.

43. The review process also includes review and approval of final budgets by the particular staff working in the program area ("DHS Programs").

44. Contractors can receive payments during the fiscal year in one of two ways: under an advance and reconciliation process or based solely on the submission of approved invoices without any advances. Three of the Active Agreements are managed under the advance and reconciliation process and the fourth is managed through a monthly invoice process.

45. Under the advance and reconciliation process, DHS calculates what is known as a Care Day Advance. Each month, DHS determines the number of days that each homeless family received care at a shelter. Certain requirements, including the number of hours at the facility on a given day, are taken into consideration to determine whether such day counts as a Care Day. DHS then applies an approved per diem rate for all shelters in DHS's CARE Day

system, and this factored against the total number of Care Days for each homeless family for the given month to determine the amount of the Care Day Advance.

46. The CARES system captures client shelter bed utilization based on the client's shelter placement start and exit dates. At the end of each month or billing cycle, CARES produces an invoice for shelters based on the client placement and the facility rate. Each month the CARES System will generate a monthly invoice and Providers such as CCS are required to certify the invoice and client shelter placement recorded at the particular shelter. The CARE days invoices is then approved by the DHS CARE Day Reconciliation Group and then a CARE Day advance payment is disbursed by the Finance Payment Unit of the New York City Department of Social Services ("DSS"), a City agency comprised of DHS and the New York City Human Resources Administration.

47. Subsequently, each month Providers are required to submit underlying vendor invoices and appropriate supporting information documenting the actual work performed by the 25<sup>th</sup> of the following month.

48. Such invoices are required to be reviewed and approved by DSS's Finance Department, then by the Program Analyst and Program Administrator in DHS Programs. After final review and approval by the DHS Programs, DSS Finance then makes payment to the contractor.

**iii. Status of Payments to CCS Under the CCS Agreements**

49. In connection with the Homeless Family Hotel Agreement, for FY2018,<sup>2</sup> the approved budget was \$182.8 million, and DHS paid CCS \$167.2 million; for FY2019, the approved budget was \$208.4 million, and DHS paid CCS \$164.7 million; and for FY2020, the approved budget was \$208.4 million, and DHS paid CCS \$126.8 million. At present there has only been a partial close out for FY2018 and FY2019 based on the approval of certain invoices, but the Care Day Advances have not been fully reconciled for those years. FY2020, which does not end until June 30, 2020, remains open. The failure to fully close out FY2018 to FY2020 is a direct result of CCS's submission of suspect invoices claiming payment from DHS, as detailed below.

50. In connection with the Park Avenue Agreement, for FY2018, the approved budget was \$3.7 million, and DHS paid CCS \$3.4 million; for FY2019, the approved budget was \$3.8 million, and DHS paid CCS \$3.4 million; and for FY2020, the approved budget was \$3.8 million, and DHS paid CCS \$2.3 million. At present, FY2018 to FY2020 have not been partially or fully closed out. The failure to fully close out FY2018 to FY2020 is a direct result of CCS's submission of suspect invoices claiming payment from DHS, as detailed below. FY2020, which does not end until June 30, 2020, remains open.

51. In connection with the Bedcourt Agreement, for FY2018, the approved budget was \$3.7 million, and DHS paid CCS \$3.3 million; for FY2019, the approved budget was \$3.7 million, and DHS paid CCS \$3.3 million; and for FY2020, the approved budget was \$3.7 million, and DHS has not yet paid any amount. At present, FY2018 and FY2019 have not been

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<sup>2</sup> The City operates on a fiscal year ending June 30. For example, fiscal year 2018 ("FY2018") covers the period from July 1, 2017 to June 30, 2018.

partially or fully closed out. Moreover, the FY2020 budget has not yet been approved, which is why no amounts have yet been paid to CCS for FY2020. FY2020, which does not end until June 30, 2020, remains open. The failure to fully close out FY2018 to FY2019 is a direct result of CCS's submission of suspect invoices claiming payment from DHS, as detailed below.

52. In connection with the Phelan Place Agreement, for FY2018, the approved budget was \$3.8 million, and DHS paid CCS \$2.9 million; for FY2019, the approved budget was \$7.4 million, and DHS paid CCS \$6.9 million; and for FY2020, the approved budget was \$6.9 million, and DHS paid CCS \$3.6 million. FY2018 and FY2019 have been closed out. FY2020, which does not end until June 30, 2020, remains open.

53. The Inactive Agreements still have remaining issues that prevent them from being closed out because of CCS's failure to get its proposed budgets approved (First and Second Cluster Agreements) and outstanding unapproved invoices (First Cluster Agreement, Single Adult Hotel Agreement, and Emergency Agreements).

**D. CCS Vendor Improprieties**

54. In providing services under the CCS Agreements, CCS subcontracted with numerous vendors.

55. The invoices submitted by CCS in connection with several vendors, who are named herein as Defendants, raised questions about CCS's business practices and, upon information and belief, contain numerous indicia of fraud and bid rigging by CCS and these vendors.

56. Upon information and belief, CCS contracted or otherwise did business with Defendants AMX, ASE, AZ, Delta, SASY, and Supreme purportedly to provide certain goods and services required in connection with CCS's obligations under the CCS Agreements.

57. These vendors' invoices raised numerous issues, including addresses that are inconsistent with the provision of the goods and services listed on the invoices submitted, a failure to accurately and properly identify the goods and services purchased, incorrect and duplicate billing of certain expenses, and patently fictitious list prices for one vendor that were, upon information and belief, fraudulently created by CCS, Branksy, and Mandelbaum and/or CCS's subcontractors. Moreover, these vendors were never approved by DHS, and CCS failed to provide any proof that these vendors were selected after a competitive bidding process, both of which are required under the CCS Agreements.

58. Upon information and belief, CCS and its vendors have overlapping financial and business ties that raise concerns about conflicts of interest. For example, upon information and belief, Peter Weiser, a former CCS Board member, directly or indirectly controls several CCS vendors, including Defendants AMX, AZ, Delta, and SASY.

i. AMX

59. Upon information and belief, CCS contracted with AMX purportedly to supply appliances for cluster housing sites operated by CCS, including the Park Avenue Shelter, in an annual amount exceeding \$5,000.

60. CCS failed to seek approval from DHS to subcontract with AMX in accordance with Section 3.02 of the General Provisions to the Park Avenue Shelter Agreement.

61. Upon information and belief, CCS failed to submit any proof that it followed the competitive bidding procedures established in the Park Avenue Shelter Agreement, when it contracted with AMX.

62. When confronted with the failure to provide proof that the contract with AMX had been procured in compliance with the Park Avenue Shelter Agreement, CCS advised DHS that they lost the proof of bids from other vendors.

63. CCS presented invoices from AMX to DHS for payment, and such invoices did not describe the items purchased with any kind of brand, make, or model number.

64. Upon information and belief, AMX is run out of an apartment located at 92 Saint Nicholas Avenue, Apt 4H, New York, New York, with no other known store or warehouse location.

65. On October 9, 2019, DHS requested that CCS provide a price list for the products sold by AMX.

66. In response, on October 10, CCS provided the price list, but, upon information and belief, the price list had been created by CCS, not AMX, in an Excel spreadsheet just minutes before CCS sent it to DHS. The price list contained numerous typographical errors, using words such as “frezzzer” and “vynal.”

ii. ASE

67. Upon information and belief, CCS purportedly contracted with ASE to supply vehicles in connection with CCS’s Homeless Family Hotel Agreement, in an annual amount exceeding \$5,000.

68. CCS failed to seek approval from DHS to subcontract with ASE in accordance with Section 3.02 of the General Provisions to the Homeless Family Hotel Agreement.

69. Upon information and belief, CCS failed to submit any proof that it followed the competitive bidding procedures established in the Homeless Family Hotel Agreement, when it contracted with ASE.

70. Upon information and belief, ASE is run out of an apartment located at either 245 Passaic Avenue, Passaic New Jersey or an apartment located at 3323 Kings Highway, Apt. 2C, Brooklyn, New York, with no other known location that offers vehicles for sale or lease.

71. ASE also appears to be listed as the “salesperson” on an invoice for the purchase of a vehicle supplied by another defendant, Supreme, with no explanation of ASE’s role as both a supplier of vehicles to CCS and as the “salesperson” for vehicles supplied by Supreme. *See infra*, Section D.vi.

iii. AZ

72. CCS contracted with AZ purportedly to maintain computers and other office equipment in connection with the CCS Agreements, in an annual amount exceeding \$5,000.

73. CCS failed to seek approval from DHS to subcontract with AZ in accordance with Section 3.02 of the General Provisions to the CCS Agreements.

74. Upon information and belief, AZ’s address is a post office box located at a Go Ship! store located at 456a Central Avenue, Cedarhurst, New York, with no other known location suitable for the provision of the services detailed in CCS’s subcontract with AZ.

75. Invoices submitted by CCS for AZ contained various anomalies raising questions about AZ’s business and preventing DHS from making payment.

76. For example, invoices submitted by CCS under its subcontract with AZ include line items detailing office furniture provided to CCS, but CCS has represented AZ to be an information technology support vendor.

77. During FY2018 and FY2019, CCS claimed that it purchased 301 computers from AZ at a cost of \$118,452.40, but the only contract presented to DHS by CCS for AZ describes AZ as an IT support vendor, not a computer retailer.



78. When DHS staff contacted AZ to inquire about computer purchases, the person answering the phone at AZ was unable to state where AZ's business operation was located.

79. When DHS staff visited the location provided by CCS for AZ's business, they found a different business under a different name operating at that location.

80. Upon information and belief, CCS failed to submit any proof that it followed the competitive bidding procedures established in the CCS Agreements, when it contracted with AZ.

81. When DHS sought proof that CCS followed competitive bidding procedures, Bransky responded that he could not locate the other bids received in connection with the services provided by AZ. Bransky also stated that they selected AZ because of its high level of customer service and its delivery options, which, upon information and belief, appears unsupported by CCS's submissions to DHS for this vendor.

iv. Delta

82. CCS contracted with Delta purportedly to supply and maintain time clocks for CCS employees in connection with the CCS Agreements, in an annual amount exceeding \$5,000.

83. CCS failed to seek approval from DHS to subcontract with Delta in accordance with Section 3.02 of the General Provisions to the CCS Agreements.

84. Upon information and belief, CCS failed to submit any proof that it followed the competitive bidding procedures established in the CCS Agreements when it contracted with Delta.

85. Upon information and belief, Delta's address is a private residence located at 924 Meeker Avenue, Far Rockaway, New York, with no other known location suitable for the provision of the services detailed in CCS's subcontract with Delta.

86. Invoices submitted by CCS for Delta contained various anomalies raising questions about Delta's business and preventing DHS from making payment.

87. For example, CCS submitted invoices for Delta for the provision of internet services, telephone, office equipment and facilities repairs, but the only subcontract provided by CCS lists the provision and maintenance of time clocks.

v. SASY

88. Upon information and belief, CCS also contracted with SASY purportedly to prepare apartments and properties prior to their use by homeless persons in connection with the Inactive Agreements, in an annual amount exceeding \$5,000.

89. CCS's agreement with SASY included a flat rate fee for preparing the apartments and included a 25% markup on all amounts expended by SASY, including for construction materials and furniture and for the payment of monthly gas and electric bills.

90. Upon information and belief, CCS also contracted with SASY purportedly to provide staffing in connection with the Inactive Agreements, in an annual amount exceeding \$5,000.

91. CCS failed to seek approval from DHS to subcontract with SASY in accordance with the Inactive Agreements.

92. Invoices submitted by CCS for SASY contained several anomalies preventing DHS from making payment.

93. In invoices submitted for September 2015 through March 2016, CCS submitted duplicate line items for a single case manager position, repeated charges from other months, duplicated charges for recruitment and advertising already claimed under a separate category for staff training, and failed to identify employee job titles.

94. As a result of CCS's submission of suspect invoices from SASY, DHS refused to approve invoices for SASY's services and ceased paying them.

vi. Supreme

95. Upon information and belief, CCS contracted with Supreme purportedly to supply vehicles in connection with CCS's Homeless Family Hotel Agreement, in an annual amount exceeding \$5,000.

96. CCS failed to seek approval from DHS to subcontract with Supreme in accordance with Section 3.02 of the General Provisions to the Homeless Family Hotel Agreement.

97. Upon information and belief, CCS failed to submit any proof that it followed the competitive bidding procedures established in the Homeless Family Hotel Agreement.

98. The address provided for CCS for Supreme was a vacant house, not a car dealership.

99. Invoices submitted by CCS for Supreme contained anomalies preventing DHS from making payment.

100. For example, Supreme issued an invoice that was only an estimate. Nevertheless, CCS paid Supreme based upon the estimate.

101. Another invoice, submitted by CCS ostensibly on behalf of Supreme, was an invoice from Ford & Lincoln of Queens for a 2018 Ford. The invoice states that the vehicle was

financed for \$38,467.50, but a check for the full amount was issued and it was issued to Supreme Auto Leasing, not Ford & Lincoln of Queens. The sales person listed on the invoice was Defendant ASE.

102. Supreme's invoices also lacked standard information that one would expect on an invoice for the lease or purchase of a vehicle, including vehicle identification number, color, and starting mileage.

**E. DOI's Investigation**

103. Increasingly concerned about CCS's suspicious subcontracting, invoicing and billing practices, on May 23, 2018, DHS made a referral relating to CCS to DOI.

104. On January 27, 2020, DOI in conjunction with federal prosecutors executed a number of criminal search warrants at addresses associated with CCS and its vendors.

**F. The City's Need for a Temporary Receiver, a Temporary Restraining Order and a Preliminary Injunction**

105. Until a replacement contractor can be retained to replace CCS, so that funding can be restored in the interim, a temporary receiver should be appointed to manage CCS's operations, review and replace any existing subcontracts with *bona fide* vendors, and wind down the operations of CCS under the Active Agreements.

106. Moreover, pending the assumption of duties by a temporary receiver, it is also imperative that a temporary restraining order and preliminary injunction be granted restraining CCS from transferring funds under its contracts with the City, except for personnel expenses for shelter employees working at CCS's facilities and directly providing client care, and the use and occupancy charges for such facilities.

107. Given the steps taken by DOI and the federal prosecutors and given CCS's ongoing failure to justify its expenditures to DHS, its retention of unapproved subcontractors, and

its subcontractors' questionable work and invoices, DHS is unable to continue to pay Care Day Advances or other funding to CCS.

108. CCS, because of its actions, has made it impossible for DHS to continue to provide Care Day Advances, which puts in jeopardy the crucial homeless shelter services necessary for the approximately 1,900 households, including individuals and families with children experiencing homelessness, under their care.

109. There is a real and substantial risk that, without payments from CCS, vendors, such meal service providers, security, maintenance and other important service providers, will be unable to continue providing services to shelter clients. Most importantly, without use and occupancy payments to hotels and other shelters and personnel expenses associated with the provision of services, shelter clients would be left to fend for themselves and be at risk of eviction from their shelter placements. Shelter clients would have to be relocated. Such a massive relocation of 1,900 households would be almost impossible on an emergency basis.

110. The number of individuals receiving shelter under CCS is too large for any other, existing provider to be able to absorb on an emergency basis.

111. Given the size of the population being served by CCS, DHS will need to begin the process of competitively bidding new contracts with other providers. Such contracts, however, will not be in place until, at the earliest, July 1, 2020.

**AS AND FOR A FIRST CAUSE OF ACTION**  
**BREACH OF CONTRACT AGAINST CCS**

112. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

113. The CCS Agreements constitute valid and fully enforceable agreements between the City and CCS.

114. The City fulfilled its obligation to CCS under the CCS Agreements.

115. CCS breached the CCS Agreements by *inter alia* failing to seek or obtain approval of subcontractors and vendors, to submit subcontractor and vendor invoices on a timely basis, to obtain three estimates before retaining subcontractors and vendors, and for submitting invoices for payment that do not reflect properly incurred expenses related to the provision of homeless services.

116. As a result of CCS's breach of the CCS Agreements, the City has been damaged in an amount to be determined at trial.

**AS AND FOR A SECOND CAUSE OF ACTION  
FOR AN ACCOUNTING AGAINST CCS**

117. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

118. Pursuant to the CCS Agreements, the City entrusted CCS with funds for which it was bound to account for its expenditures and make its records available for inspection.

119. As described above, upon information and belief, CCS has submitted invoices for payment that do not reflect properly incurred expenses related to the provision of homeless services.

120. Due to CCS's aforementioned failures to comply fully with its financial reporting obligations under the CCS Agreements, the City has no manner of determining the full extent of the funds owed to it by CCS.

121. The City has no adequate remedy at law for CCS's failure to properly account for its dealings pursuant to the CCS Agreements.

**AS AND FOR A THIRD CAUSE OF ACTION  
COMMON LAW FRAUD AGAINST ALL DEFENDANTS**

122. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

123. Upon information and belief, Defendants submitted to DHS false and fraudulent invoices and payment requests, intending that the City would rely thereon and transmit funds to CCS and ultimately to its subcontractors and vendors. The misrepresentations set forth in fraudulent invoices and payment requests were material, and the City reasonably relied upon those statements, to its detriment, by transmitting funds to CCS.

124. Defendants are liable to the City for all damages caused by their fraud, in an amount to be determined at trial.

**AS AND FOR A FOURTH CAUSE OF ACTION  
VIOLATION OF STATE FINANCE LAW §189(1)(A)  
AGAINST CCS**

125. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

126. CCS violated New York State Finance Law § 189(1)(a) in that it knowingly presented, or caused to be presented, false or fraudulent claims for payment or approval. The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

127. For each violation of State Finance Law § 189(1)(a), CCS is required to pay a civil penalty of not less than \$6,000 and not more than \$12,000.

**AS AND FOR A FIFTH CAUSE OF ACTION  
VIOLATION OF STATE FINANCE LAW §189(1)(B)  
AGAINST DEFENDANTS**

128. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

129. Defendants violated State Finance Law § 189(1)(b) in that they knowingly made or used, or caused to be made or used, a false record or statement material to a false or fraudulent claim. The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

130. For each violation of State Finance Law § 189(1)(b), Defendants are required to pay a civil penalty of not less than \$6,000 and not more than \$12,000.

**AS AND FOR A SIXTH CAUSE OF ACTION  
VIOLATION OF STATE FINANCE LAW §189(1)(C)  
AGAINST ALL DEFENDANTS**

131. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

132. Defendants violated State Finance Law § 189(1)(c) in that they conspired to commit a violation of State Finance Law §§ 189(1)(a) and 189(1)(b). The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

133. For each violation of State Finance Law § 189(1)(c), Defendants are required to pay a civil penalty of not less than \$6,000 and not more than \$12,000.

**AS AND FOR A SEVENTH CAUSE OF ACTION  
N.Y.C. ADMIN. CODE §7-803(A)(1)  
AGAINST CCS**

134. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.



135. CCS violated N.Y.C. Admin. Code § 7-803(a)(1) in that it knowingly presented, or caused to be presented, false or fraudulent claims for payment or approval. The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

136. For each violation of N.Y.C. Admin. Code § 7-803(a)(1), CCS is required to pay a civil penalty of not less than \$5,000 and not more than \$15,000.

**AS AND FOR AN EIGHTH CAUSE OF ACTION  
N.Y.C. ADMIN. CODE §7-803(A)(2)  
AGAINST ALL DEFENDANTS**

137. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

138. Defendants violated N.Y.C. Admin. Code § 7-803(a)(2) in that they knowingly made or used, or caused to be made or used, a false record or statement to get a false claim paid or approved. The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

139. For each violation of N.Y.C. Admin. Code § 7-803(a)(2), Defendants are required to pay a civil penalty of not less than \$5,000 and not more than \$15,000.

**AS AND FOR A NINTH CAUSE OF ACTION  
N.Y.C. ADMIN. CODE §7-803(A)(3)  
AGAINST ALL DEFENDANTS**

140. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

141. Defendants violated N.Y.C. Admin. Code § 7-803(a)(3) in that they conspired to defraud the City by getting a false claim allowed or paid. The City sustained damages because it paid such false or fraudulent claims, in an amount to be determined at trial.

142. For each violation of N.Y.C. Admin. Code § 7-803(a)(3), Defendants are required to pay a civil penalty of not less than \$5,000 and not more than \$15,000.

**AS AND FOR A TENTH CAUSE OF ACTION**  
**UNJUST ENRICHMENT AGAINST ALL DEFENDANTS**

143. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1 through 111 as if set forth fully herein.

144. The diversion of City funds beyond that required for the provision of services required under the CCS Agreements resulted in Defendants' unjust enrichment.

145. This unjust enrichment was to the City's detriment because all of the City's funds were not used for their intended purpose – the provision shelter and services for the homeless.

146. Defendants are liable to the City for all such amounts diverted from legitimate uses under the CCS Agreements in an amount to be determined at trial.

WHEREFORE, Plaintiff City demands judgment against Defendants, as follows:

- (a) On the First, Third, and Tenth Causes of Action, in an amount to be determined at trial;
- (b) On the Second Cause of Action for an accounting to determine the full extent of the City's damages;
- (c) On the Fourth, Fifth, Sixth, Seventh, Eighth, and Ninth Causes of Action, declaring, pursuant to CPLR 3001, that Defendants' conduct violated State Finance Law §§ 189(1)(a), (b), and (c), and N.Y.C Admin. Code §§ 7-803(a)(1), (2), and (3);
- (d) On the Fourth, Fifth, Sixth, Seventh, Eighth, and Ninth Causes of Action, directing that Defendants, pursuant to State Finance Law §§ 187 *et seq.* and/or N.Y.C. Admin. Code §§ 7-801 *et seq.*, pay an amount equal to three times the amount of damages sustained because of Defendants' violations of the New York State and/or New York City False Claims Action;
- (e) On the Fourth, Fifth, Sixth, Seventh, Eighth, and Ninth Causes of Action, directing that Defendants (i) pursuant to State Finance Law §§ 187 *et seq.*, pay a civil penalty of not less than \$6,000 and not more than \$12,000 for each violation of State Finance Law § 189, and/or (ii) pursuant to N.Y.C. Admin. Code §§ 7-801 *et seq.*, pay a civil penalty of not less than \$5,000 and not more than \$15,000 for each violation of N.Y.C. Admin. § 7-803;
- (f) On the Fourth, Fifth, Sixth, Seventh, Eighth, and Ninth Causes of Action, directing that Defendants pay Plaintiff's costs, including attorneys' fees, as provided by law, including without limitation State Finance Law §§ 190(6)(a) and 190(7) and N.Y.C. Admin Code § 7-804(j);

(g) For the appointment of a temporary receiver pursuant to Article 64 of the New York Civil Practice Law and Rules;

(h) Pending the assumption of duties by a temporary receiver, for a temporary restraining order and preliminary injunction, pursuant to Article 63 of the New York Civil Practice Law and Rules restraining CCS from transferring funding under its contracts with the City for purposes unrelated to the direct provision of shelter services for the homeless;

(i) Pre-judgment interest;

(j) Together with the costs and disbursements of this action; and

(k) For such other and further relief as the Court deems just and proper.

Dated: New York, New York  
January 29, 2020

**JAMES E. JOHNSON**

Corporation Counsel of the City of New York

*Attorney for Plaintiff*

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By:



RICHARD J. COSTA

Assistant Corporation Counsel

Of counsel: SHERIEF GABER, Assistant Corporation Counsel

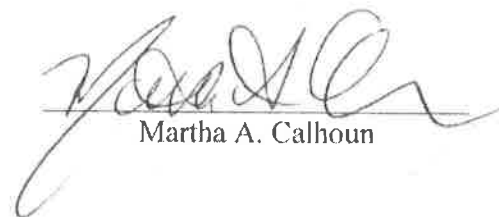
VERIFICATION

STATE OF NEW YORK )

: SS.:

COUNTY OF NEW YORK )

Martha A. Calhoun, being duly sworn, says that she is General Counsel of the New York City Department of Homeless Services; that the City of New York (the "City") is Plaintiff in the within action; that she is acquainted with the facts alleged in the Verified Complaint and believes the allegations contained therein to be true based upon her review of the books and records of the City of New York and/or communications with officers or employees thereof; and that the reason this verification is not made by the party is that Plaintiff is a municipal corporation.

  
Martha A. Calhoun

Sworn to before me this  
28th day of January 2020.

  
NOTARY PUBLIC

ANDREW TALLIS  
Notary Public, State of New York  
No. 02TA5048869  
Qualified in New York County  
Commission Expires 9/5/21