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NYC Firms Accused of Cheating 40 Subs Out of \$10M

MONDAY, APRIL 10, 2017

At least 40 subcontractors who worked on 34 construction projects in New York City were bilked out of \$9.6 million they were owed, authorities alleged Wednesday (<http://manhattanda.org/press-release/da-vance-four-individuals-and-three-corporations-charged-96-million-construction-indus>) (April 5).

According to Manhattan District Attorney Cyrus R. Vance, Jr., three corporations and four executives are responsible for years of fraud on some high-profile construction projects, including the Oculus Transportation Hub at the World Trade Center.



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Three Manhattan contractors and their owners face charges of grand larceny for allegedly cheating subcontractors out of payments, according to authorities.

Authorities indicted now-defunct contractors Artisan Construction and McGovern & Company, as well as IBEX Construction Company for grand larceny, scheme to defraud and other charges.

The individuals facing charges and potential prison time, if convicted, are James Galvin, 45, of Queens, New York; Garret Branagh, 44, of Mahwah, New Jersey; Daniel McGovern, 53, of Westport, Connecticut; and Andras Frankl, 68, of Franklin Lakes, New Jersey.

Galvin and McGovern were arraigned Wednesday and released on bail, the *New York Post* reported (<http://nypost.com/2017/04/05/construction-firms-accused-of-ripping-off-nearly-10m-from-contractors/>), noting that warrants were issued for Branagh and Frankl.

Warning to Firms

“This type of fraud is harmful to the entire New York City construction industry,” Vance said in a statement.

"It forces the small businesses that complete multi-million dollar projects they do not get paid for to lay off employees or even declare bankruptcy. It also burdens the property owners with additional costs, and weakens the credibility of honest contracting companies."

Vance notes that the charges echo a similar case (<http://manhattanda.org/press-release/da-vance-construction-company-president-sentenced-2-6-years-state-prison-stealing-more>) that landed two defendants in prison.

"Let these cases serve as a warning to any individual or corporation engaged in this type of fraudulent behavior— withholding payment from subcontractors is a crime and it will be prosecuted by my Office."

17 Subs, \$2.9M

Court documents say **Artisan Construction**, formerly based in Manhattan, was a mid-sized general contracting company specializing in interior construction and renovations of commercial and residential properties.

Galvin served as the company owner and president; Branagh was the Artisan's chief financial officer. The company was said to have employed approximately 10 to 20 full-time workers, but relied on subcontractors to perform work on various construction projects.



Official photo

"[W]ithholding payment from subcontractors is a crime and it will be prosecuted," said Manhattan District Attorney Cyrus R. Vance Jr.

Prosecutors say that between Dec. 1, 2013 and Jan. 25, 2017, the defendants defrauded at least 17 subcontracting companies out of \$2.9 million by failing to pay the subcontractors for completed work on nine projects for which they were hired.

In many instances, prosecutors say the subcontractors and property owners reached out to Galvin and Branagh and admissions were made by both of the defendants about the lack of payment.

Additionally, authorities accuse the parties of forging documents and creating false business records in order to induce one property owner to continue making payments to Artisan after work was complete.

16 Subs, \$5.7M

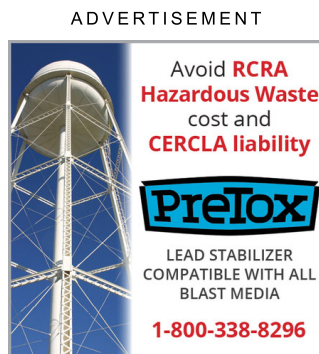
McGovern & Company, also formerly based in Manhattan, was a mid-sized general contracting firm specializing interior construction and renovations of commercial and residential projects, authorities said, citing court documents.

McGovern served as the company's sole owner and president. Like Artisan, McGovern had few full-time employees and relied heavily on subcontractors to perform work, prosecutors said.

Between Nov. 14, 2013 and Feb. 22, 2017, McGovern and his company allegedly cheated at least 16 subcontracting companies out of \$5.7 million.



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The subcontractors had been hired to perform work on 20 projects throughout Manhattan.

On numerous occasions, prosecutors allege that McGovern made admissions to subcontractors and property owners about the lack of payments.

8 Subs, \$1M

Court documents describe **IBEX Construction Company** as a mid-sized general contracting company specializing in interior construction and renovations of commercial and residential properties with offices located in Manhattan.



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Frankl serves as the company's sole owner and president, prosecutors report. IBEX has between 20 and 30 full-time employees, but relies on subcontractors to perform work on construction projects, authorities said.

Between January 2013 and last month, Frankl and IBEX allegedly defrauded eight subcontractors out of \$1 million that they were owed for six projects, including work at the Oculus at the World Trade Center.

Frankl was also contacted by subcontractors and property owners regarding missing payments and admissions were allegedly made, prosecutors said.

IBEX did not immediately respond Friday (April 7) to a request for comment on the case.

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New York is not the only area where construction fraud is endemic; experts say

(<https://cms.technologypub.com/ckfinder/userfiles/files/Fighting%20fraud%20in%20Construction%20A4%20online%20version.pdf>)
 fraud is a problem throughout the U.S., Australia, Canada, India, and the U.K.

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Comment from Jody Favia, (4/10/2017, 7:39 AM)

This is way more typical of dishonest GC's. They rarely get caught. Not hard to make money on a job when you go in at 0% OH&P and steal 20% from the subs.

Comment from M. Halliwell, (4/10/2017, 10:57 AM)

I'm not sure which GCs I detest more...1) the ones like this who are dishonest and hurt the industry by hurting the "little guys" who are least able to recover or 2) those who's legal department is bigger than their construction team and who file claims (or more often file lawsuits) against anyone who looks at their site for too long or sideways.

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