

Two local companies allegedly involved in fraud in City School District modernization work

Fraud

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When the FBI arrested local businessman Orville Dixon in July, agents claimed that he defrauded taxpayers through a collaboration with two companies contracted as part of the Rochester City School District's massive school construction and modernization program.

As part of the City School District contracts, those companies, the FBI alleged, needed to hire a certain percentage

of subcontracting companies owned by minorities or women. Instead, they allegedly used Dixon, who is African-American, and his company as a fraudulent so-called "passthrough" — a method allowing, in this case, a minority-owned company to be credited for work it did not do, while receiving illicit payments from the contractor.

Absent from the 11-page criminal

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complaint were the names of the companies. However, enough information about the work of the companies was available in the complaint that, when compared with public records about the modernization project, shows them to be Bell Mechanical and Kaplan Schmidt Electric.

Officials with the two firms did not respond to emails or phone calls left with their businesses over the past two weeks. Officials with the FBI and U.S. Attorney's Office declined to comment about the names of the two companies — information also confirmed for the *Democrat and Chronicle* by other sources.

Fraudulent purchase orders

The FBI alleges that an official with one contractor that worked on School 5 improvements — the contractor shown by public records to be Bell — "generated a fraudulent purchase order" for \$600,000 of heat, ventilation, and air conditioning, or HVAC, equipment. That 2013 order claimed the products were bought from Dixon's company, Journee Construction.

Journee "lacked the funds to purchase the HVAC equipment, had no warehouse or other facility to store the HVAC equipment, did not negotiate with the manufacturer of the HVAC equipment, did not prepare the purchase order, and otherwise provided no useful economic function in the transaction," according to an affidavit from FBI Special Agent Daniel Ciavarrri that is included in the criminal complaint. Also, officials with Bell Mechanical — identified only as "Contractor 1" in the complaint — conspired with Dixon to place Bell workers on Journee's payroll "to make it appear that the labor portion" of an insulation contract was done by Journee, the FBI affidavit alleged. However, Dixon and Bell didn't complete the project in 2013 because Dixon told Bell officials that the FBI had contacted him about the use of "pass-throughs" with the project. Kaplan Schmidt Electric, which worked on the School 28 project, is identified as "Contractor 2" in the criminal complaint. Officials from there allegedly claimed that Dixon's company Journee was supplying "conduit, wire

& gear” when Journee “had no certifications in electrical equipment, nor did he have the ability to supply parts for Contractor 2’s requirements,” the complaint alleges.

Kaplan Schmidt officials allegedly agreed to pay Dixon 2.5 percent of the total subcontractor’s price. Also, the complaint claims, a witness who worked as a supplier of materials for the School 28 project said that a Kaplan Schmidt employee told him to make it appear purchases came from Journee when they actually did not.

These are not the first companies to be linked to fraudulent work with minority- business certification jobs as part of the City School District project.

In 2016 five contractors that worked on Rochester’s massive school renovation project agreed to pay \$825,000 in fines as punishment for allegedly the skirting rules regarding the use of minority- and women-owned businesses. Those penalties came after an investigation from the state The five firms and their settlement amounts

were:

- Concord Electric Corp., based in Rochester, was fined \$350,000.
- Manning Squires Hennig, based in Batavia, was fined \$200,000
- Hewitt Young Electric LLC, based in Rochester, was fined \$160,000
- Michael A. Ferraulo Plumbing and Heating Inc., based in Rochester, was fined \$90,000
- Mark Cerrone Inc., based in Niagara Falls, was fined \$25,000.

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An exterior of Henry Hudson School 28. JAMIE GERMANO/ROCHESTER DEMOCRAT AND CHRONICLE