



FOR IMMEDIATE RELEASE  AT

WEDNESDAY, JULY 11, 2012 (202) 514-2007

[WWW.JUSTICE.GOV](http://WWW.JUSTICE.GOV) TTY (866) 544-5309

**OWNER OF INSULATION SERVICE COMPANY PLEADS GUILTY TO MILLION DOLLAR BID-RIGGING AND FRAUD CONSPIRACIES AT**

**NEW YORK CITY HOSPITAL**

WASHINGTON — The owner of a former New York City insulation service company pleaded guilty today to a three-count indictment charging him with conspiring to rig bids on contracts for re-insulation services to New York Presbyterian Hospital (NYPH), conspiring to defraud the Internal Revenue Service (IRS) and filing a false tax return, the Department of Justice announced.

David Porath pleaded guilty in the U.S. District Court in Manhattan to charges originally filed under seal on Feb. 18, 2010. At the time of the indictment, Porath was living in Israel. He was extradited and returned to the United States on Feb. 16, 2012. According to the indictment, between early 2000 and March 2005, Porath and his co-conspirators engaged in a bid-rigging conspiracy whereby they created the illusion of a competitive bidding process at NYPH by preparing and submitting fictitious, intentionally high bids so that Porath’s company would be awarded the contracts for re-insulation services for having the “low” bid.

“By submitting intentionally high, non-competitive bids, the co-conspirators deceived NYPH and distorted the competitive market,” said Acting Assistant Attorney General Joseph Wayland in charge of the Department of Justice’s Antitrust Division. “The division will continue to apprehend and bring to justice those who rig bids and thereby deprive the public of the benefits afforded by a truly competitive bidding process.”

The indictment further charged that between October 2000 and February 2005, Porath conspired with Andrzej Gosek, the owner of a Pennsylvania-based asbestos abatement company, and others, to defraud the IRS and to subscribe to false tax returns. Porath gave Gosek checks made out to companies in Brooklyn, purportedly for work done at NYPH by the Brooklyn companies as sub-contractors to Porath’s company. However, the companies had not performed the work. The checks totaled approximately $229,100 in 2000; $1.19 million in 2001; $760,000 in 2002; $50,000 in 2003; and $125,000 in 2004.

The Brooklyn companies cashed the checks and Gosek delivered the cash, less approximately five percent, back to Porath. Based upon these checks to the Brooklyn companies, Porath took false deductions on his company’s and his personal federal tax returns, allowing Porath to fraudulently reduce his taxable income. The indictment also charged Porath with filing a false federal tax return on or about Feb. 17, 2005, which substantially understated his income.

The bid-rigging charge carries a maximum penalty of 10 years in prison and a $1 million fine. The tax fraud conspiracy charge carries a maximum penalty of five years in prison and a $250,000 fine. The false subscription charge carries a maximum penalty of three years in prison and a $100,000 fine. The maximum fine for each of these charges may be increased to twice the gain derived from the crimes or twice the loss suffered by the victims of the crimes, if either of those amounts is greater than the statutory maximum fine.

Including Porath and Gosek, who pleaded guilty in November 2010, 15 individuals and six companies have been convicted of or pleaded guilty to charges arising out of this federal antitrust investigation of bid rigging, fraud, bribery and tax-related offenses relating to the award of contracts by the facilities operations department of NYPH.

The investigation was conducted by the Antitrust Division’s New York Field Office with the assistance of the FBI and the Internal Revenue Service - Criminal Investigation’s New York Field Office. The Office of International Affairs in the Justice Department’s Criminal Division also provided assistance. Anyone with information concerning bid rigging, bribery, tax offenses or fraud related at NYPH should contact the Antitrust Division’s New York Field Office of the at 212-335-8000, visit <http://www.justice.gov/atr/contact/newcase.html>, or call the FBI’s New York Division at 212-384-1000.

# # #

12-865