

IN RE: : SUPERIOR COURT

INVESTIGATORY : JUDICIAL DISTRICT OF
GRAND JURY : NEW BRITAIN at
NEW BRITAIN : NEW BRITAIN

2007-04 : JANUARY 13, 2009

INTERIM REPORT OF FINDING OF
GRAND JUROR PURSUANT TO
C. G. S. 54-47 g

I. BACKGROUND

On October 24, 2007, an Investigatory Grand Jury Panel, consisting of three Superior Court Judges, found that the administration of justice required an investigation to determine whether or not there was probable cause to believe that a crime or crimes had been committed in the administration of the government of the City of Hartford in its activities and dealings with persons or firms doing business with the City. Accordingly, pursuant to the provisions of C.G. S. 54-47d (a) (1), the undersigned, on November 6, 2007, was appointed as a Grand Juror by the Chief Court Administrator for the State of Connecticut. The scope of the investigation was "to focus on corruption and the misuse of public funds in the government of the City of Hartford in its activities and dealings with persons or

firms doing business with the city.”

On April 2, 2007, the Grand Juror applied and was granted a six-month extension which was scheduled to expire on November 6, 2008. On September 25, 2008, the Grand Juror applied and was granted another extension which is due to expire on May 6, 2009.

In fulfilling its responsibilities, an Investigatory Grand Juror is limited by the statutes governing the role and function of an Investigatory Grand Jury, by the specific charge to the Grand Juror by the Investigatory Grand Jury Panel, and by the applicable Connecticut Criminal Statutes.

The function of the Investigatory Grand Juror in this matter is set forth in and is limited by the charge of the Investigatory Grand Jury Panel. The Grand Juror’s function in this investigation is to determine, on the basis of the evidence presented to it, whether there is probable cause to believe that any crime has been committed in connection with the government of the City of Hartford in its activities and dealings with persons or firms doing business with the city. Further, the Grand Juror was also instructed to focus on corruption and the misuse of public funds in the government of the City of Hartford.

In conducting its inquiry as to whether there is probable cause to believe that a crime or crimes may have been committed, the Grand Juror was limited further by the terms and provisions of the potentially applicable Connecticut Criminal Statutes. In connection therewith, the undersigned Grand Juror directed the Office of the Chief State’s Attorney to conduct an analysis of the Connecticut Criminal Statutes that may apply to any of the conduct disclosed as a result of the Grand Jury

investigation.

At this time, the analysis completed by the Office of the Chief State's Attorney disclosed six potential statutes and six potential crimes that may bear upon the Grand Juror's investigation and ultimate determination as to whether there is probable cause to bring criminal charges. Those six statutes and potential crimes are:

- A. Bribe Receiving under C. G. S. Sec. 53a-148
- B. Fabricating Physical Evidence under C. G. S. Sec. 53a-155
- C. Conspiracy to Fabricate Physical Evidence under C. G. S. Sec. 53a-155/53a-48
- D. Criminal Attempt to Fabricate Physical Evidence under C. G. S. Sec. 53a-155/53a-49
- E. Bribery under C. G. S. Sec. 53a-147
- F. Second Degree Forgery under C. G. S. Sec. 53a-139

In conducting its investigation in this matter, the undersigned Grand Juror scrutinized all of the conduct disclosed in the investigation to determine if any of the conduct so disclosed could form the basis of a finding of probable cause to believe that any one of the foregoing crimes had been

committed.

II. SCOPE OF INVESTIGATION

The investigation is still ongoing. An interim report is being submitted at this time in the interests of justice. To date, the investigation conducted by the Grand Jury has extended approximately fourteen months. There have been 28 sessions of the Grand Jury at which testimony has been received from 148 witnesses. 302 items of documentary evidence have been received and marked as exhibits. In conducting this investigation the Grand Juror has been ably assisted by both the Chief State's Attorney and Assistant State's Attorneys, and Inspectors from the Chief State's Attorney's Office. In addition to other tasks they performed at the request of the Grand Juror, those Assistant State's Attorneys and Inspectors interviewed witnesses and potential witnesses and reviewed substantial pages of additional documentary evidence that was either voluntarily submitted to the Grand Jury or submitted in compliance with subpoenas issued by the Grand Jury.

III. DISCUSSION

The remainder of this report will focus on the activities of three individuals, namely: Eddie Perez, Edward Lazu, and Carlos Costa.

At all relevant times hereto, Eddie Perez has been the Mayor of Hartford, Connecticut. He resides at 59 Bloomfield Avenue in Hartford, Connecticut. Carlos Costa is the owner of USA

Contractors, which is a designated minority contractor that does construction work for the City of Hartford. On April 15, 2004 USA Contractors commenced work on the Park Street Reconstruction Project. It has also performed work on the Church Street Garage and MAT Garage for the City of Hartford. USA Contractors is a minority business enterprise (MBE) certified by the City of Hartford. Relative to the parking garage work, USA contractors is one of the few MBE companies in Hartford qualified to do work of that nature. If Mayor Perez designates a project as a minority set-aside contract it potentially is of great benefit to Mr. Costa, since the designation would indicate that only contractors with an MBE certification could bid on the contract.

The testimony established that in the spring of 2005 Mr. Costa was in his Hartford office. At that time, Mayor Perez and his wife walked into the showroom of that office. Mayor Perez wanted granite counter tops for his residence. Mr. Costa assisted Mayor Perez and his wife and they picked out a counter-top. Mr. Costa did not discuss a price range. He did not expect to be paid for the work. He testified that Mayor Perez was the Mayor of the City of Hartford where Mr. Costa was doing millions of dollars worth of work. He described the situation as the "cost of doing business" with the City. If Mr. Costa did not do the work for free he believed that he would have been labeled "persona non grata" by the powers in control of the city. He believed that he would have been blackballed as a contractor in the City and would not have worked for the City again. He felt that by working at the Perez residence for free he expected to gain access to Mayor Perez. He described this access as being able to call or see Mayor Perez when he had a

problem.

Mr. Costa had his employees install counter tops in the Perez kitchen at their residence on 59 Bloomfield Ave. Hartford, Connecticut. In addition, his company renovated two second floor bathrooms into one, sanded and refinished the wood floors in the residence, and painted the walls on the interior of the house. The bathroom renovation consisted of new flooring, new sheet-rocked walls, installation of a steam shower, installation of a Jacuzzi, installation of a double sink and cabinets. All the costs incurred were paid for by Mr. Costa. Neither Mayor Perez nor his wife ever spoke about the cost of the work being performed. Mayor Perez was never given an estimate or proposal. The renovation project at the Perez residence was completed in 2005.

Toward the end of 2006 Mayor Perez asked Mr. Costa for a bill relative to the renovation work. Mayor Perez informed Mr. Costa that rumors were circulating in the community that Mr. Costa had performed free work for Mayor Perez. Mr. Costa testified that Mayor Perez felt that the issue could spell trouble for him if someone looked into it. Mr. Costa told Mayor Perez that Mr. Costa would put together a bill in the mid to high 20's (\$20,000.00). Mr. Costa estimated that the value of the work performed was in the range of \$40,000.00. Mr. Costa indicated that Mayor Perez was shocked that the bill was so high and that he would have to get a loan to pay for the bill. Mr. Costa testified that he was just putting together a bill so that Mayor Perez could justify "whatever he had to justify". Mr. Costa acknowledged that the bill was not an accurate accounting of the work done at the Perez residence. Mr. Costa prepared the bill in February, 2007, and included a sketch which he prepared at that

time to make the billing package appear more legitimate. He presented the bill to Mayor Perez in February, 2007. Mayor Perez paid the bill of \$20,217.00 in July, 2007.

USA contractors was not a licensed home improvement contractor at the time the work on the Perez residence was performed. There were no permits issued on the job until Mayor Perez applied for permits in August, 2007.

On June 27, 2007, inspectors from the State's Attorney's Office met with Mayor Perez and inquired about the work done on the residence. Mayor Perez told them that he had paid for the work and would produce a cancelled check and an invoice. He further indicated that the work had been performed at "market price". The interview was concluded at 12:30 P.M. At 2:09 P.M. that day Mayor Perez met with a representative of the Hartford Federal Credit Union and applied for a \$25,000.00 home equity loan to "pay for home improvement and consolidation of debts". When he subsequently received this money he paid the bill which Mr. Costa had submitted. The bill was paid on July 11, 2007, even though the work on the Perez residence was completed in August, 2005.

Numerous items installed in the Perez residence were not included in the bill. Work performed by Mr. Delgado as an independent contractor for counter tops and tile installation was not included. His bill was in the amount of \$2,662.50. It would appear that some of this work was for other work performed at one of Mr. Costa's other enterprises, the Carioca club. The long marble vanity top is not accounted for in the billing. This item, with finishing and installation would have been in excess of \$500.00. The tile below the cabinets and above the back splash is not in the bill. There is no accounting for a custom

made granite threshold that was installed between the dining room and the kitchen. Some of the electrical fixtures used in the bathroom are not accounted for on the billing or receipts. All of the electrical supplies used on the residence are not listed. The double bathroom vanity cabinet installed in the Perez bathroom as part of the renovation was billed at \$350.00 plus tax for a total of \$371.00. The cabinet maker indicated that this was not an accurate reflection of the cost to make this vanity. He said that he only prepared a bill for that amount because Mr. Costa wanted that amount put in the bill and the cabinet maker's company did a lot of business with Mr. Costa. The more accurate reflection of the bill would have been \$1,200.00 in labor and \$158.40 in materials and \$41.96 in cutting time. In addition, the bill did not include any itemization for taxes, which should have been paid on several of the supplies used on the project.

There were numerous instances wherein either Mayor Perez intervened in matters to benefit Mr. Costa or Mr. Costa obtained assistance from Mayor Perez to benefit himself. On several occasions Mayor Perez asked members of City government to aid Mr. Costa. On May 6, 2007, John H. McGrane, Assistant Director of Public Works and City Engineer for the City of Hartford, sent a certified letter to the bonding company that had insured USA Contractors on the Park Street Project advising them that the City was seeking options against the bond for USA Contractors' failure to complete the project in a timely manner. After learning of the bonding company letter, Mayor Perez called a meeting in his office where he discussed the bonding company letter and voiced his displeasure. Mayor Perez then ordered his Director of Capitol Projects, Charles J. Crocini, to

pull back the calling of the bond, whereupon the City of Hartford withdrew its claim. Mr. Costa testified that if the bond had been pulled on the project he would have gone out of business. He had called Mayor Perez about this issue and requested his assistance. On at least four occasions Mayor Perez ordered manual checks to be cut for the work performed by USA contractors. The use of manual checks, the evidence showed, is a mechanism used to address emergency or short notice situations. Typically, invoices are paid between 30 and 50 days at the City of Hartford. On the four instances in question the bills for USA Contractors were paid in a matter of between 3 to 8 days. This use of manual checks caused the City of Hartford to lose the "float" on the money, meaning the interest that the City normally earns on its money before paying a bill in the 30 to 50 day time period. At the times in question Thomas Morrison was the Chief Financial Officer for the City of Hartford. He indicated that the Mayor did call him in an effort to accelerate payment to Mr. Costa. The Mayor had described Mr. Costa as a friend of his. Mr. Morrison testified that he did not recall Mayor Perez ever intervening on behalf of another contractor for payment.

Edward Lazu, at all relevant times hereto, was an employee of the City of Hartford. He has worked as a Project Manager and as an Administrative Operation Manager for the City of Hartford Office of Human Relations. He has been in charge of investigating complaints of discrimination and contract compliance. Every contractor in the City of Hartford has to comply with affirmative action and equal employment opportunity components of contracts. Mr. Lazu and his staff monitor the contractors for compliance in those area. He reports

to the Director of the Office of Human Relations, Lillian Ruiz. Mr. Lazu performed the same functions in the position of Project Manager in the Office of Human Relations which he held from approximately 2002 to 2007 before obtaining his present position. He lives at 658 Broadview Terrace, Hartford, Connecticut. Mr. Lazu requested USA Contractors to perform services at his home in June, 2004. He dealt with Carlos Costa. The work entailed both sidewalk and driveway work. He indicated that he paid Mr. Costa the sum of \$1,100.00 in the form of two separate cash payments for the work performed.

When Mr. Lazu contacted Mr. Costa, Mr. Costa was on the City of Hartford Minority Business Enterprise list. The Office of Human Relations is responsible for certifying businesses as Minority Business Enterprise (MBE). Lillian Ruiz is the one who ultimately makes this decision and issues the applicable certificates. USA Contractors was re-certified as a MBE in 2007 and has been certified as an MBE for a "a while" according to Mr. Lazu.

Each contract has a Principal Field Representative assigned to oversee contract compliance. Mr. Celestino Jimenez was employed by the City of Hartford as a Principal Field Representative from 1999 to October 2007. Mr. Jimenez oversaw the Park Street contract to insure compliance with MBE requirements. Mr. Lazu was Mr. Jimenez's immediate supervisor. Mr. Jimenez stated at one point that USA Contractors was not in compliance with MBE requirements. Mr. Jimenez initiated a "stop payment" on USA Contractors which means that it would not be paid until it satisfied MBE requirements. Mr. Jimenez was subsequently notified by Mr. Lazu that Mr. Jimenez would not be dealing with USA

Contractors on that level anymore and would not be able to issue stop payments. Mr. Lazu indicated that he would handle that aspect of the project. The Park Street Project is presently assigned to Eloy Toppin. Mr. Lazu is Mr. Toppin's immediate supervisor. Mr. Toppin took over the monitoring of this contract in approximately October, 2007. The contract requires USA Contractors to submit certified payrolls weekly (which has now been changed to monthly) and utilization reports monthly. A significant number of required reports are missing. There also exist multiple wages issues between USA Contractors and its subcontractors.

It is beneficial for a contractor to be certified as an MBE because certain City of Hartford contracts are set aside as MBE contracts. In order for a contractor to bid on those particular contracts the contractor has to be a certified MBE. USA Contractors was re-certified as an MBE by the City of Hartford in 2003, 2005 and 2007. Each certification was for a two year period. In his 2007 application for re-certification Mr. Costa did not submit a copy of his current licenses, which copies were required by the application.

An assistant in the office brought this omission to Mr. Lazu who was her immediate supervisor. Mr. Lazu instructed her to certify Mr. Costa's company in the absence of the documentation. Mr. Lazu signed the re-certification for USA Contractors on behalf of Lillian Ruiz. He is permitted to sign on behalf of Lillian Ruiz when she is not present. A similar procedure took place in 2005 when Mr. Lazu signed the USA Contractors re-certification on behalf of Lillian Ruiz without documentation relating to the required licenses. There is also a City of Hartford document recommending that USA Contractors

and Carlos Costa be MBE certified. This document is signed by Edward Lazu on behalf of Lee Erdmann. Mr. Erdmann is the City of Hartford's Chief Operating Officer.

According to the Connecticut Department of Public Health Mr. Costa's asbestos license had expired in 2006. His Connecticut Demolition Contractors Certificate had expired in 2003. He should never have been re-certified as a MBE until his licenses were current. The City of Hartford Office of Human Relations revoked Mr. Costa's MBE certificate in April, 2008 and reissued him a new one in only those areas in which he was certified to do the work.

Lillian Ruiz stated that she was not absent from work when Edward Lazu signed his name on her behalf for the re-certifications of USA Contractors in 2005 and 2007. Further, Mr. Lazu does not have authority to sign his name for Lee Erdmann. Only Lillian Ruiz has the authority to sign for Mr. Erdmann.

The cost of the deliveries to the Lazu residence for the driveway and sidewalk was \$615.47 and the value of the work was approximately \$2,613.64 according to an independent expert. Mr. Costa estimated the work to be worth \$5,000.00 to \$7,000.00. He indicated that Mr. Lazu had asked him to install a complete driveway at his residence. He testified that he put in a concrete sidewalk and dug out the driveway and put stone down. Prior to finishing the driveway the City of Hartford placed a concrete block on the property to prevent the driveway from being installed.

Mr. Costa testified that he did not charge Mr. Lazu since he considered the service to be the "cost of doing business" with the City. He stated that the cost was never discussed and that he

was not charging Mr. Lazu for the work. He further stated that in 2008, after Mr. Lazu had received a grand jury subpoena, Mr. Lazu requested Mr. Costa to provide him with a receipt for \$1,000.00 for the work. Mr. Costa refused to provide the receipt. Mr. Costa further indicated that he had complained about Mr. Jimenez on the Park Street Project to Mr. Lazu. After his complaint, he stated that Mr. Jimenez was no longer a problem on the project. He also stated that he had requested Mr. Lazu to certify his MBE certifications in 2005 and 2007. He also acknowledged that he did not submit the required weekly certified payrolls and monthly reports in a timely manner.

IV. ANALYSIS

C. G. S. Section 53a-148(a) provides, in relevant part, that a public servant or a person selected to be a public servant is guilty of bribe receiving if he solicits, accepts or agrees to accept from another person any benefit for, because of, or as consideration for his decision, opinion, recommendation or vote.

Mayor Perez, as a public servant, accepted the work on his house as a benefit. He never offered to pay for the work or ask for a bill until rumors circulated that work had been done for free at his residence. He never paid the bill until after he received a visit from investigators from the State's Attorney's Office. Even the amount which was ultimately paid is far below the fair market value of the services and materials. After the performance of this work, Mayor Perez interceded on numerous occasions in an effort to help Mr. Costa. Among many of these efforts, he both attempted to help him receive

early payments for his work and interceded so that USA Contractors' bond would not be revoked.

Edward Lazu is also a public servant who received a benefit for work done on his house. Mr. Lazu claims that he paid cash for the work. Mr. Costa claims that nothing was paid. In either event, the benefit of the work was far greater than the amount which Mr. Lazu claims that he paid. Mr. Lazu subsequently assisted Mr. Costa by relieving the person in charge of monitoring compliance on the Park Street Project and taking control of the project. This was done because the person was requiring Mr. Costa to abide by the regulations. Mr. Lazu also certified Mr. Costa for MBE qualifications without the proper licenses.

C. G. S. Section 53a-147(a) provides that a person is guilty of bribery if he promises, offers, confers or agrees to confer upon a public servant or a person selected to be a public servant, any benefit as consideration for the recipient's decision, opinion, recommendation or vote as a public servant or a person selected to be a public servant.

Mr. Costa testified that the work performed for Mayor Perez and Edward Lazu was the "cost of doing business in Hartford". With respect to Mayor Perez he felt that the work would provide him with direct access to the Mayor, who could assist him with problems in his dealings with the City. Indeed, the Mayor interceded many times on Mr. Costa's behalf, to the benefit of Mr. Costa. It is also established that the work on behalf of Mr. Lazu allowed Mr. Costa direct access to Mr. Lazu. Whenever Mr. Costa was having difficulties with someone in Mr. Lazu's department, Mr. Costa would call Mr. Lazu and the problem was

soon remedied to Mr. Costa's satisfaction.

C. G. S. Section 53a-155(a) provides that a person is guilty of tampering with or fabricating physical evidence if, believing that an official proceeding is pending, or about to be instituted, he: (2) makes, presents or uses any record, document or thing knowing it to be false and with purpose to mislead a public servant who is or may be engaged in such official proceeding.

Approximately one and one-half years after the work was performed on Mayor Perez's residence, Mayor Perez requested a bill from Mr. Costa. The reason for this request was that word was circulating that Mayor Perez had received free work on his house from a contractor who did business with the City of Hartford. Mayor Perez was concerned that this information, if made public, could cause him trouble. Mr. Costa indicated that he would prepare a bill in the mid-20's. When Mayor Perez indicated that he was shocked at the size of the bill, Mr. Costa lowered the bill to a figure somewhat in excess of \$20,000.00. Mr. Costa knew that the bill was not an accurate reflection of the work that was done on Mayor Perez's residence. The value of the work, he believed, was in excess of \$40,000.00. He testified that he made up a bill so that Mayor Perez could justify a payment to whomever he "had to justify it to." When investigators from the State's Attorney's Office questioned Mayor Perez about the work performed on his house he indicated that he had already paid the bill and would submit the invoice to the investigators. Subsequently, through his attorney, he submitted the invoice. He must have known that the invoice was fabricated in view of both his conversation with Mr. Costa and the fact that the invoice did not contain several of the items

that were included in the work on Mayor Perez's residence.

C. G. S. Section 53a-155(a)/53a-48(a) provide that a person is guilty of conspiracy to fabricate physical evidence when, with the intent to fabricate physical evidence, he agrees with one or more persons to engage in or cause the performance of such conduct, and any one of them commits an overt act in pursuance of such conspiracy.

Both Mayor Perez and Carlos Costa discussed the bill. Both committed overt acts in furtherance of their agreement. Mr. Costa prepared a bill he knew to be false, and which would be used by Mayor Perez to justify payment for the work performed on his house. Mayor Perez, through his attorney, submitted a bill to investigators of the State's Attorney's Office which he knew to be fabricated.

C. G. S. Section 53a-139(a) provides that a person is guilty of forgery in the second degree when, with intent to defraud, deceive or injure another, he falsely makes, completes or alters a written instrument or issues or possesses any written instrument which he knows to be forged, which is or purports to be, or which is calculated to become or represent if completed: (3) a written instrument officially issued or created by a public office, public servant or government instrumentality.

Edward Lazu did not have authority to sign his name on behalf of Lillian Ruiz when she was present in the office. His authority to sign on her behalf only existed when she was absent from the office. Yet on two separate occasions he signed his name on behalf of Lillian Ruiz for the MBE certification for USA Contractors in 2005 and 2007 when Lillian Ruiz was

present in the office. He both completed and issued these instruments when he knew that Mr. Costa had not attached or obtained the requisite certificates required for the certifications. Further, Mr. Lazu never had authority to sign his name on behalf of Lee Erdmann. Yet he signed his name on behalf of Mr. Erdmann for a MBE re-certification for USA Contractors.

C. G. S. Section 53a-155(a)/53a-49(a) provide that a person is guilty of attempting to fabricate evidence when, if acting with the kind of mental state required for commission of the crime he (1) intentionally engages in conduct which would constitute the crime if attendant circumstances were as he believes them to be; or (2) intentionally does or omits to do anything which, under the circumstance as he believes them to be, is an act or omission constituting a substantial step in a course of conduct planned to culminate in his commission of the crime.

After Mr. Lazu received his subpoena for his grand jury testimony he requested Mr. Costa to prepare a receipted paid invoice for him in the amount of \$1,000.00 for the work Mr. Costa performed at Mr. Lazu's residence. Mr. Costa refused to prepare the invoice since he was never paid by Mr. Lazu. This act constituted an attempt on the part of Mr. Lazu to fabricate evidence.

V. FINDINGS

Based upon all of the testimony and evidence received by the Grand Juror and the summaries contained herein, the Grand

Juror finds that there is probable cause to believe that the following crimes have been committed by the three individuals named. Probable Cause exists as to the following crimes and individuals:

A. Eddie Perez

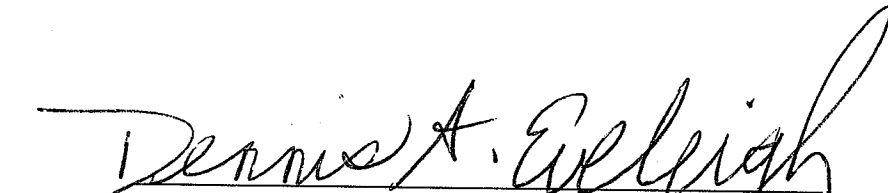
1. Bribe Receiving in violation of C .G. S. Section 53a-148
2. Fabricating Physical Evidence in violation of C. G. S. Section 53a-155
3. Conspiracy to Fabricate Physical Evidence in violation of C.G. S. Sections 53a-155/53a-48

B. Carlos Costa

1. Two Counts of Bribery in violation of C. G. S. Section 53a-147
2. Fabricating Physical Evidence in violation of C. G. S. Section 53a-155
3. Conspiracy to Fabricate physical Evidence in violation of C. G. S. Sections 53a-155/53a-48

C. Edward Lazu

1. Bribe Receiving in violation of C. G. S
Section 53a-148
2. Three Counts of Forgery in the Second
Degree in violation of C .G. S. Section
53a-139
3. Criminal Attempt to Fabricate Evidence in
violation of C. G. S. Sections
53a-155/53a-49


DENNIS G. EVELEIGH
SUPERIOR COURT JUDGE/GRAND
JUROR