



STATE OF NEW YORK
OFFICE OF THE STATE INSPECTOR GENERAL
Final Report
October 4, 2010

SUMMARY OF FINDINGS/RECOMMENDATIONS

The Inspector General in a joint investigation with the Division of New York State Police found that Paul Lilac, the former Executive Director of the Stillwater Area Community Services Center, submitted a falsified voucher and supporting documentation to the New York State Department of State (DOS) in order to obtain and divert \$2,820 in member item grant money to cover other expenses not properly included in the grant. Lilac resigned as the Executive Director of the Center on April 23, 2010. He was arrested on September 1, 2010 on a charge of Offering a False Instrument for Filing.

ALLEGATION

On May 14, 2010, the Inspector General received information from DOS that an audit had uncovered inconsistencies in how a \$35,000 member item grant administered by DOS and issued to the Stillwater Area Community Services Center had been expended by the Center's Executive Director Paul Lilac.

SUMMARY OF INVESTIGATION

DOS manages the disbursement of funds emanating from numerous legislative appropriations directed by individual members of the State Legislature, commonly known as "member items." As pertains to the matter under investigation, DOS administers the monies as a grant to the intended recipient, in this case the Stillwater Area Community Services Center. In fiscal year 2007-2008, DOS administered 1,260 new member items which are distributed through contracts to municipalities, not-for profit organizations, and fire prevention related entities. The Stillwater Area Community Center is located at 19 Palmer Street in Stillwater, Saratoga County and its mission is to provide "community outreach services (such as Elder Care and our Before and After School Program), recreation & activities . . . and entertainment . . ."¹

Then-State Senate Majority Leader Joseph L. Bruno issued Senate Majority Initiative # TM81283 which contained a \$35,000 appropriation to the Stillwater Area Community Services Center for the purposes of upgrading the Center's kitchen area, resulting in a

¹ <http://www.stillwateryny.org/community-center/index.asp>

contract for the period April 1, 2008 to July 31, 2009. The authorized recipient of these funds was the Executive Director of the Community Center, Paul F. Lilac. Lilac signed the contract for the funds on August 1, 2008, and pursuant to this agreement, DOS provided an initial advance of \$8,750, or 25 percent of the total appropriation. Under the terms of the contract, in order to obtain the remaining funds (\$26,250), the Center was required to submit documentation demonstrating that the funds were to be utilized to fulfill the purpose of the grant – upgrading the kitchen area at the Center. This required documentation included the submission of a form, a standard voucher, attesting to the proper use of the funds, and copies of the relevant issued checks or receipts as evidence of the propriety of the expenditure. In order to recoup the initial advance, 25 percent is deducted from all subsequent grant funds dispensed until the total is reached. Consequently each dispensation after the initial advance reflects an amount documented, an amount paid, and a balance of the advance to be paid.

Once the grant was approved, DOS provided the Stillwater Area Community Center \$8,750, which represented the initial 25 percent advance of the total \$35,000 grant. Subsequently, Lilac commenced submitting standard vouchers, which he had signed, detailing how grant money had purportedly been expended. According to contract records, following receipt of the advance, Lilac submitted four standard vouchers with seven checks in support of the Center's expenditures to DOS, as listed below:

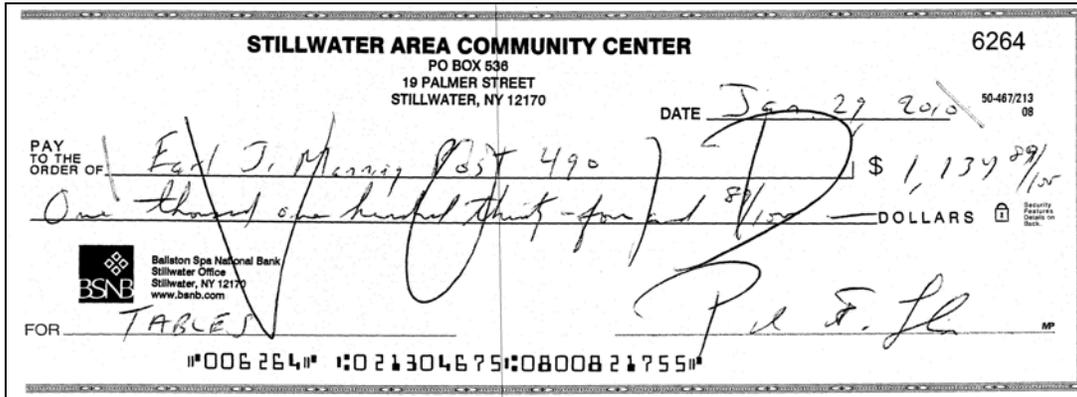
1. February 18, 2009: \$10,964 to Maddalone Construction for repairs to the stage, insulation of the pantry ceiling, new circuit breaker in basement and assorted kitchen renovations.
2. March 12, 2009: \$15,871.32 to Maddalone Construction supported by copies of three checks for a vent for stove area, clearing of the storage area, addition of a new door and repair of a ceiling.
3. March 20, 2009: \$4,729.14 to Maddalone Construction for a stove pipe and materials, a rear door for the stage area, a hanging rack for pots and pans; \$2,705.05 to install a pizza oven and the new door.
4. January 25, 2010: \$3,434.89 purportedly to the Earl J. Manning Post of the American Legion for large round tables; \$1,684.89 to Zecca Builders purportedly for electrical work; and \$1,034.89 purportedly to Joseph Bramski for purchase of an ice machine.

The Inspector General's findings relate to the final voucher submitted by Lilac for \$3,434.89. Notably, the voucher submitted and signed by Lilac is internally inconsistent. In the narrative section of this voucher, Lilac attested to paying \$1,750 to Bramski for an ice machine, \$1,684.89 to Zecca Builders for electrical work and \$1,034.89 to the Earl J. Manning Post for purchase of the tables; yet, in the portions of the form where he was required to specifically account for "equipment" purchased and "contractual services" rendered, Lilac listed over \$28,000 in payments to Maddalone Construction and listed a check associated with an earlier voucher for which he had already received payment.

Regardless of inconsistencies in his submissions, attached to the voucher as proof of the purported expenditures were copies of two Center checks signed by Lilac: (1) check #6264 in the amount of \$1,134.89 written to the Earl J. Manning Post 490 for the tables, and (2) check #6259 in the amount \$1,750 to Joseph Bramski for the ice machine.

Additionally, Lilac provided DOS with a memorandum entitled “Final Expenditures on Contract TM81283” wherein he listed having paid \$1,700 for the ice machine, \$600 for installation of the ice machine, and \$1,134.89 for the tables.

When Lilac provided copies of the vouchers to the Center’s bookkeeper for filing, she discovered original checks ostensibly issued by Lilac to the Earl J. Manning Post and to Zecca Builders which had been voided by Lilac. A copy of one of the checks voided by Lilac and discovered by the bookkeeper is depicted below:



The bookkeeper added that her suspicions were heightened upon further review of the check purportedly issued for the tables: “I knew there was no charge for those tables and then when I seen that check for \$1,300 . . . I knew that that check was not right.” The Center’s bookkeeper reported her findings to the Center’s treasurer and subsequently the State Police.

The Inspector General determined that although the check to Bramski for the ice machine was legitimate, Lilac’s submissions regarding payments to the Earl J. Manning Post and to Zecca Builders were fraudulent and submitted to DOS to create the false impression that the money had been spent for purposes consistent with the grant. On June 16, 2010, the Inspector General and State Police interviewed Joseph Zecca, the owner of Capital District Windows and Doors. Zecca informed investigators that he had never performed any electrical work for the Stillwater Area Community Center and had never received a check for \$1,684.89. Furthermore, on July 1, 2010, the Inspector General and State Police interviewed John J. Sheehan, the Commander of the Earl J. Manning Post. Sheehan advised that the Manning Post had donated eight large round tables to the Stillwater Area Community Center on April 10, 2010, at no cost to the Center. Sheehan further reported that he had a conversation with Lilac about donating the tables and that at no time did Lilac or the Stillwater Area Community Center ever pay any money for the tables.

On July 28, 2010, the Inspector General and State Police interviewed Lilac. Lilac informed investigators that he applied for a Legislative member item grant in the amount of \$35,000 to upgrade the kitchen facility at the Stillwater Area Community Center. Lilac conceded that he understood all of the rules and regulations concerning the grant award and that he submitted the aforementioned standard vouchers to DOS to account for

the disposition of the grant money as required. Lilac admitted that he wrote the vouchers submitted to DOS including the final voucher wherein he claimed in the narrative to have paid \$1,684.89 to Zecca builders for electrical work and \$1,134.89 to the Earl J. Manning Post for tables and attached checks purportedly supporting these payments. Lilac subsequently admitted to investigators that he did not actually issue those checks or otherwise pay the Earl J. Manning Post or Zecca Builders, and that he immediately voided the checks after he wrote them and submitted copies to DOS. Lilac further admitted to submitting the false vouchers to DOS to deceive the state to believe that the member item money was being spent in accordance with the grant contract to avoid having to return the balance of the unexpended grant money to the state. Lilac also admitted to actually using the money he obtained through this deceit to defray other Center expenses not allowed under the member item grant.

FINDINGS AND RECOMMENDATIONS

The Inspector General in a joint investigation with the State Police found that Paul Lilac, the former Executive Director of the Stillwater Area Community Services Center, submitted a falsified voucher and supporting documentation to the New York State Department of State in order to obtain and divert member item grant money to cover other expenses not properly included in the grant. Lilac resigned as the Executive Director of the Center on April 23, 2010. The Inspector General's Office and State Police arrested Lilac on September 1, 2010 on a charge of Offering a False Instrument for Filing. The Saratoga County District Attorney's Office is prosecuting the case.