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**Inspector General**

**Office of the Inspector General**  
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April 7, 2011

Thomas Pendergast  
President  
MTA New York City Transit,  
2 Broadway 30<sup>th</sup> Floor  
New York, NY 10004

**Re: Centec Solutions**  
**MTA/OIG #2011-03**

Dear Mr. Pendergast:

This office has concluded an investigation into an allegation that NYC Transit employee Dean Carbonaro, General Superintendent, Fresh Pond Depot, Department of Buses, has a relationship with the owners of NYC Transit vendor Centec Solutions, a vendor that supplies products used in the maintenance overhaul of buses.<sup>1</sup> We have substantiated the allegation, finding that Carbonaro's wife's nephew, Michael O'Connor, is operationally in charge of Centec's NYC Transit business, of which his wife Janine O'Connor is the nominal president. Moreover, we found that this same nephew has been providing Carbonaro with, at a minimum, free bookkeeping services for three investment properties that Carbonaro owns in the Bronx. Finally, OIG has found that when confronted by his supervisor about the allegation, he denied any relationship between himself and the principals of Centec. Below is a detailed description of OIG's investigation and findings. This Office recommends that NYC Transit take disciplinary action against Carbonaro, and will refer these allegations to the New York State Commission on Public Integrity (?). We also recommend that responsibility hearings be held to determine whether Centec and its distributor, Gotham City Distribution, are responsible vendors.

### **BACKGROUND**

Robert Picarelli, Chief Officer-Internal Studies and Operation Improvement, Department of Buses, NYC Transit, informed OIG that he had received an allegation from Chief Officer Derrick Lawson that "CMF General Superintendent Dean Carbonaro and/or his wife have a close relationship with Centec Metals." Mr. Picarelli explained that Centec Metals provides NYC Transit with various bus components. As of August 2010, 62 Centec products had been assigned

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<sup>1</sup> NYC Transit first purchased products from Centec Metals, a company wholly owned by the principals of Centec Solutions, the vendor that currently manufactures parts purchased by NYC Transit.

NYC Transit Stock numbers, and Centec has been paid \$1.8 million for products sold to NYC Transit. Mr. Picarelli informed OIG that Lawson had confronted Carbonaro with the allegation. Mr. Lawson told OIG that Carbonaro had denied any relationship with the owners of Centec and had said, "Check me out. The whole thing is false." Lawson also told OIG that Carbonaro had specifically denied that either he or his wife had any relationship to anyone at Centec.

## INVESTIGATION

### *Carbonaro's Relationship to the Principles of Centec*

Dean Carbonaro is the uncle of the de facto president of Centec, Michael O'Connor ("O'Connor"). During the course of this investigation OIG learned that Centec is a family owned business, owned by a family with a number of business enterprises that intersect, both personally and financially, at various points. Janine O'Connor is the titular President of Centec, but according to her husband Michael O'Connor, she has not been actively engaged in the business since 2002 due to medical issues. Janine O'Connor purportedly founded the company with her father, Steve Carosella, in approximately 1997 and the work was predominantly interior elevator work. Michael O'Connor claimed to have no role in the business until approximately 2008, despite his ownership of several other companies involved in the metal products industry such as Century Industrial Supply, a wholesale metal distributor, and Pro Elevator, a company that repaired elevator motors and cab wires. Lucille Mango, Carbonaro's sister-in-law and Michael O'Connor's mother, appears to have had a significant role in Century Industrial Supply, since she is listed as an authorized signer on Century Industrial Supply's Comerica Bank account. In addition, Mango is the signer on a number of checks paid to Centec Metals.

Interestingly, in an interview with OIG, Carbonaro initially described O'Connor as a distant relative. O'Connor, in an OIG interview, similarly at the beginning of the interview claimed to not be particularly close to his extended family. However, as described below, OIG's investigation found compelling evidence to refute those characterizations and that evidence suggests a fairly close family relationship through its business and financial connections.

### **Financial Intersection of Carbonaro and O'Connor**

OIG subpoenaed Carbonaro's bank records and found that Michael O'Connor has been assigned Power of Attorney for one of the joint accounts that Carbonaro maintains with his wife. In reviewing the checks drawn on the accounts, we found a number of checks written to three limited liability corporations in the Bronx, the names of which correspond with three buildings owned by Carbonaro. Notably, many of the checks written to "364 Huntington Ave. LLC," "368 Huntington Ave. LLC," and "1772 Tremont Ave. LLC" were signed by Michael O'Connor. The joint account that seems to be associated with these properties has the address PO Box 825, Shrub Oak, N.Y. imprinted on its checks and deposit slips, which is one of several addresses common to both O'Connor and Carbonaro. The application for that Post Office Box reflects that

it was opened by Michael O' Connor on May 20, 2003, and that Dean Carbonaro is another individual authorized to retrieve mail from the box.

OIG subpoenaed the records for the accounts into which these checks were deposited and found that the signature card lists the account contact as Michael O'Connor, and identifies his title as "member," a title shared by Dean Carbonaro, the owner of record for the three properties. Most of the checks written on these accounts were signed by Michael O'Connor. Moreover, the address on the account was 6 Perry Street, Cortlandt Manor, N.Y., Michael and Janine O'Connor's address, and an address to which Carbonaro was linked through automobile registrations. Notably, on July 10, 2009, shortly after Carbonaro was confronted by Lawson, O'Connor was removed as an authorized signer from the LLC accounts. It was also noted while reviewing the accounts that checks from NYC Department of Social Services payable to the account were addressed to "PO Box 857, Jefferson Valley, NY."

OIG interviewed both Carbonaro and O'Connor and asked them to explain O'Connor's involvement in Carbonaro's personal finances. After telling OIG that he did not know much about O'Connor's background and describing him as a distant relative, Carbonaro was confronted with the fact that O'Connor has been assigned power of attorney for Carbonaro's personal bank accounts and was an authorized signer and designated as a "member" on the checking accounts that he maintains for his rental properties. Carbonaro told OIG that O'Connor has done the bookkeeping for his rental properties since 2001. When asked to explain why he would have his bookkeeping done by someone whose background he knew so little about, Carbonaro offered that he was "always screwing it up" and that O'Connor had a college degree. When asked why he had removed O'Connor from the account in July 2009, he admitted that it was done after he was confronted by Lawson about his relationship to Centec because "he didn't want to get involved."

OIG also asked O'Connor about his involvement in his uncle's personal finances. O'Connor told us that he did the bookkeeping work as a favor to his aunt. He said it takes about 4 to 5 hours a month. When we asked him about the frequency with which he meets with Carbonaro, he said that he sees him at family events and when they need to meet about bookkeeping issues. O'Connor offered a different explanation for why he was removed as an authorized signer on the accounts. O'Connor claimed that because his personal bankruptcy was converted from a Chapter 11 rehabilitation to a Chapter 7 "liquidation," the accounts were subject to seizure by the bankruptcy court. Notably a review of O'Connor's bankruptcy docket reveals that O'Connor's case was converted from Chapter 11 to Chapter 7 a full year before he was removed from Carbonaro's accounts.

### **Carbonaro and O'Connor Family Members Share Common Addresses**

OIG collected background information about Dean Carbonaro and Centec Metals. OIG discovered that Dean Carbonaro and the president of Centec, Janine O'Connor and her husband Michael O'Connor, shared a number of addresses. Notably, Dean Carbonaro was associated with

Mr. Thomas Prendergast  
Re: MTA/OIG 2011-03  
April 6, 2011  
Page 4 of 10

a Post Office Box that had been used by Centec Metals while doing business with NYC Transit. OIG obtained a copy of the Post Office Box application for PO Box 858 Jefferson Valley, NY from the U.S. Postal Service and found that the application is made on behalf of "Centec Metals." The application was submitted by "Michael O'Connor, CFO," and other "authorized representatives" were identified as "Janine O'Connor" and "Dean Carbonaro." The application is dated November 2005. OIG further found that Dean Carbonaro had an additional five addresses in common with the O'Connors. One of those addresses is also connected to Gotham City Distributors, discussed herein, 21 Fairview Ave. Tuckhoe, NY.

OIG asked both Carbonaro and O'Connor about these shared addresses. When Carbonaro was asked whether he had ever lived at 21 Fairview Avenue, Tuckahoe, NY, he admitted that it was an address of Michael O'Connor's that he had used for his driver's license and registration when he lived in the Bronx in order to obtain cheaper car insurance.

When Carbonaro was asked why he would be listed as a person authorized to receive mail in a Centec Metals Post Office Box in Jefferson Valley, he offered no explanation. Interestingly, after the interview was concluded, OIG received a telephone call from Carbonaro's attorney about this issue. His attorney said that Carbonaro believed that the entity conducting business with NYC Transit was not Centec Metals, but instead Centec Solutions. I then provided his attorney with a copy of an envelope in which bid documents were sent to NYC Transit and the return address was "Centec Metals P.O. Box 858 Jefferson Valley, N.Y.," the same post office box Carbonaro had been questioned about. Clearly, Carbonaro was intimately involved with the Centec businesses since he knew that there were two different entities and that Centec Solutions did more business with NYC Transit than Centec Metals.

O'Connor told OIG that he had applied for the Post Office Box in Jefferson Valley for Centec Metals and that he had put Carbonaro's name on the application. He explained that the Post Office would not put mail in a Post Office Box unless that person's name was on the application. He claimed that since he lived near the Jefferson Valley Post Office it made it easier for him to pick up mailings for Carbonaro's real estate holdings. Interestingly, we found no connection between the real estate holdings and this Post Office box, and Carbonaro claimed to have no knowledge that his name was on the Post Office Box application. Moreover, O'Connor was also the applicant for the Post Office Box in Shrub Oak that was associated with Carbonaro's buildings.

#### *Centec's Business with NYC Transit and Carbonaro's Influence in Using Centec Products*

OIG interviewed William Wallace, Director, Technical Services, NYC Transit Department of Buses, and Derrick Lawson about the role Carbonaro may have played in introducing Centec products to NYC Transit. Lawson explained that vendors frequently come to the property to promote their products, but that the vendor is usually referred to Technical Services to have the product tested. The testing of the product is done at the User Department, in this case the Bus

Maintenance Overhaul Shop at Zerega, and usually “validated” by the General Superintendent, in this case Dean Carbonaro.

OIG asked both Wallace and Lawson about whether Carbonaro played any role in introducing Centec to NYC Transit as a vendor, and both told us that he had. Lawson told us that Carbonaro had approached him in 2005 with the idea of applying a prefabricated “skin” on the exterior of a bus in lieu of filing and sanding the surface for painting. Lawson explained that Centec was the vendor of the skin at the time, and also the vendor of a “front step module” that needed to be replaced on Orion buses. Lawson said that all of these products were sent to Technical Services for approval.

Wallace told OIG that Carbonaro and Henry Dillard, from the Zerega Shop, approached Technical Services about getting the Centec products approved for use and to have a NYC Transit Stock number assigned because they wanted the products to be included in the overhaul scope of work. According to Wallace, in order to include the skins in the annual bus overhaul required a product to have a Transit stock number. Wallace told us that the shop had started using the skins as a cost-saving measure and had been purchasing them using U-Requisitions (U-Reqs.), but that once they wanted to include them in the overhaul, a stock number needed to be assigned. He said that the drawings had been submitted to technical services through the shop and that at that point Technical Services was essentially a “rubber stamp” on the product since the shop had actually been using the product and was satisfied with its performance. Wallace provided us with e-mails between Technical Services and Carbonaro and Dillard. Notably, all of the NYC Transit correspondence with Centec is between Carbonaro and Michael O’Connor, with O’Connor addressing Carbonaro as “Mr. Carbonaro.”

OIG also interviewed Henry Dillard, Administrative Manager/Material Planner, MTA Bus Corporation. From 2000 through January 2009, Dillard was assigned to the Zerega facility and was responsible for maintaining the parts stock. Dillard told us that he believed Zerega had begun purchasing Centec parts in 2007, and that the General Superintendent, Dean Carbonaro, would have told him to purchase the parts. Dillard explained that vendors would approach the General Superintendent and staff with new parts and the staff would try the parts and evaluate them. Dillard told us that Carbonaro, as the General Superintendent, would have decided which parts to purchase and had Dillard make the purchases. Dillard told us that he noticed that he suddenly received a lot of requests for Centec parts, and did not notice a change in the work demands that would explain the increased purchases. Dillard was unaware of a relationship between Carbonaro and any of the principals of Centec.

In fact, Carbonaro admitted to OIG that he had initially promoted this Centec product. Carbonaro, however, insisted that he had no idea that the Centec representative at the time, Steve Carosella, was his nephew’s father-in-law. He claimed that he did not discover the family relationship until 2008 or 2009, and only then when O’Connor accompanied Carosella to the shop. During his interview Carbonaro admitted that he had probably met Carosella previously, since he attended his nephew’s wedding. Carbonaro also told OIG that when O’Connor appeared at the shop conducting Centec business, he reviewed the Code of Ethics and concluded

that “a wife’s nephew” was not on the list of people with whom you could not do business. Therefore, he did not alert anyone to his relationship with O’Connor, although in hindsight he believes he should have.

*Procurement Complaints about Centec and the Introduction of Gotham City Distributors, Inc.*

In early 2009, representatives of NYC Transit Procurement began discussing the problems created by Centec being the sole-approved source for a number of products being purchased. In early 2009, Procurement staff began pressuring Technical Services to create drawings for the Centec sole-approved source products to “obtain competitive bids in the future.” In one e-mail, dated January 5, 2009, Procurement staff complained that Centec was unwilling to accept orders of less than 100 for certain TA Stock items, even though the projected need for the product for the life of the contract was only 22. In June 2009, NYC Transit solicited bids for a Centec part, a replacement beam, and received three bids. The apparent low bidder, Bert R. Huncilman & Sons (Huncilman), submitted an alternative drawing, which was approved by technical services. By accepting the new drawings, NYC Transit estimated that it saved over \$253,185.60 over the pricing of the second lowest bidder, Centec. Indeed, the bid was cancelled because the pricing offered by Huncilman was so low that the purchases could be made under Small Purchase procedures, and the product was purchased from Huncilman.

At about the same time that NYC Transit accepted this alternative drawing, Gotham City Distributors Inc. (“Gotham”) was added to the NYC Transit vendors list as a supplier of Centec products.<sup>2</sup> In December 2009, Gotham was awarded its first Purchase Order for a Centec product, a stepwell front replacement frame module. To date, Gotham has been awarded 21 small purchase orders, and under quote Centec on all four of the purchase orders for which Centec submitted a bid.

Because of the timing of Gotham’s entrance into the business supplying NYC Transit with Centec Products, OIG looked into the background of the company. OIG learned that the post office box application for Gotham was submitted electronically, and was submitted by Joseph DiPaolo, using the address 21 Fairview Ave. Apt. 517, Tuckahoe, NY. This address is one of the several addresses that Carbonaro and Michael O’ Connor share.

OIG interviewed Joseph DiPaolo and learned that he approached Centec about becoming a distributor of its products because Janine O’Connor is his girlfriend’s sister. DiPaolo told us that he is the only employee of Gotham, and that his only distributorship contract is with Centec. OIG representatives asked him why Centec would be willing to sell its products through a third party when it had successfully sold them directly to NYC Transit, and his initial response was that he had no idea why. He did, however offer that perhaps Centec wanted to focus on product development. We asked DiPaolo about the purchasing process, and he explained that when he receives a Request for Quotes, from NYC Transit procurement, he will e-mail Centec to get a quote. When he receives the quote, he will submit his own quote to NYC Transit. If NYC Transit places the order with him, he will forward the order to Centec, and Centec will deliver

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<sup>2</sup> Gotham was added to the NYC Transit vendor list on June 11, 2009.

the product to NYC Transit. Gotham has been awarded 8 purchase orders with a total value of \$31,850; Centec submitted losing bids for two of these purchase orders.

OIG asked Carbonaro if he had any business dealings with Gotham and he claimed to have had no dealings with Gotham. OIG also asked O'Connor about Gotham and he explained that Centec had begun selling its products through Gotham in order to branch out to other municipalities and coach companies. When asked to explain how Gotham could have underbid Centec for its own product, he explained that Gotham can purchase the product for a certain percentage under the retail price and then determine how much profit it will make on the sale.

### *MTA Ethics Codes*

#### **The MTA All-Agency Code of Ethics**

The MTA All-Agency Code of Ethics Section 4.01 prohibits employees from having any interest, "financial or otherwise, direct or indirect, or engage in any business or transaction . . . which is or may be in conflict with the proper discharge of his duties." As an example, the Code states that "[i]t would be a conflict of interest if an Employee participated in a transaction involving an MTA Agency in which . . . someone associated with the Employee (Family Member or by a Business or financial relationship) had, directly or indirectly, a financial or other private interest.

The All-Agency Policy defines a Family Member as "any person living in the same household as MTA Employee, domestic partner, and any person who is a direct descendant of the MTA Employee's Grandparents or the spouse of such descendant." While the policy is silent as to whether shared addresses over a period of time is sufficient to meet the definition of "family member," the relationship between O'Connor and Carbonaro was clearly forged because of their familial ties. Nevertheless, the relationship does not fit squarely within the narrow definition of the Code. However, because of the business relationship that O'Connor and Carbonaro have through the real estate holdings, OIG believes that O'Connor and Carbonaro had a business relationship that falls within Section 4.01's proscription against conflicts of interest.

The MTA Code of Ethics section 4.02, states that employees "shall not engage in conduct that will raise the suspicion among the public that they are likely to be engaged in acts that are in violation of the public trust," nor shall employees "by their conduct give [a] reasonable basis for the impression that any person can improperly influence them or unduly enjoy their favor in the performance of their official duties, or that they are affected by the kinship [or] position . . . of any party." Carbonaro's promotion of Centec products given the personal and business relationship between he and O'Connor, raises precisely this issue. Indeed, the fact that the complainant was made in the shop itself suggests that Carbonaro's conduct created exactly the impression this section is designed to prevent.

*MTA Vendor Code of Ethics*

MTA has established a Vendor Code of Ethics in an effort to create a “procurement process that fosters fair and open competition, is conducted under the highest ethical standards and enjoys the complete confidence of the public.” The Code defines Family member more broadly than the employee Code of Ethics in that it additionally includes “any person related to the Employee within the third degree of consanguinity or affinity,” and provides a chart of family relations. Using this chart of consanguinity and affinity, O’Connor’s and Carbonaro’s relationship falls within the definition of Family Member. However, the family relationship is only an issue as it relates to gifts given by a vendor to an employee’s family member. The code does not impose an affirmative duty on a vendor to disclose whether any of its principles are “family members” of MTA employees with whom they work on the contract. Indeed, the vendor has only two reporting obligations: if an employee solicits a gift, and to report material changes that affect any prior report to the MTA.

### CONCLUSION

Although OIG was unable to establish that Carbonaro directly benefited from Centec’s contracts with NYC Transit, the evidence of the extent of the business relationship as well as the family relationship strongly suggest a profound conflict of interest. Moreover, as implausible as Carbonaro’s claim that he was unaware of his relationship to the owners of Centec is, his extremely poor judgment in failing to alert his superiors at NYC Transit once he supposedly learned of the relationship casts doubt on his competency to act as a General Superintendent in an MTA facility. Indeed, Carbonaro lied to Lawson about the family relationship when confronted with the allegation, hardly the trustworthiness expected of a manager. Finally, Carbonaro and O’Connor gave conflicting accounts about why O’Connor’s name was removed from the account, suggesting that despite the fact that their statements were given under oath, one of them was not truthful in his account.

### FINDINGS

1. OIG found that Carbonaro did have a familial relationship with the principles of Centec, despite denying such relationship to his supervisor.
2. OIG found that Carbonaro and O’Connor had a long-standing business relationship involving three limited liability corporations that managed three investment properties owned by Carbonaro. Indeed, O’Connor was listed on bank records as a “member” of these LLCs and had Power of Attorney over Carbonaro’s personal bank accounts.
3. Carbonaro’s business and familial relationships to O’Connor, the *de facto* sole proprietor of Centec created a conflict of interest for him in the administration of his job duties. Clearly, Carbonaro’s active promotion of Centec products in his own overhaul shop, given the relationships between Carbonaro and O’Connor, violated both the letter and spirit of MTA’s Code of Ethics section 4.01.

4. Moreover, Carbonaro violated MTA's Code of Ethics section 4.02 in that his conduct created the impression that he could be improperly influenced or that Centec would "unduly enjoy" his favor because of the relationship between he and O'Connor.
5. OIG found that Carbonaro, taking his testimony at face value, did not properly seek the advice of the NYC Transit Ethics Officer for guidance on the newly discovered relationship between him and Centec.
6. OIG found that Carbonaro's business and familial relationship with Michael O'Connor, the *de facto* sole proprietor of Centec, creates the appearance of impropriety in that Carbonaro promoted the use of Centec's products in NYC Transit and was in a position to provide critical inside information to Centec about the type of product needed by NYC Transit as well as the projected quantities needed.

#### **RECOMMENDATIONS**

1. NYC Transit should take disciplinary action against Carbonaro for violation of the MTA All-Agency Ethics Policy.
2. NYC Transit should conduct a responsibility hearing to determine whether Centec and Gotham are responsible vendors.
3. NYC Transit should consider an addendum to its Ethics policy that defines family more broadly. [ Issue: NYC Transit has adopted MTA All Agency Policy]

Mr. Thomas Prendergast  
Re: MTA/OIG 2011-03  
April 6, 2011  
Page **10** of **10**

4. NYC Transit should consider placing an affirmative duty on vendors to disclose whether they have any business dealings with MTA employees or familial relationships with MTA employees involved in the contracting process, including contacts in the User Departments.

Please advise me within 30 days of any action you take pursuant to this letter. If you need additional information feel free to contact Chris Prather, Deputy Inspector General, Investigations, at (212) 878-0279.

Very truly yours,

Michael L. Boxer  
Special Counsel