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Did Espada lie for \$3M?

Bronx Democratic senator is under investigation for statements he made in a state grant application for his health care company

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ALBANY --- The attorney general's office is investigating if Senate Majority Leader Pedro Espada Jr. submitted false statements in a grant application seeking \$3 million from the state for his health care company.

The state Department of Health confirmed Wednesday it referred concerns about the Espada organization to Attorney General Andrew Cuomo's office after reviewing the vendor responsibility questionnaires signed by the Bronx Democrat and notarized by Alexander M. Fear, his lawyer.

DOH spokeswoman Claire Pospisil declined further comment. Conflicts in answers on the questionnaires and disclosure of numerous tax liens against Espada's organization were reported in the Times Union in June, leading to a freeze on the \$3 million grant and a review of the contract award.

The questionnaires, one from April 16, 2008 at the start of the grant application process and another from March 27, stated that Comprehensive Community Development Corp. had no substantial tax problems. State officials and public records suggest the not-for-profit company, which uses the trade name Soundview Health Network, suffered from chronic tax delinquency. The vendor documents warn that submission of false or misleading information can be a crime punishable by a fine, imprisonment of up to five years and contract termination.

The Health Department awarded a \$3 million grant to Espada's company to build a new diagnostic health center in the Bronx. But the grant was frozen when the state comptroller's office rejected the proposed contract with the department on June 26 amid disclosures of the substantial taxes owed to state and federal authorities contained in public records.

Espada and Fear maintain the tax problems had been cleared up by the time of the application process, although state officials and public records do not support their claim. Fear and Soundview Chief Financial Officer Kenneth Brennan have said some tax problems surfaced because of cash flow issues tied to the lengthy wait for Medicaid reimbursements.

Contacted Wednesday, Fear said he was unaware of an investigation started by the Cuomo's office and was not up to date on discussions with the Department of Health to resolve the outstanding questions about overdue taxes. The new investigation by the attorney general's office is separate from ongoing probes involving Espada's campaign and the Soundview organization, which has paid him as much as \$460,000 in compensation annually. Cuomo's office is looking into whether Espada improperly benefitted in his successful primary election last year by allegedly using Soundview employees and resources for political activities. Questions about Espada's residency and his failure to file complete campaign disclosures are also under investigation. Espada's organization was in the news earlier this month after four Soundview employees, including Fear and Pedro G. Espada, the senator's son, were hired by the state Senate. An uproar about the son's appointment to a \$120,000 intergovernmental relations job led to his abrupt resignation.

On the questionnaires, Espada checked "no" on whether in the past five years there were liens, claims or judgments above \$15,000 that remained undischarged or unsatisfied for more than 120 days. He also checked "no" when asked if during the past three years the company had failed to file or pay any tax returns required by federal, state or local tax laws. Comprehensive Community Development Corp., doing business as Soundview HealthNet, provides a "broad range of health services to the medically underserved population in the Bronx and New York City," according to its IRS filings. Espada is chief executive officer. It has a total revenue of about \$15 million a year. State tax officials say the Espada company has had several tax liens over the years and has two open claims from this year, totaling \$73,842 for employee withholding taxes, and a warrant from last June for \$88,476 for unemployment taxes.

A \$185,000 IRS debt was filed in April.