



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
JANUARY 26, 2007**

**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**FBI
PAUL HOLSTEIN
PUBLIC INFORMATION OFFICE
(518) 431-4878**

**U.S. ANNOUNCES ARREST OF COMPUTER CONTRACTOR
IN SCHEME TO DEFRAUD NEW YORK STATE WORKERS'
COMPENSATION BOARD**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York and JOHN F. PIKUS, Special Agent in Charge of the Albany Division of the Federal Bureau of Investigation ("FBI") announced today the arrest of MIN CHUL ("MICHAEL") KIM, formerly a computer contractor for the New York State Workers' Compensation Board ("WCB"), in connection with a scheme to defraud the WCB out of hundreds of thousands of dollars. According to the Indictment filed in Manhattan federal court:

The WCB is a New York State agency charged with administering various New York State Workers' Compensation programs. As part of its function, the WCB receives and processes workers' claims for benefits, employers' reports of injury, and medical reports from physicians and other health care providers.

KIM served as an computer consultant with the WCB from November 2004 through May 2005, working primarily out of the WCB's operations center in Albany, New York. As part of his duties, KIM served as WCB's Project Manager on the conversion of the WCB's computer system from a system provided by Novell, Inc., to a system provided by Microsoft Corporation. As the Project Manager for this "Server Migration Project" (the "Project"), KIM was responsible for drafting the Project specifications, setting Project timelines, setting the qualifications of the information

technology ("IT") consultants that the WCB would hire for the Project, drafting the bid solicitation documents to be sent to qualified contractors, and evaluating, interviewing, and selecting IT consultants whom the WCB would hire to perform the actual computer work required by the Project.

KIM, together with at least two co-conspirators ("CC-1" and "CC-2"), engaged in a scheme to defraud the WCB out of approximately \$450,000 in connection with the Project. KIM agreed to use his position as the Project Manager to influence the WCB to hire certain IT consultants that KIM and CC-1 secretly had pre-selected for the Project. The coconspirators allegedly agreed that they would share the profits received if KIM successfully caused the WCB to hire the IT consultants that KIM and CC-1 had selected.

KIM provided CC-1 with a confidential "Project Proposal" for the Project, a document internal to the WCB and not to be provided to potential bidders. The Project Proposal detailed the WCB's internal estimates relating to the expected costs of hiring the IT consultants needed, as well as other information. In a further effort to ensure that the IT consultants selected by CC-1 would be chosen to work on the Project, KIM and CC-1 falsified the resumes of one or more of the IT consultants, falsely representing that the IT consultants had certain IT-related credentials that the consultants did not have.

KIM entered into a secret arrangement with CC-2, whereby CC-2 agreed that his/her company, 21T Consulting, Inc. ("21T"), which was on the list of approved bidders for IT services sought by New York State agencies, would submit a bid to provide IT consultants to work on the WCB's Project. CC-2 further agreed that 21T, as part of its bid, would propose that WCB hire the IT consultants that KIM and CC-1 selected for the Project.

CC-2 failed to disclose in 21T's bid documents that 21T had used KIM in an effort to influence the bidding process, which information was called for by the bid documents, and falsely certified as true the information that CC-2 provided concerning the qualifications of the proposed IT consultants. KIM then used his position as the Project Manager to select two of the three IT consultants 21T proposed in its bid. Under the proposed contract between the WCB and 21T, WCB would have paid 21T a total of \$960,000 over the life of the Project contract. Under the arrangements between KIM, CC-1 and CC-2, KIM expected to make a profit of approximately \$176,000 from the fraudulent scheme; CC-1 expected to make a profit of approximately \$80,000 from the fraudulent scheme; and 21T expected to make a profit of approximately \$196,000 from the fraudulent scheme.

In late April or early May 2005, the State of New York became aware of aspects of the scheme and commenced steps to cancel the contract between the WCB and 21T relating to the Project. KIM then attempted to conceal the fraud and to continue the scheme. These actions included: (i) falsely denying to a representative of the WCB that KIM had a relationship with 21T, (ii) instructing CC-2 not to disclose any information about their arrangements to the WCB and (iii) advising one or more of the proposed IT consultants how to falsely answer questions posed by the WCB regarding the Server Migration Project.

KIM is charged with one count of conspiracy, one count of mail fraud and one count of wire fraud. KIM, 35, a resident of Seoul, Korea, faces a total maximum sentence of 45 years' imprisonment if convicted.

KIM was arrested in Bali, Indonesia on December 21, 2006, and is expected to arrive in New York this evening. The case was assigned to United States District Judge GEORGE B. DANIELS. KIM is expected to be presented tomorrow before U.S. Magistrate Judge GABRIEL W. GORENSTEIN.

Mr. GARCIA thanked the FBI, the New York State Office of the Inspector General, and the WCB for their assistance in this investigation. Mr. GARCIA said the investigation is continuing.

Assistant United States Attorney MARCUS A. ASNER is in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

07-27

###