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FOR IMMEDIATE RELEASE
JANUARY 30, 2003

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FATHER AND SON PLEAD GUILTY
TO FEDERAL TAX CHARGES IN SCHOOL CONSTRUCTION PROJECT

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today that ROBERT CARNIVAL, JR. and his son, ROBERT CARNIVAL, III, pled in Manhattan federal court this week to tax evasion charges arising from their involvement in a scheme to pay cash wages to employees of various corporations that held contracts to install windows in New York City public schools and to evade federal taxes on those wages. CARNIVAL III pled today and CARNIVAL JR. pled on January 28, 2003.

According to the Indictment, CARNIVAL JR. is a former owner and operator of JRC Enterprises Limited ("JRC") and JTJ Construction ("JTJ"), which held contracts to install windows in public schools and school buildings throughout New York City. CARNIVAL III is a former employee of these companies who worked as a foreman and assisted in managing construction sites. JRC and JTJ received approval from the New York City School

Construction Authority ("SCA"), the public agency responsible for the repair and construction of New York City public school buildings and property, to subcontract window installation work in New York City public schools.

As charged in the Indictment, from May 1998 through June 2000, JRC and JTJ subcontracted work on windows installation projects at public schools throughout the five boroughs. During that time, they consistently defrauded the United States government and the Internal Revenue Service ("IRS") by, among other things: (a) failing to deposit checks received by JRC and JTJ into corporate bank accounts; (b) cashing corporate checks at a check cashing establishment; (c) using the undeposited, unreported cash receipts for payment of workers' salaries off-the-books; and (d) failing to provide wage earning statements ("Forms W-2") to workers and to file the W-2s with the IRS.

The Indictment charged CARNIVAL JR., CARNIVAL III, Vincent Cella, who owned and operated JRC and JTJ along with CARNIVAL JR., and Timothy Lynskey, a high ranking employee at JRC and JTJ, with conspiring to impair, obstruct and defeat the IRS's ability to ascertain, compute and collect Federal Insurance Contributions Act ("FICA") taxes due on workers' wages, and to evade payment of those taxes.

The Indictment also charged CARNIVAL JR. and CARNIVAL III each with two counts of evading Income taxes for the tax

years 1998 and 1999.

United States District Judge HAROLD BAER, JR. scheduled sentencing for CARNIVAL JR. on June 26, 2003 and CARNIVAL III on May 8, 2003. Each faces a maximum sentence of 5 years in prison on each of the 3 counts and a \$250,000 fine or twice the gross gain or loss resulting from the offense on each count.

In addition, each has agreed to pay restitution equal to the amount of the tax loss to the IRS. Accordingly, CARNIVAL JR. has agreed to restitution in the amount of \$235,338, and CARNIVAL III has agreed to restitution in the amount of \$217,738. Cella and Lynskey are scheduled to begin trial on February 10, 2003.

CARNIVAL JR. is 51, and CARNIVAL III is 29, according to court records.

Mr. COMEY praised the outstanding investigative efforts of the Internal Revenue Service Criminal Investigation; the State of New York Office of the Attorney General Organized Crime Task Force; and the School Construction Authority Inspector General's Office.

Mr. COMEY said that the investigation is continuing.

Assistant United States Attorneys ROBIN A. LINSSENMYER and GLEN MCGORTY are in charge of the prosecution.

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