



The City of New York  
Department of Investigation

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**DOI REPORT ON THE ACTIVITIES OF A FDNY ASSISTANT COMMISSIONER AND  
A FDNY CONTRACTOR**

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (DOI), announced today the results of an investigation revealing that a New York City Fire Department vendor, ScanHealth, Inc., while under contract to provide services to the FDNY, inappropriately paid for a FDNY Assistant Commissioner's travel, lodging, meal and other expenses, totaling several thousand dollars, for the Assistant Commissioner, JOHN CLAIR, to attend various functions to which he had gone to either give speeches or provide positive information to ScanHealth clients and prospective clients about the FDNY's experiences with ScanHealth. These expenses were paid while the company was waiting for approval of a \$4.3 million FDNY contract and, subsequently, while providing services under that contract. CLAIR was involved in both the evaluation process that resulted in FDNY awarding the contract and in the continuing administration of the contract.

DOI Commissioner Rose Gill Hearn said, "Working for the City is a public service and should not be viewed as an opportunity to collect meals, entertainment or take trips most especially from vendors doing or trying to do business with the City's agencies. That creates, at a minimum, an appearance of unfair advantage. The City's taxpayers rightly expect City employees to do their jobs honestly, efficiently and without outside influence. I commend the FDNY for reporting this matter to DOI."

ScanHealth, headquartered in Duluth, Minnesota, is an information technology company in the EMS and home health care fields. In 2001, FDNY awarded ScanHealth a \$10,000 contract for a two-month pilot project. In 2002, FDNY put out to bid a large contract for an automated electronic coding and billing system to be used for EMS patient care information. CLAIR assisted with the development of the specifications and helped evaluate the bids. This contract, for \$4.3 million, was awarded to ScanHealth in July 2003. It runs from March 29, 2004 to March 28, 2008.

Between July 2003 and December 2004, ScanHealth paid in whole or in part for CLAIR to make four trips, including one to Maui, Hawaii. In addition, ScanHealth paid CLAIR other benefits, including one ticket to the Broadway show *Mama Mia*. CLAIR's appearances at conferences, dinners and other events were made without prior approval from the City's Conflicts of Interest Board (COIB) or the FDNY. Included in the COIB rules is a prohibition against City employees accepting gifts of \$50 or more in the form of money, service, travel, loans, entertainment or hospitality, from any person or firm that intends to engage in business with the City. City employees may only receive compensation from the City for doing their jobs. They are prohibited from receiving compensation from persons whose interests may be affected by the City employee's official duties. FDNY regulations govern not only public speaking and media appearances but also travel plans on behalf of the City and the FDNY and require pre-approval.

Clair's relationship with ScanHealth was not limited to gifts and appearances. When a FDNY Evaluation Committee, of which CLAIR was a member, determined in May 2004 that ScanHealth was unable to reach the required accuracy levels, Clair told the FDNY Agency Contracting Control Officer (ACCO) it was inappropriate to send a letter to

ScanHealth regarding its noncompliance with the contract because ScanHealth needed more time to reach the required accuracy levels. ScanHealth subsequently achieved the required accuracy levels.

In addition, in December 2004, CLAIR arranged for ScanHealth to use a conference room at FDNY Headquarters in Brooklyn during a conference the company held in New York. CLAIR did not have FDNY permission for this arrangement, which benefited ScanHealth because it did not have to rent a facility for Day 2 of its conference and gave attendees the impression that FDNY was associated with the conference. CLAIR also falsely stated to his supervisor that he did not attend the conference.

In his first sworn interview with DOI investigators, CLAIR failed to fully disclose the extent to which ScanHealth had paid for his expenses. He ultimately admitted the activity when confronted with documentation. CLAIR did not disclose the trips, meals, and other expenses paid for by ScanHealth as either a reimbursement of expenses or a gift on his 2002 and 2003 COIB Financial Disclosure forms.

Hired as an Assistant Commissioner in the Office of Medical Affairs in February 2000, CLAIR resigned from the FDNY in April 2005 at the request of the FDNY Commissioner.

DOI has met with ScanHealth executives about the City's Conflicts of Interest Rules and the various restrictions imposed on City employees. ScanHealth has agreed to enter into a Certification Agreement with the FDNY and to institute a company Code of Conduct and training for ScanHealth personnel related to dealings with City employees. ScanHealth has represented that it has started instituting corrective measures and will continue to do so. In addition, ScanHealth will be required to file new VENDEX forms to include disclosure of the investigation.

DOI has a number of similar on-going investigations involving improper dealings between City employees and vendors. Two such DOI investigations have even resulted in recent arrests. In December 2005, DONALD NOLTE, the now former Director of the Bureau of Day Care at the Department of Health and Mental Hygiene (DOHMH) was arrested following a DOI investigation that demonstrated he had developed an improper relationship with Cicatelli Associates, a vendor that has had contracts with DOHMH. Nolte was charged with Grand Larceny stemming from time he billed to DOHMH that he was actually spending doing activities for the vendor. In a second recent case, NATARJAN R. VENKATARAM, the now former Director of the Office of the Chief Medical Examiner's (OCME) Information Technology (IT) Department, developed an improper relationship with IT vendors providing services to OCME. VENKATARAM was charged in December 2005 with defrauding the agency of millions of dollars through the improper relationships he developed with the OCME's technology vendors. Suffice it to say, in addition to being arrested, these two individuals lost their jobs with their respective city agencies.

Thus, the factual findings of those cases and the Scanhealth investigation should serve both as a warning and as guidance to other City employees, and make City vendors aware of the COIB and City Procurement Policy Board Rules, and the consequences of violations thereof.

*DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.*

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