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# Report on the Joint Investigation of the Orange County Industrial Development Agency



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# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>RELEVANT INDIVIDUALS AND ENTITIES.....</b>	<b>14</b>
<b>ESTABLISHMENT OF IDAS AND STATUTES GOVERNING REPORTING AND TRANSPARENCY .....</b>	<b>16</b>
THE ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY .....	18
THE ORANGE COUNTY LEGISLATURE’S REVIEW .....	20
THE INVESTIGATION.....	26
COZZOLINO AND GTG AS “MANAGING DIRECTOR” OF THE IDA AND THEIR INCREASING COMPENSATION.....	27
FRAUDULENT BILLING THROUGH THE AWOW PROGRAM .....	34
THE COMPTROLLER’S FORENSIC AUDIT OF BANK RECORDS .....	36
COZZOLINO, GTG AND THE UNDISCLOSED RELATIONSHIP WITH TSEC .....	38
INTERVIEWS CONDUCTED BY ORANGE COUNTY DISTRICT ATTORNEY’S OFFICE AND NEW YORK STATE COMPTROLLER’S OFFICE .....	44
TSEC.....	45
GTG’S EMPLOYMENT OF VILLASUSO AND DIANA .....	50
KNOWLEDGE OF EXISTENCE OF OTHER CONFLICTS.....	66
KNOWLEDGE OF THE GTG CONTRACTS AND INVOICES.....	70
IDA BOARD’S UNDERSTANDING OF THE ACCELERATOR.....	76
THE UNDERSTANDING OF THE CORPORATE STRUCTURE LACK OF GOVERNANCE .....	79
THE INTERVIEW AND FINDINGS OF LEONARD VONA, CPA.....	81
NEGLIGENT OVERSIGHT .....	86
THE CRIMINAL DISPOSITIONS .....	87
CONCLUSIONS .....	88
RECOMMENDATIONS.....	91



# EXECUTIVE SUMMARY

## I. Introduction

A joint investigation by the Orange County District Attorney's Office, the New York State Comptroller's Office, and the New Windsor Police Department revealed institutionalized corruption in the administration of the Orange County Industrial Development Agency's [Orange County IDA] Accelerator Program, a business incubator project created to bring manufacturing back to the Mid-Hudson Valley.

The Investigation unearthed a web of conflicts of interest enabled and compounded by a failure of the Orange County IDA's Board to properly monitor the Accelerator Program leading to millions of dollars in unjust enrichment by the program's Managing Director, Vincent Cozzolino, co-owner of Galileo Technology Group [GTG], and a perversion of the program's purpose from enriching the community to enriching individuals. The Investigation further revealed that the Board abdicated its responsibility and ceded nearly complete control of the Accelerator Program to Cozzolino, which he exploited to his personal benefit. The Investigation found that GTG was paid just over \$2,500,000 from the Accelerator Program; of which \$1,000,000 was paid to Cozzolino from GTG.

Additionally, the Investigation uncovered that two top Orange County IDA officials, Chief Executive Officer [CEO] Laurie Villasuso, [Villasuso] and Board Member Edward Diana, [Diana] were also on GTG's payroll while serving for the Orange County IDA. As CEO, Villasuso signed contracts and approved payments to GTG. Diana, as a Board Member, not only voted on approval of contracts that the Orange County IDA had with GTG, but also chaired the IDA Board's Accelerator Committee, which was charged with directly overseeing the Accelerator Program and

GTG. Neither publicly disclosed their financial interest in GTG to the Orange County IDA Board as required by law and both took efforts to conceal their obvious conflicts from public disclosure. Villasuso, from October 2015 to January 2021, and Diana from November 2016 to December 2020, were found to have accepted \$170,000 and \$90,000 respectively in salary as “employees” of GTG, the very company they were expected to oversee in their official positions with the Orange County IDA.

As a result of the Investigation, Cozzolino pleaded guilty to Corrupting the Government in the Third Degree, a class D felony. Villasuso and Diana were also convicted for corrupting the Program and concealing their conflicts of interest in GTG. Villasuso pleaded guilty to Corrupting the Government in the Fourth Degree, a class E felony, and Diana pleaded guilty to Offering a False Instrument for Filing in the First Degree, a class E felony, and committing a Prohibited Conflict of Interest.

In light of the nature of these crimes and the systemic failures pervading the Orange County IDA Board, which facilitated these acts, the Orange County District Attorney and New York State Comptroller issue this report to expose the circumstances underlying these crimes.

## **II. The Investigation**

In January 2021, the Orange County Legislature raised financial concerns about the Orange County IDA’s Accelerator Program. The Orange County District Attorney’s Office commenced an investigation and contacted the New York State Comptroller’s Office, Division of Investigations, a long-time partner in investigating allegations of public corruption, for guidance and support only to learn that the Comptroller’s Office Division of Investigations was in the midst of a joint investigation with the New Windsor Police Department concerning the Accelerator Program.

The investigation included interviews of relevant Orange County IDA board members who were serving at the time of the revelation of these allegations (all of whom were subsequently removed by the Orange County Legislature in a meeting on March 4, 2021): Mary Ellen Rogulski, James DiSalvo, Michael Gaydos, Stephen Brescia, Denise Quinn, and Edward Diana. Additionally, numerous employees/former employees of the Orange County IDA were interviewed: Kevin Dowd, the former General Counsel to the Orange County IDA; Edward Januskiweicz, the former Chief Financial Officer of the Orange County IDA and an employee of The Strategic Economic Consortium [TSEC]; Joel Kleiman, the former Chief Financial Officer of the Orange County IDA; Melanie Schouten, the former Chief Operating Officer of the Orange County IDA; and Kelly Reilly, the Project Manager for the Orange County IDA. Additional interviews included: Carl Meyer, the President of TSEC, and Leonard W. Vona, Independent Certified Public Accountant, who was hired to complete an independent audit of the Orange County IDA at the end of 2020.

A comprehensive forensic analysis of bank records was conducted, which included a review of accounts for the Orange County IDA, the Accelerator Program, GTG, TSEC, and various personal bank accounts. Relevant contracts and invoices provided by the Orange County IDA and TSEC were also examined.

### **III. The Orange County IDA**

The Orange County IDA<sup>1</sup> is a public benefit corporation created by the State Legislature in 1972 with the mission to attract and promote commercial and industrial development, consistent

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<sup>1</sup> IDAs are public benefit corporations which, under State law, may be established in counties and other local governments. The purpose of an IDA is to encourage local economic development projects by providing financial incentives, thus creating job opportunities and overall economic welfare in the area.

with its overall goal to advance job opportunities in Orange County.<sup>2</sup> It is governed by a board composed of seven members appointed by the County Legislature. The board is responsible for the general management and control of the IDA. Pursuant to State law, a board member's roles and responsibilities include executing direct oversight of the IDA's officers; understanding, reviewing and monitoring financial controls and operating decisions; adopting organizational policies; and performing their duties "in good faith and with the degree of diligence, care and skill which an ordinary prudent person in a like position would use under similar circumstances."<sup>3</sup> An Executive Director and Associate Executive Director (officers) manage the agency's day-to-day operations.

The Orange County IDA created the Accelerator and Accelerator Without Walls [AWOW] programs to promote the Orange County IDA's mission to attract business development and build jobs. The Accelerator Program was established to stimulate economic development in Orange County by aiding start-up companies with a location, equipment and support needed to assist in their development and growth. The goal of the Accelerator Program is to enable small businesses to develop into independent businesses by leasing property and then subleasing the space to startup businesses at a subsidized rate. The AWOW Program was created to assist established small businesses, not in need of rental space, with the support they needed to grow their business.

#### **IV. Vincent Cozzolino's Take Over of the IDA**

The Orange County IDA first contracted with GTG to act as its Managing Director in 2015. This relationship evolved and expanded. Commencing in 2016, the Orange County IDA entered into a series of contracts with GTG to also serve as the managing director of the Accelerator

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<sup>2</sup> The Orange County IDA's powers, duties, the governance of its members, officers, and employees, and its operation and activities are governed by the General Municipal Law Article 18-A.

<sup>3</sup> New York State Public Authorities Law, § 2824.

Program. Over time, as more sites were added to the Accelerator Program, GTG/Cozzolino separately contracted to manage those sites as well. GTG/Cozzolino also contracted with the Orange County IDA to serve as Managing Director of the AWOW Program from its inception. Notably, from 2016 onward, although these contracts were nominally with GTG, they specified that Cozzolino was to personally act in the capacity of Managing Director. In fact, the Orange County IDA adopted a resolution unequivocally demonstrating its intent to have Cozzolino personally run the operations of the Orange County IDA:

WHEREAS, by resolution dated as of July 6, 2016, the IDA amended its By-Laws and established the position of Managing Director and appointed Galileo Technology Group, under the supervision of Vincent Cozzolino, to that position; and WHEREAS, the IDA has been very satisfied with the management skills and improvements made by GTG and wishes to have GTG continue to act as the Managing Director of the IDA, specifically through its partner, Vincent Cozzolino.

The duties of GTG/Cozzolino under all of these agreements were vague, at best. In 2016, the IDA Board amended its by-laws to establish the position of Managing Director to “exercise management supervision and leadership to the ‘Chief Operating Officer/Executive Vice President of Economic Development’ and ‘Director of Property Management and Outreach’ as their direct manager with responsibility to the missions of both the IDA and Accelerator.” The ensuing series of contracts between the IDA, its sites and programs with GTG/Cozzolino effectively piggy-back off this language granting GTG/Cozzolino broad supervisory authority. For example, the Accelerator/AWOW contracts state:

WHEREAS, GTG has been the Managing Director of the OCBA [Accelerator Program] since July 1, 2015 and the IDA believes that GTG can continue to provide the necessary leadership, experience and direction to the OCBA [Accelerator Program] so that the OCBA [Accelerator Program] can fulfill its mission.

These contracts were ultimately terminated on March 30, 2021, as a result of the revelations of misconduct, which spurred this investigation.

These tangled arrangements positioned Cozzolino to exercise functional control over the Orange County IDA as well as the Orange County IDA Accelerator Program, each individual accelerator site, and the AWOW Program. While Cozzolino served as Managing Director of the IDA, he influenced the board to enter into various contracts with GTG. GTG was then paid separately for each contract. Specifically, the Orange County IDA funded the Accelerator Program, and the Accelerator Program, in turn, paid GTG just over \$2,500,000, which resulted in Cozzolino personally earning over a million dollars through GTG.

Cozzolino is also the founder and a board member of The Strategic Economic Consortium [TSEC] and Executive Vice President at CERES Technologies, Inc., [CERES]. He used his power at the Orange County IDA to benefit both companies. In particular, TSEC was awarded Orange County IDA contracts and provided rent-free space by the Orange County IDA. CERES, clearly not an upstart business in Orange County, was also afforded entry into the Accelerator Program and reduced rent.

## **V. Conflicts of Interest by Top Orange County IDA Officials**

To further cement his control, Cozzolino strategically placed certain employees close to him at the Orange County IDA and paid off others with outside employment, which directly conflicted with their IDA duties.

Under the General Municipal Law, unless an exception applies, municipal employees expressly including officers and officials of IDAs are prohibited in having an interest in any contract that comes before them in their capacity as an IDA officer or official. Specifically, in regard to entities with whom the IDA does business and the IDA officials have an interest, the law

states that these employees cannot 1) negotiate, prepare, authorize, approve payments; 2) audit bills or claims; 3) appoint an officer or employee that has power or duties in regard to payments or auditing the bills or claims interest. At a bare minimum, State law requires IDA officials to publicly disclose in writing any positions or employment they hold with any entities doing business with the IDA. Additionally, every board member was required to file a Certificate of Independence with the IDA, which requires board members to identify any employment with any entity that receives over \$15,000 a year from the IDA, in the past two years.

In early 2016, while Villasuso was employed by the Orange County IDA as Chief Operating Officer (COO), and without the notification required by law, she simultaneously accepted employment with Cozzolino's companies, GTG and CERES, both of which had active contracts with the IDA. Villasuso profited over \$200,000 from these two additional positions. It is unclear from the Investigation what, if any, job duties she performed to earn this money. Later that year, Villasuso was promoted from COO to CEO of the Orange County IDA. As CEO, Villasuso gained additional influence over the Orange County IDA, which allowed Cozzolino to exert more indirect control. Villasuso went to great lengths to conceal her blatant violation of duty. In 2019, Villasuso provided a false response to an inquiry from New York State Senator James Skoufis, Chairman of the New York State Senate Investigations and Government Operations Committee, which was examining whether the Orange County IDA was complying with the Public Authorities Reform Act and the New York State Municipal Law. Specifically, Senator Skoufis directly asked whether any IDA board member or employee appeared to have or had a conflict of interest with a company or corporation the authority was conducting or planned to conduct business with, including but not limited to personal or financial conflicts. Villasuso falsely responded to this inquiry in a letter noting "For the period of January 1, 2016, to date, the

Agency is only aware of one Board member of the Agency appearing to have or had a conflict of interest [W]ith a company or corporation, the Agency was conducting or planned to [C]onduct business with.” Villasuso did not report her employment with GTG/Cozzolino, her employment with CERES or her involvement with the TSEC Board, which she was appointed to in 2017.

As the CEO, Villasuso, was “responsible for the design, implementation and management of projects relating to Agency/Accelerator operations and for coordinating economic development projects,” played a pivotal role in the agency’s daily operations, and was a strong influence, if not the dispositive factor, in the Board’s decisions. Pointedly, numerous Board members reported that Villasuso and Cozzolino would determine and provide to the Board the dollar figures for the GTG contracts, and the Board would adopt the amounts without question, essentially acting as a rubber stamp. Villasuso also signed the contracts between GTG and the Orange County IDA, as well as with TSEC and the Orange County IDA, despite being employed by, or on the board of, all these entities. In fact, not only did the Board not examine these contracts to ensure that they were legitimate and in the Orange County IDA’s best interest, but Board members could not recollect even seeing the contracts between the Orange County IDA and GTG/Cozzolino, which Villasuso executed. Further, all Board members failed to review any invoices submitted by GTG/Cozzolino to the Orange County IDA. Villasuso as the CEO simply eschewed her fiduciary duty to the Orange County IDA in favor of furthering her own and Cozzolino’s financial interests.

Diana served as an IDA Board Member in the 1990’s for approximately eight years and then was reappointed in January 2015 and served until his removal in the wake of these allegations. Commencing in January of 2016, Diana chaired the IDA’s Accelerator Committee, which was charged with oversight of the Accelerator Program. Additionally, Diana served on the Orange County IDA Board’s Audit Committee, which should have recognized not only the

conflicts, but also the financial magnitude of the GTG contracts and the glaring lack of proper documentation for invoices GTG submitted.

In November 2016, contrary to law and his duties, and without public disclosure, Diana was also “hired” by GTG/Cozzolino. Diana was paid \$90,000 for, at best, minimal work. Indeed, Diana admitted that over the four years he “worked” for GTG, he only attended one meeting per month, approximately 20 meetings in all, and “a couple” of phone calls to justify the \$90,000 he made from GTG/Cozzolino from 2016-2020. Interestingly, Diana’s employment with GTG/Cozzolino was also not included in Villasuso’s response to Senator Skoufis’ request.

Diana failed to disclose his employment with GTG each year that he was employed from November 2016 until March 2021, when he was removed from the Board. Under State law, Diana, as a board member, was also required to file an annual Acknowledgement of Fiduciary Duties and Responsibilities wherein, he “agree[ed] to disclose to the board any conflicts, or the appearance of a conflict, of a personal, financial, ethical, or professional nature that could inhibit me from performing my duties in good faith and with due diligence and care.” In the same filing, Diana affirmatively stated, in pertinent part, that he does “not have any interest, financial or otherwise, direct, or indirect, or engage in any business... which is in substantial conflict with the proper discharge of my duties in the public interest.”

In 2016, Melanie Schouten, Cozzolino’s daughter-in-law who had worked for GTG/Cozzolino, was hired as a project manager of the Orange County IDA and later became the COO. One of Schouten’s roles at the Orange County IDA was to collect GTG invoices and prepare them for the Orange County Chief Financial Officer’s [CFO] review. No review or audit of the invoices ever occurred at any level in the Orange County IDA. Schouten followed Villasuso’s instruction not to include the Accelerator Committee meetings minutes in the

packages provided to the Orange County IDA Board for review. If the Board had decided to provide oversight, those minutes may have shed light on Cozzolino's true control.

Furthering Cozzolino's control in 2020, Edward Januskiewicz, the current CFO of TSEC, was hired by the Orange County IDA as its CFO. For a short time in 2020, TSEC held a New York State grant, which employed GTG to manage the equipment at the Orange County IDA New Windsor/Newburgh, NY site. During the time period that contract was active, Januskiewicz was responsible for processing invoices GTG submitted to both the Orange County IDA and TSEC for relatively the same role. Januskiewicz admitted that he did not review any of these invoices, but rather just paid them.

Cozzolino and GTG were also able to take financial advantage of the Orange County IDA through the AWOW Program. The AWOW Program was established under the umbrella of the Accelerator Program. All funding for the AWOW Program came from the Accelerator Program. The AWOW Program was billed through invoices based on an hourly rate. Analysis of the GTG invoices submitted to the Orange County IDA revealed that GTG billed the AWOW Program for clients that should have been invoiced and covered under the service contracts that GTG held for the Managing Director duties of the Orange County IDA and the Accelerator Program. Two clients that were part of this scheme were the product manufacturers Melo and Ziel. Between February 28, 2019 and January 5, 2021, GTG billed the IDA under the AWOW Program for \$71,250.00 in services provided to Melo, and between September 29, 2018 and December 3, 2020 (including an invoice on February 28, 2019), GTG billed the AWOW Program for \$175,281.25 in services provided to Ziel. Moreover, despite being the Chairman of the Accelerator Committee, and a GTG employee, Diana apparently voiced no opposition to Cozzolino's billing scheme.

## **VI. Orange County IDA's "Absentee Board"**

During GTG/Cozzolino's reign, the Orange County IDA Board members were admittedly lax in their oversight and blindly deferred to Cozzolino. Indeed, Diana in his interviews with the investigative team confessed, "we were an absentee board."

At the end of 2020, following concerns of financial improprieties raised by Orange County Legislator James O'Donnell to the Orange County Legislature, Independent Certified Public Accountant, Leonard Vona, was hired by the Orange County IDA. On February 19, 2021, Vona presented his findings to the Board. These findings included conflicts of interest regarding GTG/Cozzolino, Villasuso, and Diana. Although several Board members informed investigators that they may have been informally aware of Diana and Villasuso's conflicting employment with GTG prior to learning of Vona's findings, all conceded that there was no required public disclosure. Other board members, Michael Gaydos and Denisse Quinn, and IDA officials, including Edward Januskiewicz, Joel Kleiman, and IDA Attorney Kevin Dowd, advised investigators that they were never apprised of these conflicts. Regardless, none of the Board members were aware of how much Villasuso and Diana may have received from GTG or other Cozzolino controlled companies. The Board also flagrantly ignored their fiduciary duty by failing to review contracts between GTG/Cozzolino and the invoices associated with the contracts. Instead, the Board deferred to Cozzolino, the main beneficiary of these arrangements, and relied upon Villasuso and Diana, who were on Cozzolino's payroll, to oversee them.

## **VII. The Criminal Disposition**

On June 21, 2021, Cozzolino, pleaded guilty to Corrupting the Government in the Third Degree, a class D felony for his actions as Managing Director of the IDA. Villasuso, pleaded guilty to Corrupting the Government in the Fourth Degree, a class E felony, and Diana, pleaded guilty to

Offering a False Instrument for Filing in the First Degree, a class E felony,<sup>4</sup> and committing a Prohibited Conflict of Interest.

At the time that they pleaded guilty, Cozzolino and Villasuso each admitted that they had acted in concert with each other in a scheme to defraud the Orange County IDA through payments that the Orange County IDA made to Cozzolino's company, GTG. Villasuso admitted that she had been employed by both the Orange County IDA and GTG even as she signed contracts on behalf of the Orange County IDA with that corporation. Diana admitted being employed by GTG while he was an Orange County IDA Board Member and to filing a false document which failed to reveal that employment. As a member of the Orange County IDA's Board of Directors, Diana voted on the contracts that the Orange County IDA had with GTG and as noted above, chaired the audit committee which dealt most directly with that company.

As part of the plea disposition, Cozzolino agreed to pay \$1,000,000 to the Orange County IDA by the date that he is sentenced. Villasuso and Diana agreed to pay \$175,000 and \$90,000 respectively. The amount of restitution that each individual defendant is required to pay is approximately the amount of money each earned from GTG which conflicted with their respective fiduciary positions with the Orange County IDA. All the defendants are next scheduled to be sentenced on September 10, 2021.

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<sup>4</sup> At the time of sentencing, if Diana has fully complied with the terms of his cooperation agreement, the felony plea will be vacated and he will be permitted to plead guilty to Offering a False Instrument for Filing in the Second Degree, a Class A misdemeanor.

## **VIII. Recommendations**

Based on this Investigation and the forensic review of records, the following recommendations should be considered by the Orange County IDA Board:

- The Board should review and approve all contracts;
- The Board should receive and review a detailed list of all invoices, with a detailed list for Board approval;
- The Board should be provided with and review all committee meeting minutes;
- The Board should be provided with and review all leases and subleases;
- The CFO should review and approve all invoices;
- Duties should be separated between preparation, payment, and oversight of all vouchers and invoices; and
- All job creation numbers with regards to the Accelerator Program should be verified by an independent source.

## RELEVANT INDIVIDUALS AND ENTITIES

### 1. Acronyms

- a) **IDA** – Industrial Development Agency
- b) **Orange County IDA** – Orange County Industrial Development Agency
- c) **ABO** – Authorities Budget Office
- d) **PARIS** – Public Authorities Reporting Information System
- e) **GTG** – Galileo Technologies, Inc.
- f) **TSEC** – The Strategic Economic Consortium
- g) **CERES** – Ceres Technologies Inc.
- h) **CEO** – Chief Financial Officer
- i) **COO** – Chief Operating Officer
- j) **CFO** – Chief Financial Officer
- k) **OCBA (also referred to as Accelerator Program)** – Orange County IDA Business Accelerator
- l) **OCFC** – Orange County Funding Corporation

### 2. The Pertinent Former Board Members of the Orange County IDA<sup>5</sup>

- a) **Mary Ellen Rogulski**, Chairwoman (2008 – March 4, 2021)
- b) **Edward A. Diana**, Vice Chairman (2015 – March 4, 2021)
- c) **James DiSalvo**, Second Vice Chairman (2018 – March 4, 2021)
- d) **Stephan Brescia**, Secretary (2002 – March 4, 2021)
- e) **Michael Gaydos**, Assistant Secretary (2018 – March 4, 2021)
- f) **Denise Quinn**, Board Member (October 2020 – March 4, 2021)

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<sup>5</sup> For the individuals listed, their positions are the last position held.

- g) **John McCarey**, Board Member (February 2020 – March 4, 2021)
- h) **Robert Armistead**, Former Orange County IDA Board Chairman (2012 – November 1, 2018)
- i) **James O'Donnell**, Orange County Legislator
  - Former Deputy County Executive, Orange County
  - Former Director, Orange County Office of Economic Development
  - Former Executive Director, Orange County Industrial Development Agency
  - Former Executive Director, Orange County Funding Corporation

**3. The Pertinent Former Orange County IDA employees and other entities connected to the Orange County IDA**

- a) **Galileo Technology Group/Vincent Cozzolino** (2015 – March 30, 2021)
  - Vincent Cozzolino, Co-owner of Galileo Technology Group (GTG)
- b) **Laurie Villasuso**, Former Chief Executive Officer of IDA (2016 – April 5, 2021)
  - Former Board Member of TSEC (2017 – 2021)
  - Employee of Galileo Technology Group (2015 – 2020)
  - CERES employee (2016 – 2020)
- c) **Joel Kleinman**, Chief Finance Officer (2016 – Spring 2020)
- d) **Edward Januskiewicz**, Chief Financial Officer of IDA (Spring 2020 – 2021)
  - Chief Financial Officer of TSEC
- e) **Kevin Dowd**, Orange County IDA Attorney (June 2012 – 2021)
- f) **Melanie Schouten**, Orange County IDA Project Director (2016 – 2021)
  - Former GTG employee
  - Daughter in-law of Vincent Cozzolino
- g) **TSEC – The Strategic Economic Consortium**, formerly The Solar Energy Consortium
  - Cozzolino was the co-founder and long term Board Member
- h) **Carl Meyer**, President and Chief Executive Officer of TSEC
- i) **CERES Technologies (CERES)**
  - Cozzolino is the Executive Vice President
  - Villasuso was an employee (2016 – 2020)

## **ESTABLISHMENT OF IDAS AND STATUTES GOVERNING REPORTING AND TRANSPARENCY**

In 1969, New York State enacted legislation permitting the establishment of Industrial Development Agencies [IDA] in counties and other local governments.<sup>6</sup> IDAs are public benefit corporations, governed by New York State General Municipal Law [GML] Article 18-A, with the mission to encourage local economic development projects by providing financial incentives, thus creating job opportunities and overall economic welfare in the area. As of the 2020 reporting year, there were 108 active IDAs in New York State, including 56 county IDAs, one IDA for all of New York City, and 51 IDAs in other cities, towns, and villages.<sup>7</sup> Among the many IDAs in the state, the organizational structures vary; however, GML § 856 requires an IDA to be made up of three to seven members, unless its specific enabling legislation states otherwise.

In order to fulfill their mission, IDAs are authorized to provide financial assistance for specific types of projects and are entitled to an exemption from real property taxes for the real property that is owned by the IDA. These tax exemptions are passed onto private entities that undertake the projects. The loss of revenue associated with the exemptions are passed to the assisted businesses and a portion of the taxes forfeited are offset with agreements via payments-in-lieu-of-taxes (PILOTs), who are recipients of IDA benefits, to affected taxing jurisdictions (i.e., local governments). The taxing jurisdiction is responsible for PILOT collection. Moreover, the IDA must also monitor how successful these projects are and the cost benefit of each project, looking at the projects ability to meet their agreement.

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<sup>6</sup> (L.1960.Chp.1030)

<sup>7</sup> It should be noted that the town of Niagara dissolved mid 2020; however, the IDA is still listed in PARIS and included in the 2020 number and will be included until their enabling legislation is removed.

In June 2016, legislation was enacted to increase the accountability and improve the efficiency and transparency of IDA operations. The law requires a standard application for the request of financial assistance there is uniform criteria for the evaluation and selection for each category of projects for which financial assistance is provided, as well as uniform project agreements, annual project progress assessments that on including job creation and retention, as well as policies to recapture, discontinue or modify financial assistance or tax exemptions.

IDAs are subject to reporting requirements that are intended to improve the accountability and transparency of the IDAs. Additionally, to enhance transparency the financial statements must be audited annually by an independent certified public accountant and submitted to the New York State Comptroller's Office. Further an annual report must also be filed and not only submitted to the New York State Comptroller, but the Governor, the Chairman, and the ranking minority member of the Senate Finance Committee, the chairman and ranking minority members of the Assembly Ways and Means Committee, and the Authorities Budget Office [ABO]. The report, among other things, shall include the compensation schedule, the titles, positions, and names of persons holding the title, as well as salary. Additionally, GML requires reporting for financial assistance greater than \$100,000 to any project. Specifically, the law requires for those projects the IDA to include the projected number of full-time equivalent jobs that would be retained and created, the projected timeframe of the creation of new jobs, and the estimated number of residents that would fill such jobs.

Directly relevant to this investigation, GML § 883, subjects members, officers, and employees of an IDA to the conflict-of-interest restrictions that apply to municipal officials under Article 18 of the GML. Although municipalities are encouraged to adopt their own Conflict of Interest policy, municipal officers and employees are, at a minimum, required to abide by the

restrictions of Article 18, unless a GML exemption exists. The law specifically addresses financial interests and benefits as conflicts and requires a public disclosure in writing. Article 18 circumscribes the ability of municipal officers and employees to enter into contracts in which both their personal financial interests and their public powers and duties conflict. Municipal officers and employees have an interest in a contract when they receive a direct or indirect pecuniary (monetary) or material benefit as a result of a contract. Municipal officers and employees are also deemed to have an interest in the contracts of: their spouse, minor children and dependents (except employment contracts with the municipality); a firm, partnership or association of which they are a member or employee; and a corporation of which they are an officer, director or employee, or directly or indirectly own or control any stock. It should be noted that any contract “willfully entered into by or with a municipality in which there is an interest prohibited...shall be null void and wholly unenforceable.”<sup>8</sup>

### **THE ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

The Orange County Industrial Development Agency [Orange County IDA] was established in 1972 with the mission to attract and promote commercial, industrial, warehousing, and industrial development, consistent with its overall goal to advance job opportunities in Orange County. Pursuant to GML § 912, the board members of the Orange County IDA are appointed by the governing body of Orange County, the Orange County Legislature. As appointed members of the IDA’s board, the members serve at the pleasure of the appointing authority, Orange County Legislature until a successor is appointed and qualified.<sup>9</sup> Members of the Board of Directors for the IDA are volunteers who receive no compensation.

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<sup>8</sup> GML § 804

<sup>9</sup> GML § 856 (2)

## **Orange County IDA Structure**

The Orange County IDA's appointments are nominated by the Chairman of the Legislature, who from 2014 to present is Stephen Brescia [Brescia], and confirmed by the Legislature. From 2002 to March 2021 Brescia also served on the Board of Directors of the Orange County IDA. During the overlapping time, Brescia, as an Orange County Legislator, abstained from voting on issues pertaining to the Orange County IDA.

The Orange County IDA board members who were serving at the time of the revelation of these allegations: Mary Ellen Rogulski, Chairwoman, James DiSalvo, Second Vice Chairman, Michael Gaydos, Assistant Secretary, Stephen Brescia, Secretary, Edward Diana, Vice Chairman, Denise Quinn, Board Member, and John McCarey, Board Member. Additionally, the relevant employees/former employees of the Orange County IDA relevant to these allegations are: Kevin Dowd, the former General Counsel to the Orange County IDA; Edward Januskiweicz, former Chief Financial Officer of the Orange County IDA and an employee of The Strategic Economic Consortium [TSEC]; Joel Kleiman, former Chief Financial Officer of the Orange County IDA; Melanie Schouten, the former Chief Operating Officer of the Orange County IDA; and Kelly Reilly, Project Manager for the Orange County IDA.

Galileo Technology Group [GTG] is a New York State for-profit corporation, with its principal offices at P.O. Box in Kingston, New York. GTG was hired as the "Managing Director" of the Orange County IDA's business incubators/SMARTTLABs. According to GTG's contract with the IDA, GTG has been the Managing Director of the Orange County Business Accelerator [OCBA] since July 1, 2015. The contract between OCBA and GTG designated co-owner, Cozzolino, as the Managing Director of the OCBA. The Orange County IDA Board ended the contracts with GTG on March 30, 2021.

## THE ORANGE COUNTY LEGISLATURE’S REVIEW

Orange County Legislator James O’Donnell [O’Donnell], as a member of the Legislature’s Education and Economic Development Committee [E&E Committee], raised questions at the November 16, 2020, Committee meeting concerning the OCBA program. His concerns stemmed from the number of jobs it was creating and why the program was “costing so much money.” O’Donnell, as a former Executive Director of the Orange County IDA, was aware that during his tenure at the IDA, there were available funds in an amount of “about \$11 to \$13 million [dollars].” L. Stephen Brescia [Brescia], the Chairman of the Orange County Legislature and member of the Orange County IDA Board of Directors reported during the E&E Committee meeting that the Orange County IDA had “about \$6.2 million [dollars]” on hand. Following that disclosure, O’Donnell made a motion to spend up to \$20,000 for a forensic audit of the Orange County IDA, OCBA, and the Orange County Funding Corporation [OCFC], which carried unanimously.

At the next regular session of the Legislature, held on December 3, 2020, the E&E Committee’s motion to conduct an audit of the Orange County IDA, its Accelerator programs, and the OCFC was introduced as a resolution and seconded. There was much discussion concerning whether the audit should be a forensic audit<sup>10</sup> or a fiscal audit<sup>11</sup>, and whether the effort would be duplicative of the Orange County IDA’s annual audited financial statements, that are submitted to the New York State Comptroller’s Office. Ultimately, a fiscal, rather than a forensic, audit was agreed upon as it was not thought, at that time, that there was any criminality involved in the Orange County IDA’s finances. A resolution appropriating \$20,000 to have the Legislature retain

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<sup>10</sup> A forensic audit is a process of reviewing a company’s financial records to determine if they are accurate and truthful and can determine if there is evidence of fraud, embezzlement, or other financial crimes. The results of a forensic audit can be used in a court proceeding.

<sup>11</sup> A fiscal audit according to the use of the word by the Orange County Legislature, seeks to assess the financial health of a business. The auditor will look for unauthorized spending, misallocated expenses, or other accounting errors. The purpose of the audit is to determine whether financial statements that have been checked are true, fair, and reasonable.

an accounting firm to conduct an independent fiscal audit of the Orange County IDA, its OCBA programs, and the OCFC for the period 2016-2020 was adopted by a vote of 18 to 1, with one abstention.

With the Legislature resolved to pursue an independent fiscal audit, a letter was sent by the E&E Committee Chairman Paul Ruskiewicz to the Orange County IDA, seeking production of five (5) specific categories of records. That letter was drafted with the aid of an Assistant County Attorney since the Legislature's Counsel had retired and had not yet been replaced. A letter in response was sent by Alexander Betke, Esq. [Betke] of the Albany law firm of Brown Weintraub, advising that the Orange County IDA and the OCFC "are prepared to cooperate," while at the same time demanding that "[s]uch audit must be conducted pursuant to government accounting standards established by the United States General Accounting Office (link intentionally omitted)." Betke further advised that "[o]nce these protocols are established, the IDA and the OCFC will make available proper documentation and personnel." The letter from Betke was attached to an e-mail addressed to Mr. Ruskiewicz and Orange County Attorney, Langdon Chapman. The e-mail was read into the minutes of the January 22, 2021, E&E Committee meeting by O'Donnell. The e-mail stated in pertinent part that:

The IDA and the OCFC are audited annually by a certified independent auditing firm. While our client reserves any and all rights they have under law to contest the legal authority of the County Legislature's perceived audit authority over the Orange County IDA or OCFC. [sic] We look forward to working with the Legislature on this matter.

What followed was described in the minutes as a heated, personal, back-and-forth discussion between O'Donnell and Brescia, to the exclusion of all other E&E Committee members, with O'Donnell criticizing the Orange County IDA for its lack of cooperation and transparency and Brescia defending the actions of the Orange County IDA and its expenditure of funds on the

Accelerator programs. It was agreed that representatives of the Orange County IDA would be invited to attend the next E&E Committee meeting.

Unlike some IDAs' enabling legislation which specifically delineates what audit and oversight powers county governments have over them, GML § 912, which created the Orange County IDA, has no such provisions. This is in contrast to GML § 922, which created the Nassau County IDA and which provides that the books and records of that IDA "shall be subject to audit by the county comptroller..."<sup>12</sup> The legislation which created the Rockland County IDA, GML § 925-1, mandates that the IDA "shall file with the county legislature and the county executive a complete financial statement concerning all of its affairs within thirty days of the end of each of its fiscal years,"<sup>13</sup> and that, "[t]he books and records of the [Rockland IDA] shall be audited annually by the department of audit of Rockland County and shall be subject to the provisions of the Freedom of Information Law."<sup>14</sup> The absence of such provisions with regard to the Orange County IDA led to some confusion as to the County's and the County Legislature's audit and oversight powers.

At the February 19, 2021, E&E Committee meeting, Orange County IDA Chairwoman Mary Ellen Rogulski [Rogulski] spoke in support of the accomplishments of the Orange County IDA, "especially with the Accelerator over the last few years." She touted "the creation of hundreds of jobs" and added that IDA Board members "take their fiduciary responsibility very seriously." She further reported that the Orange County IDA Board decided to hire a "high level auditor to come in and review their books, records and procedures and policies. They wanted him to take a deep dive to make sure that they uncover any issues or problems that may or may not

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<sup>12</sup> Orange County does not have a "county comptroller." Rather, the chief fiscal officer in Orange County is the Commissioner of Finance.

<sup>13</sup> GML § 925-1 (f).

<sup>14</sup> GML § 925-1 (g).

exist.” In summarizing the work of the auditor, Chairwoman Rogulski stated that when everything was reviewed, “there were no financial irregularities, there was no fraud, nothing wrong with the financial report, however things came up and there are weaknesses in internal controls...” She took the opportunity to place blame on the former county comptroller (referring to former Chief Financial Officer Joel Kleiman, who retired in June 2020), upon whom, she claimed, the Orange County IDA Board relied “to guide them through that, so the board was not aware of it.” She encouraged the E&E Committee members to ask questions of the auditor, who was hired by the Orange County IDA’s Special Counsel, as she “was hopeful that this would put a lot of issues to rest between the county and the IDA.”

Following Chairwoman Rogulski’s comments, Leonard W. Vona, CPA, (Vona) addressed the Committee and began with a PowerPoint presentation. It soon became clear that copies of the documents Vona planned to refer to, had not been provided as he requested to the E&E Committee members as of the date of the meeting, despite the fact they had been provided to the Orange County IDA on February 12, 2021, a week prior to the meeting. O’Donnell stated that the Orange County IDA’s failure to timely provide the documents to the Committee was evidence of “the IDA not being transparent.”

Vona went on to advise the Committee of some of the issues he found related to internal controls and oversight. He stated that there was an appearance of conflict between the business relationship between the Orange County IDA and GTG arising from the fact that the Chief Executive Officer [Villasuso], and an IDA Board Member [Diana], were on the payroll of GTG. In addition, the IDA Chief Operating Officer, Melanie Schouten [Schouten], was a family member (daughter-in-law) of Cozzolino. Vona also took issue with GTG being designated a “contractor” since at times Cozzolino was treated as an employee. He advised that stricter oversight was needed

to define the role and benefits of a contractor as opposed to an employee. Vona also raised a concern regarding the invoicing procedures by which GTG was being paid as the invoices lacked sufficient information to determine precisely who was doing what and on what date. Moreover, the language in the various contracts between GTG and the Orange County IDA did not allow an analysis of whether an appropriate service was being billed under a particular contract. He stated that maybe the contracts were “bad” and needed to be rewritten. Since the Committee did not receive the documents Vona provided to the Orange County IDA, he offered to come back again to answer any questions.

Vona did not return to the next E&E Committee meeting held on February 25, 2021, as the Orange County IDA’s Special Counsel, Betke, advised Legislative Counsel, Betsy N. Abraham, that due to the Orange County District Attorney’s Office investigation of the Orange County IDA, “[A]s a caution to his client,” Vona was not able to appear before the Committee and present any information.

At the March 4, 2021, Regular Session of the Legislature, and as a result of the information provided by Vona, the pending investigations by the Orange County District Attorney and the New York State Comptroller’s Office, together with the lack of any further communication between the Orange County IDA and the E&E Committee, a resolution removing the existing Orange County IDA Board of Directors and appointing a successor Board was adopted by a vote of 18 to 0, with 2 abstentions. A Special Meeting of the Orange County IDA held the following day, March 5, 2021, prior to the successor board members being qualified to assume their board seats, was held for the sole purpose of adopting a resolution authorizing the indemnification for employees and Board members of the Orange County IDA and coverage under the director’s and officer’s liability policy to the extent such policy provides coverage in connection with the Grand Jury investigation

initiated by the Orange County District Attorney's Office. To date, there has been no indemnification of legal expenses incurred by Cozzolino, Villasuso and Diana for expenses incurred in connection with the criminal charges arising out of the investigation.

On July 21, 2021, the Orange County Legislature, unanimously adopted a resolution authorizing the Orange County Legislature to conduct an investigation and issue subpoenas to witnesses with respect to the Orange County IDA and the OCFC.

### **The Accelerator Program**

The OCBA program was established to stimulate economic development in Orange County by aiding startup companies with locations, equipment and support needed to assist in their development and growth. The goal of the OCBA program was to enable small businesses to develop into independent business ownership and establish their own location, equipment, and support. The Accelerator Without Walls ["AWOW"] program was created to assist established small businesses that were not in need of a location or equipment with the support they needed to grow their business.

Prior to July 1, 2015, the Orange County IDA contracted with individuals and then the Hudson Valley Economic Development Council (HVEDC), which was believed to have the requisite knowledge and expertise, to manage its OCBA programs. Subsequently, the Orange County IDA entered into contracts with GTG from July 1, 2015 through March 2021, when some of the allegations of this report came to light. Although the contracts are nominally with GTG, Cozzolino is specifically designated as the "Managing Director" of the Orange County IDA and the OCBA in all of the contracts between that entity and the Orange County IDA.

As is more fully described in this report, from 2015 through 2020, Cozzolino exerted increasing control over the Orange County IDA. He hired as employees of GTG; Orange County

IDA CFO, Villasuso and Board Member Diana. Cozzolino obtained increasingly lucrative one-sided contracts for GTG; recommended that the Orange County IDA enter into contracts with other entities which Cozzolino was associated with, while concealing those conflicts of interest from Orange County IDA Board Members; misrepresented the amount the Orange County IDA was expending to create jobs; and orchestrated billing practices designed to enhance GTG's profits at the expense of the Orange County IDA. On March 30, 2021, as a result of the entire Orange County IDA Board being replaced by the Orange County Legislature on March 4, 2021, all management contracts between the Orange County IDA and Cozzolino/GTG were terminated.

### **THE INVESTIGATION**

In July 2018, the Town of New Windsor Police Department was informed by Town of New Windsor Supervisor, George Green, that he had received information that there may have been financial irregularities, if not crimes, being committed at the site of the Orange County IDA, located at 4 Crotty Lane in the Town of New Windsor, New York. Detective Sergeant Christopher Sager commenced an investigation and sought out the resources and expertise of the New York State Comptroller's Office [Comptroller's Office] for its resources and expertise. The Comptroller's Office agreed to work on the matter and assigned an Investigator, Supervising Forensic Auditor, and Assistant Counsel to aid in the investigation. The Comptroller's Office, utilizing their administrative subpoena power, obtained bank records from entities, including the Orange County IDA and GTG. A review of those records revealed that Diana was being paid as an employee of GTG. The Comptroller's Office continued to commence its forensic audit and obtained and reviewed additional bank records and contracts.

The District Attorney's Office commenced an investigation and reached out to the Comptroller's Office, with whom it has enjoyed a long-standing partnership, for assistance. The

Comptroller's Office informed the District Attorney's Office of its ongoing investigation it was engaged in with the Town of New Windsor Police Department. All involved agencies agreed to pursue the investigation jointly.

### **COZZOLINO AND GTG AS "MANAGING DIRECTOR" OF THE IDA AND THEIR INCREASING COMPENSATION**

GTG/Cozzolino became Managing Director of the Orange County IDA's OCBA program on July 1, 2015. An agreement dated January 14, 2016, re-appointed GTG as Managing Director of the Orange County IDA's OCBA. GTG/Cozzolino's compensation under the contract for that year was \$60,000, for which it was to provide a variety of services to businesses within the Accelerator, as well as up to an additional \$220,000 to provide professional services of experts to render assistance to Orange County companies, which comprised the AWOW program. Under the terms of the contract, GTG/Cozzolino had the discretion to pay up to \$220,000 for such professional services to any entity that they chose. Unsurprisingly, Cozzolino, on behalf of GTG, virtually always chose GTG, which was paid through the Orange County IDA voucher system.

As stated above, the GML prohibits municipal officers and employees from having an "interest" in contracts with the municipality, which by definition includes IDAs, for which they serve when they also have the power or duty – either individually or as a board member – to negotiate, prepare, authorize, or approve the contract; to authorize or approve payment under the contract; to audit bills or claims under the contract; or to appoint an officer or employee with any of those powers or duties. Diana, as a board member, approved and authorized payment under the contract with GTG, which is a clear conflict of interest under GML § 801. These types of conflicts of interest increased in subsequent contracts, as did Cozzolino's and GTG's compensation. The 2016 contract was signed on behalf of Orange County IDA by then Orange County IDA Executive Director James R. Petro and on behalf of GTG by Petra Klein as "Partner" (Villasuso was an

Orange County IDA and GTG employee at the time). Orange County IDA Board Member Diana voted to adopt similar contracts while he was employed by GTG. GML § 804 states, “Any contract willfully entered into by or with a municipality in which there is an interest prohibited by this article shall be null, void and wholly unenforceable.” Therefore, all the contracts that the Orange County IDA entered into with GTG after November 18, 2016, the date Diana became employed by GTG, were null and void. The fact that Cozzolino, with the board’s apathetic acquiescence, attempted to circumvent the statutory prohibitions on self-dealing through a pretextual contract with his own company only highlights the illicit nature of the arrangement. Setting aside the question as to whether an IDA can ever contract for performance of these duties, Cozzolino admitted as part of his felony plea that he acted as a public servant in his capacity as managing director and control of the Orange County IDA.

In 2016, Villasuso became the Chief Operating Officer of the Orange County IDA while simultaneously being employed by GTG as a “consultant.” On July 6, 2016, the Orange County IDA entered into a new contract with GTG, this time signed by Villasuso on behalf of the Orange County IDA, despite her flagrant conflict. This contract noted that the “IDA has recently amended its By-Laws to initiate changes to its upper management and to provide a staffing plan to handle the everyday working needs of the IDA and Accelerator.” The contract further provides that “GALILEO TECHNOLOGY GROUP, INC. will assign its partner, Vincent Cozzolino, to exclusively perform the duties of the Managing Director of the IDA.” For providing these additional services, GTG was paid an additional \$40,000.

An “Amended Agreement,” dated January 1, 2017, signed by Villasuso as Chief Executive Officer of the Orange County IDA and Petra Klein on behalf of GTG, states that GTG will receive \$40,000 for that year for “GALILEO TECHNOLOGY GROUP, INC. [to] continue to act as

Managing Director of the IDA, specifically through its partner, Vincent Cozzolino.” Eleven days later, on January 12, 2017, the same parties signed an additional agreement, which stated that the Orange County IDA would pay GTG \$60,000 per year to direct the everyday affairs of the OCBA, in addition to the \$40,000 for Cozzolino to act as Managing Director. This agreement also increased the discretionary funds GTG could pay itself for the AWOW program to \$240,000. An Orange County IDA Board Resolution, dated July 6, 2016, states that “the contract between Galileo Technology Group and this IDA to be Managing Director of both the IDA and The Accelerator shall be extended at an annual compensation of \$100,000 for both positions.” Diana, who was employed by GTG as of November 2016, seconded the motion approving the contract and voted in its favor.

On January 1, 2018, the Orange County IDA and GTG entered into another agreement continuing GTG/Cozzolino as “Managing Director of the IDA, specifically through its partner Vincent Cozzolino” for \$60,000 per year. A separate agreement, dated January 1, 2018, between the same parties, provided that GTG would continue to receive \$60,000 a year to act as Managing Director of the OCBA and still retain the ability to expend up to \$240,000 for AWOW. On April 23, 2018, yet another contract was entered into between the Orange County IDA and GTG,<sup>15</sup> under which GTG was to be paid an additional \$6,000 per month (\$72,000 per year) solely to direct the everyday affairs of a business accelerator site the IDA opened in Middletown. This \$72,000 was in addition to the other monies Cozzolino and GTG were receiving.

An agreement between the Orange County IDA and GTG dated June 18, 2018, appointed GTG as Director of a new business Accelerator Site in Newburgh for which it received an additional \$5,000 a month (\$60,000 a year). Thus, in 2018 alone, when GTG employee Villasuso

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<sup>15</sup> This contract was signed by Petra Klein for GTG and although the signature line was for Villasuso, IDA Chairman Robert T. Armistead signed for the IDA.

was the Chief Operating Officer of the Orange County IDA, and at the same time not disclosing that she was a GTG employee, Diana was a Board Member of the Orange County IDA and the Chairman of the “Accelerator Committee,” and Cozzolino’s and GTG’s compensation rose from \$100,000 a year, plus access to up to \$240,000 in discretionary funds, to \$232,000 a year plus access to up to \$240,000 in discretionary funds. Moreover, notwithstanding that under these new contracts Cozzolino’s corporation was paid \$132,000 to be Director of the Middletown and Newburgh Accelerator sites, it was still being paid \$60,000 to be Director of the entire OCBA, which of course included those sites.

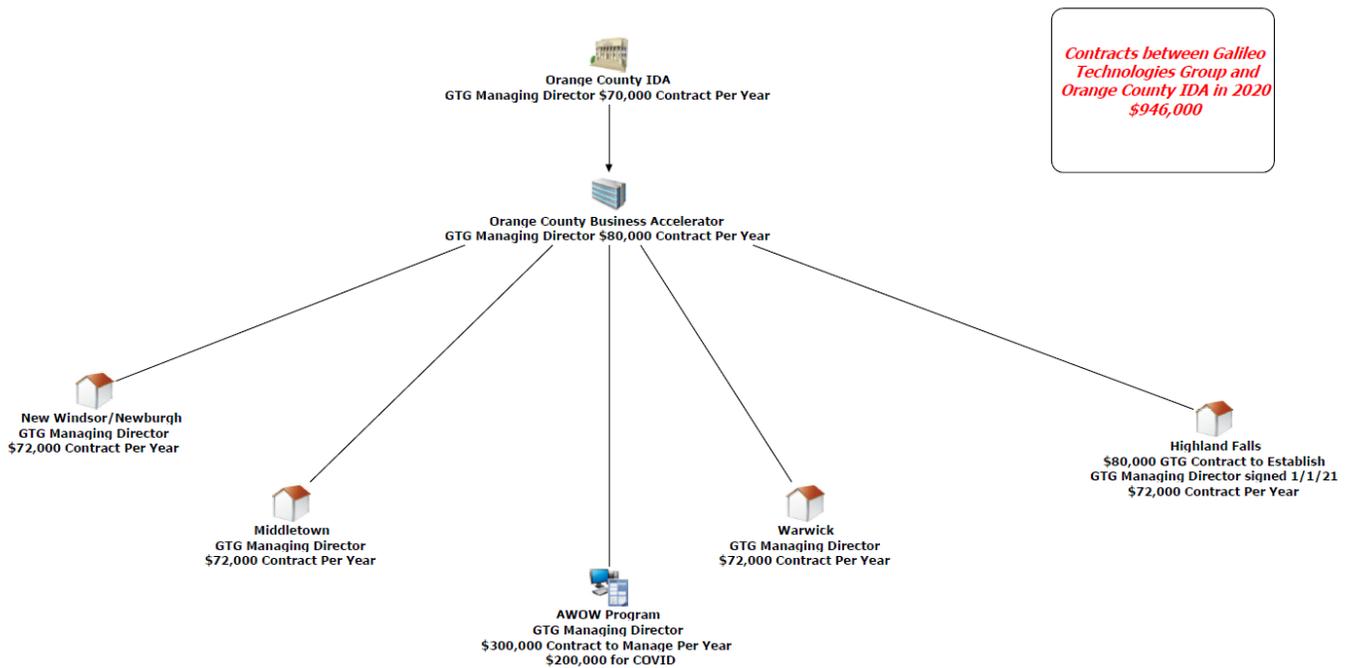
By Agreement dated January 1, 2019, GTG/Cozzolino was again “appointed Managing Director of the IDA, specifically through its partner Vincent Cozzolino” at the increased rate of \$70,000 a year. By separate agreement bearing the same date, GTG was appointed Managing Director of the OCBA at the increased rate of \$70,000 per year and the discretionary funds, which it could pay itself for the AWOW project, was increased to \$250,000. Another agreement dated January 1, 2019, promised GTG, as Managing Director of various accelerator sites, the following amounts: \$72,000 per year for the OCBA Middletown location; \$72,000 per year for the OCBA Newburgh location; and, \$60,000 per year to set up an OCBA campus location in Warwick. All of these Agreements were signed by Villasuso as the Orange County IDA’s Chief Operating Officer.

By Agreement dated January 1, 2020, GTG was again “appointed Managing Director of the IDA, specifically through its partner Vincent Cozzolino” for \$70,000 a year. By separate agreement bearing the same date, GTG was appointed Managing Director of the OCBA at the increased rate of \$80,000 per year, and the discretionary funds with which it could pay itself for the AWOW project were increased to \$300,000. Another agreement, dated January 1, 2020, promised GTG, as Managing Director of various accelerator sites, the following amounts: \$72,000

per year for the OCBA Middletown location; \$72,000 per year for the OCBA Newburgh location; an increased \$72,000 per year for the OCBA Warwick location; and an additional \$80,000 to set up a Highland Falls OCBA campus location. All these Agreements were signed by Villasuso as the Orange County IDA’s Chief Operating Officer, even though she was on GTG’s payroll. Diana, Orange County IDA Board Member and on GTG’s payroll, proposed a resolution to the full Board of Directors on May 14, 2020, during the COVID-19 pandemic, to increase by \$200,000 the money that GTG had discretion to spend on itself via the AWOW program during the balance of calendar year 2020. The resolution passed with the result that GTG now had access to \$500,000 in the AWOW program as the result of a motion made by one of its employees (Diana) and contracts signed on behalf of the IDA by another one of its employees (Villasuso).

Following is a summary of the amount of compensation paid to GTG pursuant to all the foregoing described contracts dated 2015 through 2020. The information reveals the alarming increase in payments to GTG on an annual basis, ultimately totaling \$2,561,718.

**Chart Showing Cozzolino/GTG’s Increasing Compensation**



**Created By Leonard W. Vona, CPA**

	2020	2019	2018	2017	2016	2015	TOTAL
<b>Managing Director Fees</b>							
20-Dec	37,166.00	28,666.00	21,000.00	8,333.00	9,000.00	5,000.00	109,165.00
20-Nov	37,166.00	28,666.00	21,000.00	8,333.00	9,000.00	5,000.00	109,165.00
20-Oct	37,166.00	28,666.00	21,000.00	8,333.00	9,000.00	5,000.00	109,165.00
20-Sep	37,166.00	28,666.00	21,000.00	8,333.00	9,000.00	5,000.00	109,165.00
20-Aug	37,166.00	28,666.00	21,000.00	8,333.00	9,000.00	5,000.00	109,165.00
20-Jul	37,166.00	28,666.00	16,000.00	8,333.00	9,000.00	5,000.00	104,165.00
20-Jun	37,166.00	28,666.00	16,000.00	8,333.00	5,000.00	5,000.00	100,165.00
20-May	37,166.00	28,666.00	16,000.00	8,333.00	5,000.00	0.00	95,165.00
20-Apr	37,166.00	28,666.00	10,000.00	8,333.00	5,000.00	0.00	89,165.00
20-Mar	37,166.00	28,666.00	10,000.00	8,333.00	5,000.00	0.00	89,165.00
20-Feb	37,166.00	28,666.00	10,000.00	8,333.00	5,000.00	0.00	89,165.00
20-Jan	37,166.00	28,666.00	10,000.00	8,333.00	5,000.00	<b>0.00</b>	89,165.00
	<b>445,992.00</b>	<b>343,992.00</b>	<b>193,000.00</b>	<b>99,996.00</b>	<b>84,000.00</b>	<b>35,000.00</b>	<b>1,201,980.00</b>
<b>AWOW FEES</b>	<b>333,906.75</b>	<b>235,106.25</b>	<b>264,562.50</b>	<b>274,868.75</b>	<b>251,293.75</b>	<b>0.00</b>	<b>1,359,738.00</b>
<b>TOTAL FEES</b>	<b>779,898.75</b>	<b>579,098.25</b>	<b>457,562.50</b>	<b>374,864.75</b>	<b>335,293.75</b>	<b>35,000.00</b>	<b>2,561,718.00</b>
<b>DOCUMENT FOUR</b>							
<b>MANAGE FEES BY LOCATION</b>							
<b>MANAGING DIRECTOR</b>							
IDA	5,833.00	5,833.00	5,000.00	8,333.00	9,000.00	5,000.00	38,999.00
BA	6,666.50	5,833.00	5,000.00				17,499.50
NEWBURGH	6,000.00	6,000.00	6,000.00				18,000.00
MIDDLETOWN	6,000.00	6,000.00	6,000.00				18,000.00
WARWICK	6,000.00	5,000.00	5,000.00				16,000.00
HIGHLAND	6,666.50	0.00	0.00				6,666.50
	<b>37,166.00</b>	<b>28,666.00</b>	<b>27,000.00</b>	<b>8,333.00</b>	<b>9,000.00</b>	<b>5,000.00</b>	

In 2021, the agreements between GTG and the Orange County IDA were signed by Orange County IDA Chairwoman Rogalski. The terms of the contracts were virtually identical to those of the 2020 agreements except that GTG’s duties were spelled out in more detail and the \$500,000 in potential AWOW money was reduced back to \$300,000. Significantly, the 2021 contract also required prior approval from the Board’s Accelerator Committee prior to GTG providing services to new AWOW businesses, which for the first time, was a limitation on GTG’s discretion to bill within the AWOW program.

The 2021 contract also provided that GTG would be paid \$72,000 a year to “run” the Highland Falls OCBA location. As is more fully set forth below, that location consisted of a former bank building containing approximately 16,000 sq. ft. that Cozzolino recommended the Orange County IDA rent at extremely unfavorable terms for the IDA, and which has never had an Accelerator Incubator tenant. This, despite Cozzolino repeatedly advising the board that he had at least seven (7) businesses “potentially interested” in moving into the Highland Falls Campus. Indeed, the only tenant interested in the building was a church which did not further the Orange County IDA’s mission to promote small businesses in Orange County and create jobs. In sum, Cozzolino and GTG received \$80,000 to orchestrate the renting of a vacant building in 2020 and was to be paid \$72,000 to run that OCBA location, when there has never been any OCBA business conducted at that location.

As reported in the minutes of the September 10, 2020, Orange County IDA board meeting, then Chief Executive Officer [CEO], Villasuso stated that the Highland Falls Accelerator facility would cost \$300,000 per year to operate. It became clear by the October 22, 2020, Orange County IDA board meeting that more space was rented by the Orange County IDA in the Highland Falls location than was needed, and the Board’s General Counsel, Kevin Dowd, Esq., pointed out that the entire building should not have been rented out, and renting to a church, while subsidizing the sizeable expense of carrying the building, did nothing to produce jobs and was inconsistent with the mission and goal of the Orange County IDA. Ironically, Villasuso reminded board members of their fiduciary responsibility to taxpayers, while at the same time being an employee and complicit with Cozzolino and Diana in pushing for approval of a long term, unfavorable lease, for the Highland Falls property.

## FRAUDULENT BILLING THROUGH THE AWOW PROGRAM

As described above, through the actions of those including Orange County IDA Board Member Diana and Orange County IDA Chief Operating Officer/Chief Executive Officer Villasuso, Cozzolino and GTG gained increased discretion to bill for services they provided to companies under the AWOW program. This contrasts with the provisions in the contracts which set fixed annual compensation for them to provide those services to businesses located within the various OCBA “Accelerator Sites.”<sup>16</sup> Again, the distinguishing feature of the AWOW businesses is that by definition they are businesses not located within any of the Orange County IDA’s Accelerator sites. To overcome this limitation on their ability to bill the Orange County IDA, Cozzolino and his employees embarked on a scheme to bill against funds earmarked for the AWOW program for services they were purportedly already providing to businesses located within the Accelerator campuses, namely for companies named Ziel, Melo and Asterism. This was accomplished through the efforts of their employees at the Orange County IDA.

The Minutes of the Orange County IDA’s Accelerator Committee meeting of January 10, 2019, reveal that among those present were the Chairman of that Committee, Diana, as well as COO Villasuso and Managing Director Cozzolino. The Minutes reflect that Cozzolino reported on companies within the OCBA Newburgh Accelerator site and mentioned a company within that site, “Ziel”, which he noted was within the OCBA located at 605 Broadway in Newburgh. He further noted that “Ziel has been more efficient than expected and does not need all the equipment anticipated. Mr. Cozzolino foresees three more PODS<sup>17</sup> being located in the excess Ziel space.”

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<sup>16</sup>Of course, even those set fees were somewhat redundant since Cozzolino and GTG were paid a fixed compensation to provide services as “Managing Director” of the OCBA program, and then separate compensation to be “Managing Director” of the various sites which comprised the OCBA program, resulting in GTG providing the same services which it was already obligated to provide as Managing Director of the entire OCBA.

<sup>17</sup> The term PODS as used in connection with an Accelerator refers to areas which are set aside within an Accelerator campus for the use of specialized equipment by Accelerator technology and manufacturing businesses. The equipment is generally obtained through grants received by not-for profit entities.

What this means is that Cozzolino knew that Ziel was doing well within the Accelerator site and was not expected to leave that site. Indeed, this shows that Cozzolino knew Ziel was expected to be using less space in the site than anticipated. The March 14, 2019 minutes of the Accelerator Committee further reveal Cozzolino's representation that another company, "Melo," was using the same clothes cutter as Ziel and that "Melo employees have been working overtime for Ziel and are helping them learn how to cut that material." Melo was located within the Town of New Windsor at a building which is part of the Newburgh OCBA Accelerator site. Thus, Ziel and Melo are not AWOW clients, and under the contracts described above, the services Cozzolino and GTG were to provide to Ziel and Melo were already provided for and paid as part of the \$72,000 that it received to run the OCBA Newburgh/New Windsor Accelerator.

The Minutes of the Orange County IDA's Accelerator Committee of January 10, 2019 note that "Mr. Cozzolino mentions a new category of AWOW that includes Melo, Ziel and Asterism. He says they are growing beyond The Accelerator but still in startup stages," despite the fact that Ziel was only in its third month of a five (5) year sub-lease with the Orange County IDA and Melo had just completed its first year of a five (5) year sub-lease with the Orange County IDA. Villasuso explained that "this new titling[sic] will be for billing." The committee agreed. By creating this new "designation" for billing purposes, GTG was able to tap into a pool of money designated to assist AWOW clients, not the fledgling businesses occupying the Accelerator campus sites. The statements regarding these Accelerator clients falsely characterized them as "growing beyond the Accelerator" for the inescapable purpose of billing for GTG's management services rendered to these clients as if they were part of the AWOW program, which they were not. Significantly, the new designation of these startup companies as AWOW clients was never discussed before the full Board, which held its meeting directly after the Accelerator Committee meeting.

A Supervising Forensic Auditor within the Division of Investigations of the Office of the State Comptroller's Office, who is a Certified Fraud Examiner, under the direction of the Chief of Forensic Auditor, conducted a forensic review examining copies of invoices GTG submitted and paid by the Orange County IDA. The Supervising Forensic Auditor found that between February 28, 2019 and January 5, 2021, GTG, through managing partner Petra Klein, billed the Orange County IDA under the AWOW program for \$71,250 for services provided to Melo, and between September 29, 2018 and December 3, 2020 (including an invoice on February 28, 2019), billed \$175,281.25 for services provided to Ziel. Significantly, GTG first billed for services rendered to Ziel as an AWOW client three and a half (3 ½) months before the January 10, 2019 Accelerator Committee meeting advising of the new AWOW category for "billing." All those billings are in violation of the contracts that the Orange County IDA had entered into with Cozzolino and GTG and represents systematic double billing by GTG. Moreover, notwithstanding that the Chairman of the Accelerator Committee, GTG employee Diana, and two other Board members apparently voiced no opposition to the billing scheme, there is no indication that the entire board ever voted to amend the contracts or approved of GTG being paid additional hundreds of thousands of dollars for billings in violation of their contract, in that GTG was already being paid fixed amounts to manage and run the day-to-day operations of those startup businesses located within the Accelerator campuses. It should be noted that the 2021 contract between the Orange County IDA and GTG required that "each new client enrollment will be approved through the Accelerator Committee Approval Process prior to AWOW support services delivery."

### **THE COMPTROLLER'S FORENSIC AUDIT OF BANK RECORDS**

A forensic audit of bank records was also completed by the Comptroller's Office, which included the accounts for the Orange County IDA, the OCBA, GTG, TSEC, and various personal

bank accounts. An analysis of contracts and invoices provided from the Orange County IDA and TSEC was also performed.

The contracts between the Orange County IDA and GTG set up Cozzolino's role as the Managing Director of the Orange County IDA, the OCBA program, the New Windsor/Newburgh Accelerator site, the Middletown Accelerator site, the Warwick Accelerator site, the Highland Falls Accelerator site, and the Orange County IDA AWOW program. As Managing Director, GTG/Cozzolino held contracts for each of the above programs and sites and was paid separately for each contract. The Orange County IDA funded the OCBA program. The OCBA in turn paid GTG for all of the above noted contracts,<sup>18</sup> for a total of \$2,548,205. The review established that GTG had two shareholders: Vincent Cozzolino and Petra Klein.

The AWOW program was established under the umbrella of the OCBA program. All funding for the AWOW program came from the OCBA. While the contracts noted above, with the exception of the AWOW program, were flat rate contracts, the AWOW program was billed through invoices based on an hourly rate, directing the payments to GTG/Cozzolino. Through the review of GTG invoices submitted to the Orange County IDA, analysis showed that GTG billed the AWOW program for OCBA clients. These clients should have been and were covered under the service contracts that GTG/Cozzolino held for the Managing Director duties of the Orange County IDA and the OCBA.

The analysis found that GTG paid Cozzolino a little more than \$1,000,000 during the timeframe that they held the various Managing Director contracts with the Orange County IDA. The review established that GTG employed Villasuso, from October 2015 to January 2021 paying her a net amount of a little over \$173,000. In addition to employing Villasuso, the review

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<sup>18</sup> While a contract was signed for the Highland falls site, payments had not been made on this contract.

established that GTG employed Diana, from November 2016 to December 2020, paying him a net amount of a little over \$90,000.

TSEC, contracted with the Orange County IDA and the OCFC, received a little over \$146,000 from the Orange County IDA and \$285,000 from the Orange County Funding Corp. Records indicated that TSEC in turn contracted with GTG/Cozzolino, paying GTG a little over \$526,000 as a consultant. Cozzolino is a founder and a board member of TSEC. Additionally, Villasuso was on the TSEC board.

### **COZZOLINO, GTG AND THE UNDISCLOSED RELATIONSHIP WITH TSEC**

The Solar Energy Consortium (TSEC) was formed in 2007 as a 501(c)(3) nonprofit corporation. Its initial focus and mission was to bring solar energy innovation to the Hudson Valley and grow a manufacturing hub dedicated to solar energy. The effort to create TSEC was supported by business leaders, one of which was Cozzolino, who served as a member of TSEC's Board of Directors from TSEC's inception in 2007, and throughout the timeframe covered by the District Attorney's, New York State Comptroller's Office, and the New Windsor Police Department's investigation into the Orange County IDA and its relationship with GTG and TSEC.

As the solar manufacturing sector's viability waned, due in large measure to outsourcing of hi-tech production to Asia, TSEC rebranded its non-profit business, "The Strategic Economic Consortium," and continued to provide its services in support of small to medium-sized manufacturing companies and the advanced technology sector. TSEC was able to provide its services and support entirely through grants from Federal, New York State, and economic development agencies such as Empire State Development and Workforce Development. TSEC utilized this funding to foster skills training to meet the needs of technology companies and startup companies. Ultimately, TSEC developed SMARTT Labs [SUNY Manufacturing Alliance for

Research and Technology Transfer]. The lab network was distributed among college campuses and manufacturers to use in product testing and research, as well as work development-centered education.

Shortly after Cozzolino became Managing Director of the OCBA program, he instigated a business relationship between the Orange County IDA and TSEC, which ultimately became an inextricably, entangled web of undisclosed conflicts of interest. Through TSEC's "partnership" with the Orange County IDA, it was able to create SMARTT PODs which were complimentary to Smartt Labs in that they are production on demand centers where startups and small businesses can locate their pilot-scale production facilities in fit-up working spaces at below market, affordable rent. The working spaces were fit-up at the sole expense of the Orange County IDA, which also subsidized the rent and provided all other necessary occupancy charges. Despite the fact that TSEC was not a start-up company, it was permitted to occupy space at 4 Crotty Lane, New Windsor, New York, which was the office of the Orange County IDA. TSEC occupied the space at zero (0) cost pursuant to a lease signed by Cozzolino as Managing Director of the Accelerator while he was simultaneously a Board Member of TSEC. Cozzolino signed similar no cost leases with TSEC on December 1, 2016, March 1, 2018, January 1, 2020, and January 1, 2021. Not only was Cozzolino conflicted in his dealings with TSEC, Villasuso, as COO and then CEO of the IDA, joined the TSEC Board of Directors on May 19, 2017. The obvious conflicts of interest went undisclosed by both Cozzolino and Villasuso<sup>19</sup>, despite the significant role TSEC played with respect to the OCBA Program, which Cozzolino had unfettered control over.

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<sup>19</sup> From October 2019 through December 2020, Stockade Strategies, LLC (Consultant), provided consulting services to the Orange County IDA to support efforts to develop a CBD Accelerator in Warwick, Orange County, New York. Pursuant to the contract effective June 1, 2020, Consultant was responsible to Cozzolino and Villasuso. The contract was signed by Daniel Ahouse, as President of Stockade Strategies, LLC and Villasuso signed on behalf of the Orange County IDA. Daniel Ahouse served on the Board of Directors of TSEC, along with Cozzolino and Villasuso. The investigation did not reveal any Orange County IDA Board resolution approving the contract or evidence of the disclosure of the relationship between Cozzolino, Villasuso and Ahouse arising from their service on the TSEC board.

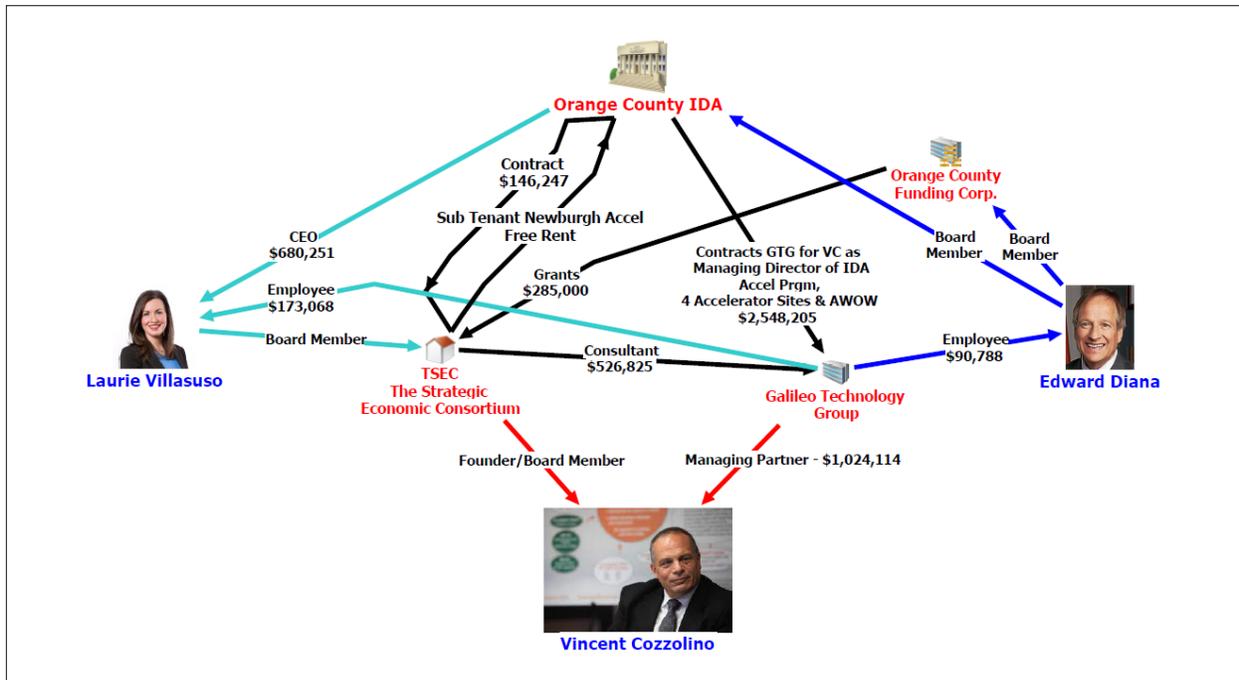
At the time of the felony guilty pleas to Corrupting the Government by Cozzolino and Villasuso, they admitted facts revealed by the investigation, which reflect the breadth and depth of the undisclosed criminal interconnectedness between Cozzolino and Villasuso, in their official capacities with the Orange County IDA and TSEC. Those admissions are as follows:

1. Cozzolino admitted that he was one of the founders of The Strategic Economic Consortium, Inc. (TSEC), formerly known as The Solar Energy Consortium, Inc.
  - a. “At all times relevant to this Superior Court Information, Vincent Cozzolino and Laurie Villasuso were members of TSEC’s Board of Directors.”
2. The Orange County Funding Corporation (OCFC) is a not-for-profit local development corporation which works in tandem with the IDA to promote economic development in Orange County, by providing, among other things, grants, and loans in furtherance of its and the IDA’s mission.
  - a. “At all times relevant to this Superior Court Information, Laurie Villasuso was either the Chief Operating Officer (COO) or the Chief Executive Officer (CEO) of the OCFC and the Board of Directors of the OCFC was the same as the Board of directors of the IDA.”
3. TSEC has partnered with the IDA by providing, among other things, product testing and training equipment and has established SMARTT Labs/Pods for use by manufacturing businesses participating in the IDA’s Accelerator program.
4. TSEC requested, through Vincent Cozzolino in his capacity as Managing Director of the OCBA, that it be provided with a “project expenditure” to be used by TSEC to cover part of the cost of its labor and overhead expenses to operate and maintain the existing

SMARTT Labs/Pods at the Accelerator and to manage and administer the purchase and installation of additional capital equipment and the creation of new SMARTT Labs/Pods.

5. The OCFC granted TSEC the requested “project expenditure” in the amount of \$50,000 each year in 2017, 2018 and 2019. In 2020, the OCFC granted \$75,000. In 2018 and 2019 Laurie Villasuso signed the Project Expenditure Agreement as COO of the OCFC. In 2020, she signed the Agreement as CEO.
6. At no time did Vincent Cozzolino or Laurie Villasuso disclose to the OCFC Board of Directors they were members of TSEC’s Board of Directors.
7. Vincent Cozzolino further admits that GTG, “at all times relevant to this Superior Court Information, was under contract to TSEC to manage the SMARTT Labs/Pods provided by TSEC for use by The Accelerator businesses.” He further admits that the “project expenditure” granted by the OCFC was used by TSEC to partially fund its contract with GTG, thereby directly benefitting GTG in the amount of \$225,000.
8. Vincent Cozzolino further admits that he, together with Laurie Villasuso, recommended to the IDA Board of Directors that TSEC be granted “agent status” in years 2017, 2018, 2019 and 2020 to assist the IDA in carrying out certain economic development functions. The IDA granted TSEC “agent status” and provided funds to TSEC in the amount of \$30,000 in 2017, \$35,000 in 2018, \$35,000 in 2019, and \$35,000 in 2020. The IDA Agency Agreements were signed by Laurie Villasuso, in her capacity of Chief Operating Officer (COO) of the IDA, without disclosing that Vincent Cozzolino was a member of TESC’s Board of Directors, and that Laurie Villasuso had become a member of TESC’s Board of Directors as of May 19, 2017. Such non-disclosure rendered the IDA Agency Agreements void, resulting in improper payments by the IDA to TESC in the amount of \$135,000.

The foregoing describes an ongoing course of conduct by Cozzolino and Villasuso, which, among other things, formed the basis of their guilty pleas, in that it represents a scheme to defraud by false pretenses, resulting from the repeated, blatant failure to disclose their conflicted involvement with TSEC when they had a statutory and fiduciary duty to publicly make such disclosures. Following is a chart which reflects the convoluted web of conflicts which existed at the Orange County IDA from 2015 – 2020.



A further, and perhaps more egregious, example of a mindset that reflected an intent to conceal/hid the various conflicts described herein from public disclosure, can be found in Villasuso’s efforts to conceal the conflicts from New York State Senator James Skoufis, Chairman of the New York State Senate Investigations and Government Operations Committee [Senate Committee], to investigate whether the Orange County IDA, as well as other IDAs around the State, were complying with the Public Authorities Reform Act [PARA] and the GML.

By letter dated May 17, 2019, the Senate Committee made a formal request for information and documents. The very first item of information sought was:

Since January 1, 2016, has any board member or employee of your Authority appeared to have or had a conflict of interest with a company or corporation the authority was conducting or planned to conduct business with? Conflicts of interest include but are not limited to personal or financial conflicts.

The request also asked the IDA to:

Please provide information specifying any and all conflict(s) of interest since January 16, 2016, and how the authority addressed the conflicts(s).

By letter dated June 20, 2019, Laurie Villasuso, as Chief Operating Officer and Executive Vice President of the Orange County IDA, responded to the Senate Committee's request for information. In response, specifically to the request for conflict of interest information, Villasuso responded as follows:

For the period January 1, 2016, to date, the Agency is only aware of one Board member of the Agency appearing to have or had a conflict of interest with a company or corporation, the Agency was conducting or planned to Conduct business with.

Project: Med Parc, LLC  
Board member: Stephen L. Brescia  
Reason: related to the Applicant  
Action: Board member recused himself

The foregoing is the only conflict of interest disclosed by Villasuso, despite her and Diana's ongoing employment by GTG. Furthermore, she failed to disclose that she and Cozzolino were on the Board of Directors of TSEC and that GTG was under a management contract with TSEC which received funds from both the Orange County IDA and the OCFC used to fund that contract. These omissions can only be intentional and designed to deceive, particularly in light of the fact that,

prior to 2019, Villasuso was in charge of the PARIS<sup>20</sup> training for the Orange County IDA and, in such capacity, was fully familiar with required conflict of interest and ethics training, as well as the requirements of the Public Authorities Law and the GML. In fact, all information regarding these issues were included by Villasuso, in new Board Member packets, for their review.

### **INTERVIEWS CONDUCTED BY ORANGE COUNTY DISTRICT ATTORNEY'S OFFICE AND NEW YORK STATE COMPTROLLER'S OFFICE**

The investigation included interviews of relevant Orange County IDA Board members who were removed by the Orange County Legislature: Mary Ellen Rogulski, James Disalvo, Michael Gaydos, Stephen Brescia, Edward Diana, and Denise Quinn. Additionally, the following employees/former employees were interviewed: the former General Counsel to the Orange County IDA, Kevin Dowd; two former Chief Financial Officers of the Orange County IDA (Edward Januskiweicz, and Joel Kleiman); the former Chief Operating Officer of the Orange County IDA, Melanie Schouten; Orange County IDA Project Manager, Kelly Reilly; President and CEO of TSEC, Carl Meyer; and Independent Certified Public Accountant, Lenorad W. Vona.

The interviews focused on Cozzolino's employment with the Orange County IDA, its structure and the ever-growing contracts awarded to GTG/Cozzolino. They also focused on the employment of Villasuso and Diana by GTG, and the many Conflicts of Interest that existed with that improper and illegal employment. Also discussed were the OCBA and AWOW programs, and the invoices provided by GTG/Cozzolino, which purposely lacked detailed support leading to the inability to review audit them.

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<sup>20</sup> The Public Authorities Reporting Information System (PARIS), is an online reporting system that allows public authorities to submit required annual reports to the Authorities Budget Office, including a Budget Report; an Annual Report containing governance, Board of Directors, staff, compensation, and benefit information; a Procurement Report setting forth all procurement transactions for the fiscal year and an Investment Report.

All those who were interviewed appeared voluntarily. Through their respective counsel, Cozzolino and Villasuso were invited to meet with the investigative team but declined. The following are synopses of the interviews as it relates to the relevant topics set forth below.

### **TSEC**

Meyer was interviewed by members of the Orange County District Attorney's and Comptroller's staff, under a signed proffer agreement.

Meyer is the CEO and President of TSEC. He stated Cozzolino was COO of TSEC for a time, and later became a Board Member. Later Dan Ahouse from Stockade Strategies, LLC was also brought on the TSEC Board.

Meyer explained Villasuso and Cozzolino suggested the Orange County IDA and TSEC become strategic partners. Meyer was asked about Villasuso becoming a TSEC Board Member and he stated she was asked due to her financial background in 2017 but he did not recall who recommended she join the TSEC Board. He agreed it was simultaneous with her work as the CEO of the Orange County IDA and that during this time GTG/Cozzolino was the Managing Director of the Orange County IDA and the Orange County IDA Accelerator program.

Meyer was asked if there were any conversations with either Villasuso or Cozzolino regarding potential conflicts to which he responded there were, noting as a New York State Not-For-Profit there are strict conflict of interest policies. He stated the TSEC Board Members are required to abide by a conflict of interest policy and sign a form. They are obligated to advise of any conflicts and must disclose those in writing to the Board. The requirement started in 2018-2019.

Prior to the requirement of putting all conflicts in writing, Meyer recalled Cozzolino disclosed his work in 2015 with the Orange County IDA as Managing Director. Meyer stated he

had a conversation at that time with Cozzolino and didn't see a conflict of interest. Meyer was asked if when Cozzolino became the Managing Director of the Orange County IDA Accelerator program, did he disclose that fact to TSEC, to which he stated no but Meyer saw it as one and the same.

Meyer was asked about Villasuso being the CEO of the Orange County IDA and also being a Board Member of TSEC. He stated he didn't see that as a conflict with regards to TSEC. Meyer was asked if he had any discussions with either Villasuso or Cozzolino regarding them disclosing their Board Member TSEC status with the Orange County IDA, to which he responded no.

Meyer described TSEC's set up of SMARTT Labs which is short for SUNY, Management, Alliance, Resource Technology Transfer. TSEC purchases the equipment and places it at SUNY Community Colleges and other spaces for manufacturing, in turn the SUNY Community College or the other venue provides the support for the equipment and the equipment would be available to anyone who wants to use it at no charge.

Meyer further noted under the terms of the grants they received to purchase the equipment; they were required to put someone in charge of managing that equipment. He stated he believed they could do so under a single/sole source contract.<sup>21</sup>

In 2015, TSEC hired GTG to manage, cut and sew equipment in Newburgh, NY. Meyer was asked if he was aware that the Orange County IDA also hired GTG to manage the cut and sew facility in Newburgh, NY to which he responded no, and if he was aware, he would have taken measures to ensure there were no duplications in billings and duties. From 2016 through 2018 TSEC continued to hire GTG to manage their equipment.

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<sup>21</sup> A sole source contract is a contract that does not require a bid because there is only one vendor that can supply the commodity, technology, and/or provide the services required by an agency. A single source contract is one which two or more vendors can provide the commodity, technology, and/or provide the services required by the agency, but the agency selects one vendor over the others for reasons such as expertise or previous experience with similar contracts.

Meyer did not know how many employees GTG had. He was not aware that Villasuso and Diana was on the staff of GTG. Meyer was unsure what his reaction would have been if he had known Villasuso and Diana worked for GTG. He stated he would have been concerned with that fact as it could have affected the contracts TSEC held with New York State.

Meyer discussed the funding TSEC received from the OCFC. He noted it was not just for managing but viewed the funding as covering expenses such as interest on one of the lines of credit; as well as for promotional work they were doing with Orange County. Meyer stated he believed they received funding from 2017-2020. Meyer was shown an agreement with the OCFC which notes the expenditures provided to TSEC are for expansion and growth not overhead expenses.

Meyer agreed the 2017 contract/grant with TSEC was signed by Armistead for the OCFC and the 2018 contract/grant was signed by Villasuso on behalf of the OCFC. Meyer also agreed that Villasuso was on the TSEC Board at the time she signed the contract/grant for the OCFC. When asked if he felt it was appropriate for Villasuso to sign on behalf of the OCFC while she was a member of the TSEC Board, he stated he didn't find it unusual to have partnerships between strategic partners. He noted he was not aware if Villasuso advised the Orange County IDA or the OCFC that she was a Board Member for the entity she signed a contract/grant for.

Meyer was asked about the contract TSEC entered into with GTG as being the same duties as the agreement TSEC had with the OCFC. He stated they were separate responsibilities and managed in separate account/line items further stating none of the money from the OCFC grant went to GTG. He noted again it went to interest on a line of credit, a River's opportunities website promotion for the Orange County IDA Accelerator program and the Orange County IDA AWOW

program. With regards to the State funding received by TSEC, Meyer stated TSEC always expended the funding and submitted vouchers for the funding.

With regards to TSEC's Agent Status, which was granted to them by the Orange County IDA, Meyer agreed TSEC was granted agent status with the Orange County IDA from 2017-2021. The funding TSEC was to advance strategic partnership with the IDA maintain equipment, general overhead, and operating expenses.

Meyer stated Januskiewicz is the current CFO of TSEC. Meyer was shown a letter dated February 13, 2017, from the Orange County IDA which essentially charged labor for Meyer and Januskiewicz's labor costs. Meyer stated he believed the funding could be utilized for that. Meyer noted quarterly invoices needed to be supplied to the Orange County IDA. Meyer was asked if he had any concerns with Villasuso's involvement with TSEC and the Orange County IDA at the same time, to which he responded he did but he did not voice them with her as he did not realize the context. Meyer was asked about concerns he may have had with Cozzolino's role under the Orange County IDA, if he was concerned about any overlap in duties to which he responded no, he was unaware of any overlap. He did however agree it was hard to determine when he was acting on behalf of TSEC or the Orange County IDA.

With regards to the rent that was waived at 4 Crotty Lane, New Windsor, NY, by the Orange County IDA for TSEC, Meyer stated he could not recall call why the rent was waived and who at the Orange County IDA agreed to it. He stated he didn't recall who signed the lease on behalf of the Orange County IDA. Meyer was shown a copy of the signed lease and agreed Cozzolino signed the lease with TSEC for \$0 rent on behalf of the Orange County IDA. He further stated he did not believe Cozzolino was on the TSEC Board at the time but did note he was a

contractor for TSEC at the time of the lease signing. Investigators found that according to TSEC's web page, Cozzolino was on the Board of TSEC from December 2007-2020.

Meyer was asked about CERES relationship with TSEC, he stated CERES had several pieces of equipment TSEC had installed and the CEO of CERES was now on the TSEC Board. Meyer stated he was not aware that Cozzolino nor the other co-owner of GTG, Petra Klein, were working for CERES. He had known previously that Cozzolino had worked there but was not aware he was still employed. Meyer noted Petra Klein was a part-time employee of TSEC when it was still The Solar Energy Consortium.

Meyer stated TSEC does not at the time of this interview plan to continue to partner with the Orange County IDA. He stated the TSEC Board has had several discussions regarding the continuation and regarding what to do about the equipment currently at the Orange County IDA locations. He stated he asked both Cozzolino and Villasuso to not attend the Board meetings.

TSEC has two part-time employees, himself and Januskiewicz. Meyer stated he works eight hours a week and Januskiewicz works ten hours a week. TSEC contracted with GTG for their expertise for the remaining duties. He stated they are currently trying to find another company and have looked at M-Tec which is a NYS approved incubator organization. They may have done some work with them in the past but noted they are expensive.

GTG would submit invoices as part of TSEC's New York State Department of Labor contract and those invoices required GTG to break out the work they had done. When asked, Meyer stated he wasn't sure what other businesses GTG held contracts with. Meyer was asked about TSEC working with Ulster County and he noted they had provided equipment for an artisan food pod that was a GTG project. Meyer was asked if TSEC did anything with the ARC of Ulster-Greene or with Diana, to which he responded no.

## **GTG'S EMPLOYMENT OF VILLASUSO AND DIANA**

### **1. Mary Ellen Rogulski (Former Chairperson of the IDA Board)**

During Rogulski's interview she stated she had been on the Orange County IDA Board since 2008. She had been the Chairperson of the Orange County IDA board for about two to three years, prior to that she was Vice Chair. Rogulski was on the Personnel Committee, Audit Committee, Finance Committee, Lego Land Investment Committee, and the Accelerator Committee. Rogulski was asked about training the Orange County IDA Board took regarding ethics and Conflicts of Interest. She stated there are State trainings required for all IDA board members, in accordance with the Public Authorities Reform Act. She recalled taking the trainings periodically and that it covered fiduciary responsibilities and satisfied the requirements of conflicts trainings. Rogulski noted she works as a bank employee and is required to take conflicts of interest training in that role as well.

Rogulski was asked if anyone ever reported a conflict of interest to her at the Orange County IDA, to which she responded no, no one. Rogulski stated she was aware that Villasuso and Diana, worked for GTG/Cozzolino. She elaborated that Cozzolino came to her and Robert Arminstead (Armistead) to ask if both Villasuso and Diana could work for him. At the time, Armistead was Chairman of the Orange County IDA. Rogulski stated the matter was taken into an Executive Session. In that Executive Session, Rogulski said they made the stipulation that Villauso and Diana's work with GTG/Cozzolino could not be for or in Orange County. Rogulski stated in her mind, if they were not doing anything in Orange County, it was ok. Rogulski never verified what Villasuso did on behalf of GTG/Cozzolino and was not sure what Villasuso did for GTG/Cozzolino.

When asked what Orange County IDA Attorney, Dowd said during the Executive Session mentioned above, Rogulski stated she did not recall. When asked when this meeting occurred, she stated she did not recall. Further, Rogulski was asked how new IDA Board Members were advised of the conflict between Villasuso, Diana and GTG/Cozzolino and whether it was discussed at more than or just that one Executive Session above. She stated new board members may have generally been told. Rogulski then remarked, it may have come up when they were brought onto the Board. Rogulski stated some newer board members might not have been aware of the conflict between GTG/Cozzolino and Villasuso and Diana, but noted older board members were aware, including Board Member Stephen Brescia and Dowd.

Rogulski stated she didn't know how much money Villasuso and Diana were paid from GTG/Cozzolino. She said she never connected those dots, and further stated it was on them (Villasuso and Diana) to come and advise the board of the conflicts.

## **2. James DiSalvo (Former Orange County IDA Board Member)**

DiSalvo, a former Orange County Legislator was appointed to the Orange County IDA Board in 2018. At the time of his appointment, DiSalvo stated Villasuso and Cozzolino were running the Orange County IDA.

When asked if anyone at the Orange County IDA other than Cozzolino was paid by GTG, DiSalvo stated yes, it was discussed in executive session that Villasuso and Diana were working for GTG but purportedly in another county. He recalled it being discussed twice, once about 6 months ago and maybe about a year prior, (approximately April 2020). When asked if Dowd was in executive session when the conflicts were brought up, he stated he believed he was. Further, DiSalvo was not aware of anyone in the executive session questioning Villasuso and Diana's role with GTG/Cozzolino. He speculated that Villasuso and Diana work for GTG/Cozzolino, was some

consulting for Ulster County. When asked about how the board was notified of conflicts, DiSalvo said Dowd, was responsible for telling them about conflicts. DiSalvo provided an example regarding the Village of Highland Falls and stated that he as a Trustee recused himself a couple of times and left the room when the board voted.

DiSalvo did not believe that the conflict of Villasuso and Diana working for GTG/Cozzolino was ever publicly disclosed. DiSalvo stated he didn't know if any public disclosure was ever made in the past.

DiSalvo was asked if he had any concerns with Diana voting to approve contracts with GTG/Cozzolino as he was also an employee of GTG/Cozzolino. DiSalvo responded he would have had an issue with it if Diana was the deciding vote but stated those votes were always unanimous. DiSalvo was asked if he had any concerns with Villasuso signing the contracts with GTG, to which he responded she was authorized to. When further questioned on the near impossibility of Villasuso working full time for Orange County IDA and her ability to also work 22.52 hours a week for GTG/Cozzolino, DiSalvo agreed it was odd, saying yeah, I guess maybe, but noted the job (at the Orange County IDA) was getting done.

### **3. Michael Gaydos (Former Orange County IDA Board Member)**

Gaydos stated he became a board member in mid-2018. Gaydos stated he felt like he was brought onto the Orange County IDA Board to repair/improve the relationship between the Orange County IDA Board and the Orange County Legislature.

Gaydos was asked if he knew Villasuso worked for GTG/Cozzolino to which he stated Edward Diana, who was also being paid by GTG, told him and the other IDA Board Members, after the Orange County IDA Zoom meeting, which occurred on February 25, 2021. The Orange County IDA Board Members along with Dowd, were asked to stay on the Zoom meeting call. At that time,

Diana stated he wanted to notify the Orange County IDA Board Members that he and Villasuso worked for GTG/Cozzolino in Ulster County. Gaydos did not recall if Diana told the Board how long he and Villasuso had been working for GTG. Gaydos noted Diana stated he regretted doing it and that it was a bad choice. Gaydos stated Villasuso may have also said it was a bad choice.

Gaydos said it seemed to him that neither Dowd nor DiSalvo, seemed to know about the information prior to that meeting. Gaydos stated Diana advised the disclosure was made in Board minutes at a past Orange County IDA Board meeting but wanted to make sure the newer Orange County IDA Board Members were aware of it. Gaydos stated he had a conversation with Dowd sometime after the Zoom meeting and Dowd indicated to him that he was not aware Diana and Villasuso were working for GTG/Cozzolino.

When asked when this Zoom meeting happened, Gaydos stated it was sometime after the Orange County Legislature started asking questions and before the Vona presentation in February 2021.

Gaydos said he had taken conflict of interest training when coming on the Orange County IDA Board. To him Villasuso and Diana seemed conflicted; he stated he wouldn't have done it himself. He noted it surprised him more to hear that Diana was being paid by GTG/Cozzolino then Villasuso.

Generally, Gaydos stated he had a conversation with Cozzolino and told Cozzolino that he should think about putting his Orange County IDA Management Director jobs out to bid as it would make it "more legit" if the contracts were put out for bid and GTG/Cozzolino won.

#### **4. Stephan Brescia (Former Orange County IDA Board Member)**

Brescia stated he was appointed to the Orange County IDA Board in 2002. Brescia was asked about any Orange County IDA Board Members on GTG's payroll. Brescia said "I was told

that I was told” a few years ago when Armistead was on the Board. When Brescia was asked further about what he meant by “I was told that I was told” he said he was advised that he had been previously told about the conflict between GTG/Cozzolino, Diana and Villasuso, but it was a while ago and that’s why he did not have any recollection of it. Brescia then said he believed Diana self-reported the conflict. Brescia said the Board didn’t give it much thought, just that Villasuso and Diana, started working in Ulster County. Brescia was asked if Dowd ever provided advice on the conflict to which he responded, “not that I recall.” Brescia noted no one ever brought up that Villasuso and Diana working at GTG was a conflict. Brescia was asked if he recalled anything ever being put in the minutes about the conflict, instead of responding to the question, Brescia he said they may have needed to do more, in more areas but thought they did a good job.

When Brescia was asked about training, he noted he received ABO training but was unsure how many times he took it. Brescia also stated he may have heard over the years once or twice that the Orange County IDA Board had a whistleblowers policy. When asked if he or if he knew if anyone checked with the ABO regarding the conflict, Brescia said no, noting Villasuso was in-charge of the PARIS filings with the ABO and insuring compliance with the ABO.

#### **5. Edward Diana (Former Orange County IDA Board Member, First Interview)**

Diana stated he worked in government for over 40 years and ran Orange County for many years. He also stated he was a retired teacher. He was initially on the Orange County IDA Board in the 1990’s for approximately eight years. Around 2014, he received a call from Brescia stating there was an opening on the Orange County IDA Board and asked him to rejoin as a Board Member which he did in January 2015.

Diana stated he believed he had met Cozzolino with O'Donnell when Diana was appointed to the Economic Development Corporation for the Hudson Valley Zone Committee, which Cozzolino was on the Board of between 2010-2014.

In the middle of 2015, GTG, was appointed to work for the Orange County IDA. Diana stated he came to know Cozzolino from his work with him through the Orange County IDA and interacted with him in Board settings only. Diana stated there was an initial bid for services for the Orange County IDA Managing Director position, that GTG ultimately won. In 2015, Armistead the then Chairman, Rogulski the then Vice Chairwomen and John Steinberg, the then Second Vice Chairman, did interviews of three companies and GTG won the contract. Diana stated he was not involved other than the final vote from the Orange County IDA Board.

Diana stated in 2015, he was the Chairman of Governance Committee of the Orange County IDA, on the Audit Committee (which oversaw all salaries) and, in January 2016, he became the Chairman of the Accelerator Committee. The Accelerator Committee oversaw the OCBA program and the AWOW program. His duties as the Chairman of the Accelerator Committee were to run the committee meetings and report back to the Board. He noted sometimes he would report to the Board and sometimes Cozzolino would report to the Board what occurred during the Accelerator Committee meeting.

In November 2016, Diana stated Cozzolino came to him and stated that he needed a consultant to work for GTG. Diana stated he advised Cozzolino he could not do any work in Orange County and Cozzolino told him it would be consulting services in Ulster County for the ARC of Ulster- Greene. When asked, Diana stated there were no set hours for this consulting job but rather he would go to some meetings and sometimes talk to clients via the telephone. Diana admitted he did not do a lot for GTG, very little maybe 50-100 hours all together from 2016 to

2020. He did not work every week rather, perhaps, once a month. Diana would meet with the owners of different businesses and see what types of work they needed completed, and then he would try to get the businesses to hire two to three employees from the ARC.

Diana stated Cozzolino and Villasuso would call him to discuss what they should talk about and present to the Board and Accelerator Committee; however, he stated they never discussed how much GTG was earning and being paid by the Orange County IDA. Diana stated he never read any of the contracts nor discussed them with GTG; instead, the contracts would be discussed before the Board and reviewed by Dowd.

Diana stated that he believed his work with GTG was permissible because his work was done in Ulster County.

Diana believed his work with GTG/Cozzolino was disclosed in December of 2016. Diana stated at that time he asked Armistead to have the Board go into Executive Session to discuss his work in Ulster County. When asked if it was ever brought before the Board outside of Executive Session and public disclosure made, Diana stated that in the December 6, 2016, Board Minutes, it noted that Armistead asked the Board to enter Executive Session to discuss a personnel matter regarding an Orange County IDA Board Member. Diana stated he believed those meeting minutes refer to the Board discussing his notice about GTG. He was uncertain why the Board meeting minutes didn't in turn reflect a public disclose of his employment with GTG.

Diana believed the following board members were aware of his employment with GTG: Brescia, Armistead, and Rogulski, he said Schreibeis should have been aware. He further stated Michael Gaydos might have also been aware of his employment with GTG at some point. Of DiSalvo, Diana stated he believed he knew through just general conversation that Diana was working for GTG. Diana stated that Dowd did not raise any issues with his GTG employment, but

he could not recall exactly what Dowd may have said to him when Diana disclosed his employment. Initially, Diana told the investigative team that he and Villasuso both disclosed their employment with GTG/Cozzolino; however, he later stated he only knew he did.

Diana was asked if he read the conflict of interest disclosure to which he stated he did, but he further stated he believe he fulfilled his requirement by disclosing to Armistead his work for GTG/Cozzolino. When asked about the Certificate of Independence he filled out every year, Diana agreed he filled out the certificate at the first meeting of every year which is handed out by Villasuso but omitted his work for GTG/Cozzolino on it. He also stated he did an ABO Training on-line that went over conflicts of interest.

Regarding the Certificate of Independence form, he filled out, Diana stated he believed he filled it out every year from 2015 on. He admitted his work with GTG/Cozzolino was omitted from the form and he was wrong, but he didn't think his work with Ulster County needed to be on the form. When asked if he discussed this with the Dowd, he stated yes. When asked if Villasuso did as well, he stated he believed she did. When asked if he ever had any discussions with anyone within or outside the Orange County IDA about his working for GTG/Cozzolino he stated no one at the Orange County IDA said anything to him about it being wrong, some friends might have questioned it. Diana stated it was stupid, but he always made the same amount from GTG, it never went up and he was never the deciding vote on the Orange County IDA Board with regards to GTG contracts.

When asked if he was aware under General Municipal Law that there needed to be a public disclosure of any potential conflict of interest, Diana stated no. Diana was asked if he ever recused himself from a vote when he was a Legislator to which he responded no. He stated when he was voted in as the Supervisor of the Town of Wallkill, he as an Orange County IDA Board Member

spoke with Dowd and did recues himself from some Wallkill votes that were presented to the Orange County IDA Board.

With regards to Villasuso working for GTG/Cozzolino, Diana stated he knew she worked for him but wasn't sure how he knew. He was unsure in what capacity she worked for GTG/Cozzolino and what project she was working on. He was aware Villasuso was initially at the County Executive Office with O'Donnell and moved to the Orange County IDA when O'Donnell did in about 2009. He noted he didn't really talk to Villasuso about Orange County IDA related matters and never talked to her about GTG.

During his second interview, Diana was asked further about his employment with GTG/Cozzolino. Diana stated he met with two individuals from the ARC of Ulster-Greene on a few occasions and, at least the first time, Cozzolino came with him. During the tenure of Diana's employment from 2016 to 2020, he estimated he may have had approximately 20 meetings and participated in phone calls about the project. Diana stated he doesn't believe he has met with the ARC of Ulster-Greene since 2019 due to the COVID-19 pandemic, but agreed he continued to be paid by GTG/Cozzolino. Diana advised he did not believe he would have been conflicted even if he had performed no services with the ARC and was paid by GTG.

Diana did not have an explanation for the fact that, Orange County IDA Board meeting minutes showed him questioning aspects of GTG/Cozzolino contracts and work prior to his employment with GTG/Cozzolino but not after he was employed. As a Board Member or a Committee Member, Diana admitted he never questioned the work being reported on the Accelerator program or the AWOW program after his employment, nor did he verify the job creation numbers that were presented. Diana stated that he relied on and trusted Cozzolino and

Villasuso and trusted the information they provided. In fact, Diana stated, “we were an absentee board.”

Diana stated he didn’t know Villasuso worked for GTG/Cozzolino until very recently, when the independent audit was done by Vona, despite stating during his May 4, 2021, interview that he and Villasuso may have advised the Orange County IDA Board in an executive session together of their work for GTG/Cozzolino. During his second interview, Diana stated I don’t know, I don’t remember knowing Villasuso worked for GTG/Cozzolino until recently.

Diana agreed his compensation from GTG/Cozzolino was approximately \$90,000, during the course of his employment by GTG/Cozzolino. Diana was then shown an Excel Spreadsheet which demonstrated that GTG was paid by ARC of Ulster-Greene approximately \$131,000, during the tenure of Diana’s employment. When asked if it made economic sense for Diana to be paid a majority of the money GTG received from ARC of Ulster-Greene for his role as a consultant when he admittedly only participated in approximately one meeting a month and made a couple of telephone calls, Diana stated he didn’t know.

Diana stated he was paid by GTG, up until recently, by paper check. He stated in fact, Petra Klein a co-owner of GTG called him to say he was the only employee left of GTG that was issued a paper check and she asked him to please enroll in direct deposit. He stated he was “old fashioned” and wanted a paper check. When he received paper checks either Diana or his wife would cash them at the bank with the teller. He stated they were not deposited into his bank account because he utilized that money as “pocket money.”

#### **6. Denise Quinn (Former Orange County IDA Board Member)**

Quinn stated the first time she heard that Villasuso and Diana were working for GTG was the Zoom meeting noted above. She stated she was shocked by the news. Quinn noted that as soon

as Vona brought it up, someone in the meeting qualified the statement by adding that the work being done by Villasuso and Diana was only for Ulster County. Quinn stated at the meeting it was also revealed that the invoices/vouchers GTG/Cozzolino had been submitting were not audited by anyone at the Orange County IDA.

After that Zoom meeting with Vona, Quinn stated she spoke to Brescia, who indicated he knew nothing about Villasuso and Diana working for GTG/Cozzolino and that it had never been disclosed to the Orange County IDA Board. Sometime after that, she saw both DiSalvo and Gaydos at a fundraiser and based on a conversation with them, she believed they too were unaware that Villasuso and Diana worked for GTG/Cozzolino.

#### **7. Joel Kleiman (Former Orange County IDA Chief Financial Officer)**

Kleinman stated he started with the Orange County IDA ten to fifteen years ago and left early in the Spring of 2020. Kleinman was at the Orange County IDA before Villasuso was hired. According to Kleinman, initially Villasuso was hired to perform administrative work, and, over time, her responsibilities increased.

Kleinman stated he was not aware that either Diana or Villasuso were working for GTG/Cozzolino. Kleinman stated he was at almost all Board meetings and did not recall any discussion of Diana or Villasuso working for GTG/Cozzolino and he is unaware of any public disclosure of either of them working for GTG/Cozzolino. Kleinman noted he was not present in executive sessions.

Kleinman was not aware of any conflicts of interest while working for the Orange County IDA, and had he been aware of any, he would have had a responsibility to report them to the Board.

## **8. Edward Januskiewicz (Former Orange County IDA Chief Financial Officer)**

Januskiewicz stated he started with TSEC in November of 2009, as the Director of Finance, working ten hours a week. TSEC was formed in 2007 and, in 2018, changed its name from The Solar Energy Consortium to The Strategic Economic Consortium. Cozzolino was an original founder of TSEC. Januskiewicz was unsure of who the other co-founders were. According to Januskiewicz, Cozzolino was part of TSEC from the time he co-founded it through 2021, holding various roles. More recently, Cozzolino has been a Board Member and previously held the role of President. Januskiewicz could not recall when Cozzolino resigned from that position.

Januskiewicz started working as the Orange County IDA's CFO in May of 2020, working twenty hours a week, at the time of this interview, that had increased to thirty hours a week. This work for the Orange County IDA was simultaneous to his work as the Financial Director of TSEC.

Januskiewicz said in December of 2020 or January of 2021, Villasuso mentioned to him that she worked for GTG/Cozzolino. Januskiewicz stated he had previously heard of her employment with GTG/Cozzolino during an Orange County IDA Board meeting but couldn't recall when.

## **9. Kevin Dowd (Orange County IDA General Counsel)**

Dowd stated he was appointed to the Orange County IDA in June of 2012, as the Orange County IDA's Attorney. Dowd noted he was also representing the Village of Montgomery in Orange County and the Harriman Planning Board at that time. The head of the Orange County IDA at the time of Dowd's appointment was O'Donnell. O'Donnell and Kleiman shared the role of CFO. O'Donnell was paid \$12,000 and Kleiman was paid \$3,000.

Dowd stated when he first started representing the Orange County IDA, Villasuso was an administrative assistant but noted the Orange County IDA Board could see she had promise, as

she prepared a lot of the documentation for O'Donnell when he was CFO. Dowd believed Villasuso may have started with the Orange County IDA in 2010 or 2011. According to Dowd, the Board wanted to hire a director that would manage the Orange County IDA and who would train Villasuso to manage it. The Board ultimately hired an Executive Director and, around January 2014, Villasuso was named Associate Director. The Executive Director at that time was hired at \$60,000 and Villasuso was hired at \$55,000. HVEDC at this time had been making \$6,000 a month to manage the Accelerator program.

According to Dowd during the audit performed by Vona, he learned that Diana worked for GTG. Vona called Dowd and asked for a Board meeting without Villasuso and Cozzolino present. According to Vona, both Villasuso and Diana were employed by GTG/Cozzolino and Vona wanted to discuss the issue with the Board, without Villasuso and Cozzolino present. Dowd stated he called each of the Board Members in advance of the meeting to let them know why Vona was requesting a meeting without Villasuso and Cozzolino present. Dowd stated Vona highlighted a few issues as concerns and in calling the Board Members, some expressed outrage or agitation at various things raised to him by Vona. Dowd stated he did not know about Villasuso or Diana working for GTG prior to that call with Vona. He was adamant that he was not aware. Dowd was unaware if any Board members knew of Villasuso and Diana's employment with GTG.

Dowd recalled that in approximately 2014 or 2015, at an Orange County IDA Board meeting, Villasuso stated she had received a call from Ulster County asking that she provide advice and assistance with getting their Accelerator Program running. The Orange County IDA Board told her she could assist, as long as it did not interfere with her duties for Orange County. Dowd said Villasuso never mentioned GTG.

Dowd stated Villasuso's position for the Orange County IDA was essentially a full-time job. When asked if he would be surprised if Villasuso was on GTG's payroll for 22.5 hours a week, Dowd responded he would be surprised to hear that.

Dowd noted that after his call with Vona, but before the Board meeting in which the Orange County IDA Board was replaced, he had a conversation with Diana. Diana mentioned to Dowd during that conversation that he, Diana, had been approached by the ARC of Ulster County to assist on a setup of an Accelerator project. Diana told him that Cozzolino had been approached by the ARC of Ulster County as well and that's how they started working together.

Dowd also recalled an instance in 2017 when Diana came to him asking about Diana's role as the Supervisor of Town of Wallkill and the work the Orange County IDA was starting to do with Town of Wallkill. Dowd advised Diana that he would have to publicly disclose the conflict and abstain from any voting regarding Town of Wallkill projects. According to Dowd, Diana followed Dowd's advice and abstained from voting and made a public disclosure of the conflict. At that time, Diana did not mention to Dowd his employment with GTG.

Dowd stated that, had he known about it, he would have had an issue with Diana simultaneously being an Orange County IDA Board Member, the Chairman of the Accelerator Committee, and on the Audit Committee while working for GTG. Also, had he known about it, Dowd would have had an issue with Villasuso approving contracts and payments for GTG while being employed at the Orange County IDA. Had he known about such conflicts, Dowd stated he have advised Villasuso that she was conflicted and at a minimum, he would have advised the Orange County IDA Board Chair to approve contracts and payments for GTG. Dowd agreed that by Villasuso approving the contracts with GTG and Diana voting on them, those contracts were tainted. Dowd stated he did not know how long Villasuso, or Diana had been employed by GTG.

Dowd stated Villasuso and Melonie Schouten would manage the Orange County IDA Board Members' ethics filings each year and make sure the Board was in compliance. Dowd stated he did not review the ethics filings. Schouten, Orange County IDA's Program Director, was a GTG employee but then was hired by the Orange County IDA Board part of her role as Program Director was to process payments.

Dowd was asked if Diana signed the ethics filings and whether there was a requirement to disclose conflicts. As Dowd noted above, he did not review the ethics filings for the Orange County IDA Board Members, thus, he was not aware what Diana disclosed. Dowd noted he could not see how Diana would have been able to sign the filings each year without disclosing he was employed by GTG.

Regarding the Orange County IDA's Ethics Policy, Dowd stated he advised the Orange County IDA Board several times that they should adopt and follow guidance issued by the ABO. However, the Orange County IDA Board felt the Orange County's Ethics policy was sufficient and had no interest in adopting their own Ethics Policy pursuant to the ABO guidance.

Dowd stated the IDA Board had adopted a whistleblower provision and that he had recently revised it.

#### **10. Melanie Schouten (Former Orange County IDA Chief Operating Officer)**

Schouten stated that she was Cozzolino's daughter-in-law. At the time Cozzolino became Managing Director of the OCBA, she worked for and acted as GTG's onsite Representative to the Accelerator program. She assisted with grant applications and tracked the success of businesses within the Accelerator located in New Windsor. When Cozzolino was hired as the Managing Director of Orange County IDA in 2016, Schouten was then hired by Orange County IDA as

Project Director. Schouten was aware that Cozzolino and Villasuso were both on the Board of Directors of TSEC but was unaware that GTG had a management contract with TSEC.

Schouten attended most Orange County IDA Board meetings and recalled that, after one public meeting ended (unknown date, but believes it was near the end of 2016), she overheard Villasuso and Diana talking with some other board members and telling them that they worked on an informal basis for GTG. She did not hear any discussion about this topic during the public board meeting. Schouten did not recall which Board members were present for that conversation, but specifically recalled Villasuso saying she was “moonlighting for Galileo” in other counties. Schouten denied knowing that Villasuso worked for GTG in 2015.

Schouten became the Chief Compliance Officer in charge of PARIS training<sup>22</sup> for Orange County IDA Board Members in 2019. Prior to her taking on that role, Villasuso held the responsibility.

Schouten was responsible for putting the Orange County IDA Board packets together for the board members and mailing them out so the board members could be reviewed prior to the meetings. The packets contained the Certificate of Independence form provided at the reorganization meeting in January of each year, minutes of the prior month’s Committee meetings, including minutes for the Audit, Personnel, Finance and Governance Committees. Villasuso instructed Schouten not to include the minutes of the Accelerator Committee meeting.

Schouten stated that she was aware that Diana did not disclose his employment with GTG on his Conflict of Interest form, despite the existence of a conflict. Schouten doesn’t remember

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<sup>22</sup> PARA refers to the New York State Public Authorities Reform Act. The Act established the Authorities Budget Office, and among other things, required all public authorities board members, including IDA Board members to undergo mandatory training every three (3) years.

how Diana's employment was disclosed to the Board. She stated other than the discussion noted above it came up again in 2021 when "things were exploding."

When Senator Skoufis made a request for materials from the Orange County IDA, Schouten stated she compiled the material to respond to the request and gave it to Villasuso. Schouten further noted she was aware the materials provide to Senator Skoufis only revealed a conflict that Brescia had reported not the conflicts of Villasuso or Diana. She stated she probably discussed the materials with Dowd and Villasuso.

Schouten stated that she would sometimes attend the Orange County IDA Executive Sessions. When asked if she remembered any disclosure of Diana's or Villasuso's employment with GTG, she answered "NO."

## **KNOWLEDGE OF EXISTENCE OF OTHER CONFLICTS**

### **1. Mary Ellen Rogulski**

Rogulski stated TSEC was a company that would purchase and help assemble equipment for Accelerator sites. Rogulski did not know who owned the equipment sitting in the Accelerator sites. Rogulski was not aware that GTG also had a contract with TSEC to maintain the equipment at the Accelerator site in Newburgh, NY. She recalled Cozzolino requesting \$50,000 be granted to TSEC from the Orange County IDA or OCFC and believed that was a contract.

Rogulski stated she was not aware that Villasuso and Cozzolino were on the Board of TSEC, or that TSEC had a contract with GTG/Cozzolino to manage the Accelerator equipment. She was not aware that TSEC was granted free rent at the Accelerator site in Newburgh, NY. Rogulski was shown a copy of a sub-lease between the Orange County IDA and TSEC in which Cozzolino signed on behalf of the Orange County IDA. She stated Cozzolino could not set the

price of sub-leases or sign on behalf of Orange County IDA, noting that has to go through the Board and Villasuso would have had to sign the sub-lease.

Rogulski was not aware if either Cozzolino or Villasuso was employed by the company, CERES, but recalled that CERES was an Accelerator client. Rogulski was unaware that Petra Klein, the other co-owner of GTG, worked for CERES as well.

## **2. James DiSalvo**

DiSalvo stated TSEC was a company that the Orange County IDA gave grants to and received equipment from. He thought they might have something to do with lobbying. DiSalvo stated he did not know that Villasuso or Cozzolino had any direct connection with TSEC and wasn't sure if GTG did.

## **3. Michael Gaydos**

Gaydos recalled the name TSEC but did not initially recall to what extent. Gaydos was not familiar with Carl Meyer [Meyer] the CEO and President of TSEC. As a Board Member of the Orange County IDA, he is also a Board Member of the OCFC, Gaydos did not recall voting to grant TSEC money, but stated that if he voted for it, his name would be on the Resolution. Gaydos was not aware that either Villasuso or Cozzolino were on the Board of TSEC, and he could not recall if GTG/Cozzolino had a contract with TSEC. Gaydos did not recall knowing that TSEC received free rent in one of the IDA's Accelerator sites. Later in the interview, Gaydos noted he recalled that TSEC assisted with equipment for Orange County IDA.

## **4. Stephan Brescia**

According to Brescia, Cozzolino had done work for Orange County IDA in the Armory in Newburgh, NY through TSEC. Brescia believed Cozzolino had a connection to and may have known Cozzolino was on the Board of TSEC. Brescia knew that CERES was Cozzolino's

company. Brescia knew GTG/Cozzolino was involved with TSEC in Ulster County and believed GTG/Cozzolino helped TSEC procure State grants. Brescia could not recall if the OCFC provided money to TSEC.

#### **5. Edward Diana (First Interview)**

Diana stated he thought TSEC was a State agency and was unaware that Cozzolino and Villasuso were connected with TSEC. He was not aware Cozzolino and Villasuso were on the Board of TSEC. Diana stated he only had contact with Meyer from TSEC.

Diana was unaware that TSEC was provided a sub-lease with the Orange County IDA Accelerator for free rent and stated that Villasuso would have prepared and signed the leases. Diana was unaware that the OCFC gave grants to TSEC. Diana stated that neither Cozzolino nor Villasuso ever revealed to the Orange County IDA Board that they were on the Board of TSEC.

#### **6. Joel Kleiman**

Kleinman recalled generally that the Orange County IDA provided TSEC with funding but did not recall if that funding was out of the Orange County IDA or the OCFC. Kleinman was not aware Cozzolino or Villasuso were on the Board of TSEC nor was he aware that GTG/Cozzolino received a contract from TSEC to work on equipment located at the Orange County IDA and utilized the same employees.

#### **7. Edward Januskiewicz**

Januskiewicz stated in 2018 TSEC started doing more economic development projects and grants. TSEC's role of strategic economic work involves work with the New York State Economic Development Corporation, the OCFC, and Orange County IDA.

Januskiewicz stated TSEC's primary source of funding is from various grant funding. Funding sources include the New York State Economic Development Corporation, which is

designated to capital and equipment; The New York State Department of Labor, which Januskiewicz stated TSEC used for managing consultant services, staff, contractors, overhead and travel. TSEC also received small grants from Workforce Development in which the funding was utilized to maintain their website.

Januskiewicz was asked about the grants from the OCFC and the Orange County IDA to TSEC. Januskiewicz stated the OCFC grants were used to maintain equipment, and that the Orange County IDA grants were generally used for overhead, which included staff salaries and fringe benefits. When Januskiewicz was shown a grant agreement between TSEC and the IDA that noted it specifically could not be used for overhead, he didn't have a response. In addition to the grants TSEC received from the Orange County IDA, Januskiewicz agreed that TSEC was given "Agent Status"<sup>23</sup> for the Orange County IDA.

Generally, according to Januskiewicz, TSEC has used the grant funds they received to develop smart labs and smart pods to assist small companies and corporations. Januskiewicz stated the Orange County IDA's Accelerator program was already in place when TSEC started assisting. According to Januskiewicz, from the grant funds, TSEC has purchased equipment, which is on loan to the Orange County IDA Accelerator clients; and provided supplies through GTG. As an example, Januskiewicz stated the equipment located at the Newburgh, NY, Avenue of Americas site was reimbursed to TSEC by the New York State Economic Development Corporation. Januskiewicz stated TSEC did not have a system in place to keep track of grant funding and ensure all grant funding was utilized at the end of the grant term. Januskiewicz believed Villasuso joined the TSEC Board in 2017. Januskiewicz stated he thought Meyer recommended Villasuso join the

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<sup>23</sup> An Industrial Development Agency is not permitted, by law, to make grants to entities. However, entities whose mission is also to foster economic development and job creation can be deemed an "agent" of the IDA and receive funds to be utilized for the sole purpose of engaging in activities such as training, education, and public relations which further the mission of the IDA. The IDA should approve of the activities undertaken and must ensure that the funds given are not used by the entity for payroll and/or overhead expenses.

Board. Januskiewicz stated his only real interaction with Villasuso prior to his hiring at the Orange County IDA was through her work on the TSEC Board. Januskiewicz could not recall if Villasuso voted on GTG contracts in her role as a TSEC Board member but stated he would have to look at the minutes and noted that Cozzolino would not have been able to vote on those contracts as a TSEC Board Member.

Januskiewicz stated that TSEC's dealings with Orange County IDA or OCFC were through Cozzolino. Januskiewicz was not sure if either Orange County IDA or the OCFC knew of Cozzolino's relationship to TSEC, but he thought they were aware.

#### **8. Kevin Dowd**

Dowd stated TSEC was instrumental in helping the Orange County IDA obtain machinery. He stated they contract with the OCFC. Recently he found out Cozzolino and Villasuso were on the Board of TSEC and that Cozzolino might have been the Executive Director in the past. Dowd was aware that TSEC was located in one of the Orange County IDA's Accelerator Program buildings but was not aware they were not paying the Orange County IDA any rent. Dowd stated he did not draft the contract for the lease.

### **KNOWLEDGE OF THE GTG CONTRACTS AND INVOICES**

#### **1. Mary Ellen Rogulski**

Rogulski stated she was not involved in the shaping of the contracts between the Orange County IDA and GTG/Cozzolino. When shown a copy of a contract between the Orange County IDA and GTG/Cozzolino that she signed, Rogulski stated she didn't recall signing it. Rogulski did not know who determined the dollar amounts that would be paid to GTG/Cozzolino on the various contracts with the Orange County IDA. She agreed the 2021 contract between the Orange County IDA and GTG/Cozzolino now stated GTG needed permission to offer AWOW services to

Accelerator clients. Rogulski was asked again about not being involved in setting the dollar amounts for contract between the Orange County IDA and GTG/Cozzolino, as she was on the various committees that should have formed those amounts. She stated that Villasuso and Cozzolino would request the amount of money for each contract and advise what it would be used for.

Rogulski was asked if she was ever concerned about overlapping contract responsibilities or concerned of GTG/Cozzolino doing the same thing under the various contracts. Rogulski stated that the Orange County IDA CFO would have been responsible for reviewing the contract responsibilities and whether they overlapped with responsibilities under other contracts. She further stated that she believed that invoices were being received and reviewed. She stated it was only recently, during the presentation done by Vona, that she learned the invoices submitted by GTG/Cozzolino contained insufficient detail.

Rogulski stated she never saw any of the GTG invoices/billing, noting the Orange County IDA Board didn't supervise the process of billing. She was aware invoices were submitted but relied on the CFO to process the invoices. She wasn't aware of the CFO's process and did not know whether it was the CFO's responsibility to check/review the invoices received.

## **2. Stephen Brescia**

Brescia stated the Orange County IDA Board did not review any GTG/Cozzolino contracts or leases but noted he did vote on the extra consulting fees and was aware of the various payment structures with GTG/Cozzolino (i.e., Orange County IDA contact for Managing Director, Accelerator Managing Director, various Accelerator sites Managing Director and AWOW program Managing Director). When asked what Cozzolino's role was as the Accelerator's overall Managing Director that was different and apart from his role as each sites Managing Director,

Brescia stated the Orange County IDA Board probably should have re-negotiated the contract which detailed Cozzolino's role as the Accelerator's overall Managing Director. Brescia stated he dealt with Cozzolino and did not really recall dealing with Petra Klein, the other co-owner of GTG.

Brescia stated that the amount of money being paid to GTG/Cozzolino was questioned, but the Accelerator program was impressive. Brescia agreed that as the Managing Director, Cozzolino was acting as an employee of the Orange County IDA.

Brescia stated that, at Orange County IDA Board meetings, the Board would generally receive a sheet with all invoices and expenses listed on it. The sheet did not delineate what the services were for, rather it was an overall listing. Brescia stated he never saw the actual invoices and expenses. When specifically asked about GTG/Cozzolino billing for Accelerator clients in the AWOW program, Brescia stated he would not think that's acceptable. He also acknowledged that the Accelerator Committee minutes he was shown from June 2019, which discussed the change in billing regarding certain Accelerator clients being billed under the AWOW program, did not appear in any discussion by the Orange County IDA Board as a whole or made part of the Orange County IDA Board meeting minutes.

### **3. Kevin Dowd**

Dowd stated he attends the Orange County IDA Board Audit Committee meetings. At those meetings, the Audit Committee would review the budget for the following year and would discuss pricing. Rogulski, Diana, Villasuso, and Cozzolino would also attend the meetings. (NOTE: John Steinberg also on Audit Committee but Dowd didn't mention by name). Dowd stated he was not part of the discussions about payment on GTG contracts, he was only advised to draft contracts and the amount of the contracts by Villasuso or Cozzolino. Dowd would then just repeat

the contract from year to year. Dowd was told the AWOW program was a “not-to-exceed” contract.

Regarding AWOW billings, Dowd stated he was at an Audit Committee meeting in 2019 when the committee may have decided to bill established Accelerator clients as AWOW clients. Dowd stated he was surprised when Cozzolino and Villasuso presented the idea at the meeting. Cozzolino and Villasuso essentially said that, due to the level of work these specific established clients Ziel and Melo needed, they would also begin to bill Ziel and Melo in the AWOW program. Dowd stated while it made no sense to him, his client didn’t ask for his advice. When it was pointed out to Dowd that the Cozzolino an owner of GTG and Villasuso an employee of GTG proposed the change in billing and Diana another employee of GTG voted on it, Dowd agreed, it would seem Villasuso and Diana would be conflicted. Dowd noted it did not come up officially to the Board at the next meeting. Dowd stated he recalled having a discussion with Januskiewicz, about why Cozzolino and Villasuso would be proposing the change in billing.

#### **4. Michael Gaydos**

Gaydos stated he never saw invoices submitted to the Orange County IDA by GTG for payment as that would go through the CFO at the time, which was Kleinman. Kleinman would submit a report at the Orange County IDA Board meeting which would contain a summary but did not contain the details of the invoices received. Gaydos stated no one really ever questioned the amount being spent.

#### **5. James DiSalvo**

DiSalvo stated that, in his opinion, the Orange County IDA received a benefit from paying approximately \$900,000 for services, because if the IDA trained 100 people to get better jobs and better themselves, it was worth it. DiSalvo stated that, generally, the Board relied upon Villasuso

and Cozzolino who took care of the state audits and internal audits and raised any issues with the Board.

## **6. Joel Kleinman**

Kleinman stated he never reviewed the contracts between the Orange County IDA and GTG; he only saw the approved budget. According to Kleinman, there was one GTG bill for the various Managing Director positions and a separate invoice for the AWOW billings. Kleinman was responsible for ensuring there was backup documentation to the billings and signing off on them, however he stated he did not review or audit the backup documentation. Kleinman stated the clerk collected the invoices for the Accelerator and AWOW programs and prepared a payment. Kleinman stated he didn't believe Villasuso ever reviewed the GTG invoices but was not sure. Reilly reviewed the invoices but just put them together. Kleinman was asked again if he ever reviewed the AWOW billings to insure there was no double billing, to which he responded, no, his role was to only ensure that backup documentation was provided. With regards to Ziel and Melo, clients of the Accelerator program, Kleinman stated he never read the contracts with GTG so he would not know if the billings for Ziel and Melo under the AWOW program were already covered under the Accelerator billings.

Kleinman was asked about the increases in GTG/Cozzolino's compensation. He stated GTG would get contracts for each site, to develop and make the sites operational, and find and maintain clients. Kleinman did not conduct any price comparisons and was not aware of any price comparisons done. When asked where the dollar figure for the contracts with GTG/Cozzolino came from, Kleinman stated that management, Villasuso, and Cozzolino would meet with the Orange County IDA board members and would discuss the contract amounts and levels. Kleinman would receive the budget from Villasuso and Cozzolino and would then present the budget to the

Orange County IDA Board. According to Kleinman, any price negotiations would have happened prior to his involvement.

## **7. Edward Januskiewicz**

Januskiewicz stated the first contract with GTG was bid on, but each one after had been a “sole source” contract. The Orange County IDA has an Accelerator program as well as an AWOW program. The various Accelerator Managing Director contracts GTG/Cozzolino holds with the Orange County IDA are “set price” contracts, with one exception: the contract GTG/Cozzolino held with the Orange County IDA for the AWOW program was an “hourly rate” contract or “not to exceed” contract. GTG would submit monthly invoices for all Cozzolino’s different roles as Managing Director; this included the specific Orange County IDA contracts and separate invoices for the hours on the AWOW contract.

As he held the role of CFO of the Orange County IDA and Director of Finance for TSEC, Januskiewicz was asked if he noticed any overlap between what GTG was billing TSEC and the work Cozzolino was doing for both the Orange County IDA Accelerator and the AWOW programs, Januskiewicz stated that the programs were all at the same site and it was hard to recall what GTG was originally responsible for, noting the lines between the roles were blurred. He also noted in the office at New Windsor he sat around the corner from Villasuso and Cozzolino, he didn’t know if they were working on Orange County IDA business, TSEC business, or GTG business.

When asked if he could recall any specific example of the same hour of work being billed to both TSEC and the Orange County IDA, Januskiewicz stated the bills would not show up that way, there was no indication that the billing did overlap, specifically if it was the same hour billed for the same work. He noted there would have been a short time in which his role as Financial

Director of TSEC and the CFO of the Orange County IDA would have overlapped when GTG was a contractor of TSEC's billing for services for the New Windsor site. He stated that NYS grant was completed in June of 2020. TSEC has not secured another state grant since that time. After June of 2020, TSEC did not have a Project Manager for the Smart Labs/Smart Pods. He stated GTG must have taken up the slack on the Orange County IDA side. He recalled an instance when GTG made a request to TSEC to fix equipment after the grant funding ran out and GTG was advised TSEC couldn't fund it.

Generally, the Orange County IDA Accelerator would manage the clients, and TSEC was responsible for the equipment. Januskiewicz did not recall looking at the GTG billing details or noticing things covered under the TSEC grant specifically regarding Melo and Ziel. Januskiewicz stated he didn't recall looking at the details of the invoices. He believed Schouten or Villasuso might have looked at the detail of the GTG billings. He further stated he didn't know enough of the work being done to know if something should have been billed differently. He just provided a report with the client's name and hours in the monthly Orange County IDA Board meetings. He did note however, that it was his understanding that the AWOW program was supposed to be for separate clients that were not onsite in an Accelerator location and that the AWOW clients received basically technical support. To his knowledge, Melo and Ziel were onsite Accelerator clients. Januskiewicz stated he could not recall if he processed any of the billing when GTG billed for Melo and Ziel through the AWOW program.

## **IDA BOARD'S UNDERSTANDING OF THE ACCELERATOR**

### **1. Mary Ellen Rogulski**

Rogulski described her understanding of the AWOW program. She stated she believed it was for entities like Orange County Packaging to utilize as a resource for technical support and

expertise. She also stated she believed it was for local businesses to further develop their business including Accelerator clients.

Rogulski said she believed an Accelerator client could be a client of the AWOW program at the same time, if they needed services that were considered outside the Accelerator program. Rogulski stated Melo was trying to buy a building from New Windsor and the Orange County IDA wanted Ziel to take over their lease, as the Orange County IDA felt Ziel and was ready to take the next step and no longer in need of the Accelerator program. When it was pointed out that it seemed as if both Melo and Ziel were less likely at these stages to need additional help from the Orange County IDA, Rogulski didn't comment. She did however note, she did not see Ziel as a transitioning business in 2018.

Rogulski was asked if she was aware that GTG/Cozzolino would hire itself as a contractor to perform duties under the AWOW program, to which she responded she did not know that; she would have thought they would have hired other companies. She said she relied mostly on the CFO position to oversee things of that nature.

Rogulski stated GTG/Cozzolino performed certain services for the AWOW program separate and apart from the Accelerator program. However, she did not know what services were covered under each program.

## **2. James DiSalvo**

The only things DiSalvo recalled about Ziel and Melo was that the Orange County IDA was doing press for Ziel and that Melo subleased with the Orange County IDA. He did note they were Accelerator program clients and not AWOW clients. DiSalvo stated he was unaware that GTG/Cozzolino was billing Ziel and Melo through the AWOW program.

### **3. Edward Diana (Second Interview)**

Diana at his second interview, stated he believed he had a conversation at an Accelerator Committee meeting with Cozzolino and the Accelerator Committee members regarding three companies, Ziel, Melo and one other company he couldn't remember. At that meeting, Diana stated he recalled Cozzolino saying those three companies needed more work than what was provided by the Accelerator program. Diana was asked what the contract for Managing Director of the Accelerator program was supposed to cover, to which he responded finding the sites for Accelerators, managing the sites, finding businesses to come to the sites, dealing with local officials and support services for the clients at the sites.

Then Diana was asked why the Accelerator Committee would allow GTG/Cozzolino to bill the AWOW program for services that were essentially covered under the description of Managing Director of the Accelerator Program he just described. Diana responded, Cozzolino advised him that the three companies were changing. When asked if this change to add the three companies to AWOW billing was approved by the Board, Diana stated he didn't know but noted in order to exercise that authority, a change like that would need to be voted on by the Board at a Board meeting. When Diana was advised that GTG/Cozzolino billed the AWOW program for the three companies noted above without a vote from the Board and in fact that Ziel and Melo were billed prior to the Accelerator Committee meeting discussed above Diana stated that would be inappropriate.

Diana stated that he was unsure why the Accelerator Committee meeting minutes were not part of the Board package like the other Committee meeting minutes.

#### **4. Michael Gaydos**

When asked about the Accelerator and AWOW programs, Gaydos said he thought the Accelerator sites and AWOW were the same thing, one took care of the other.

With regards to changing billing for several clients, including Ziel and Melo, Gaydos didn't recall anyone saying in any of the Orange County IDA Board meetings that they were switching Ziel and Melo from Accelerator clients to AWOW clients.

#### **5. Kevin Dowd**

Dowd believed GTG employed around 10-11 people. If GTG needed extra consultants, it would be paid for by the AWOW program. Dowd was asked if he or the Orange County IDA Board were aware that GTG was hiring itself for those extra consultant roles to which he stated no and he didn't think the Orange County IDA Board was aware. Dowd was asked about the changes to the GTG contacts that were made in 2021 to prevent Accelerator clients from being billed under the AWOW program without Board approval. Dowd stated that he made the changes because he thought it should be more reflective of what was going on. Generally, Dowd stated he would work with Petra Klein of GTG regarding contracts.

### **THE UNDERSTANDING OF THE CORPORATE STRUCTURE LACK OF GOVERNANCE**

#### **1. Mary Ellen Rogulski**

Rogulski discussed the function of GTG/Cozzolino to manage the Orange County IDA. She noted Cozzolino would manage the day-to-day operations but as a Board Member, she did not know exactly what that entailed. She stated he may have had direct supervisory authority over staff of the Orange County IDA, but she was unsure. She agreed that GTG/Cozzolino was paid a separate fee to be the Managing Director of the Orange County IDA, the Managing Director of the

Accelerator program, the Managing Director of each of the Accelerator sites and to Manage the AWOW program.

According to Rogulski, GTG/Cozzolino reported to the Orange County IDA Board and Accelerator Committee. She described the structure as Villasuso, and Cozzolino, were managerially on the same level but with different duties. Villasuso was not above Cozzolino in the structure. She stated Cozzolino was not a staff member but was an independent contractor initially brought in to help upgrade the Orange County IDA's policies. When questioned more about Cozzolino's role (i.e., independent contractor vs representative of the Orange County IDA), Rogulski stated she wasn't aware he had any supervisory duties. She agreed Villasuso and Cozzolino controlled the flow of information and she relied on what they told her. She also agreed Villasuso and Cozzolino controlled the Accelerator and AWOW programs.

## **2. Joel Kleinman**

Kleinman was asked who was in charge at the Orange County IDA, he stated there was an organizational chart revised approximately two years ago and aside from the titles, there was a delegation of duties for both Cozzolino and Villasuso. When asked if one was a supervisor over the other, Kleinman stated Villasuso was on the Orange County IDA operational side and Cozzolino was for budget issues and budget questions regarding the Accelerator program. Villasuso and Cozzolino co-managed the Orange County IDA and had some overlapping of duties in doing so. He noted "I couldn't tell you" who was a supervisor of the other and that he saw them as equal. Villasuso and Cozzolino shared an office which also had a conference room so when he spoke to them, he usually spoke to them both.

### **3. William Fioravanti (Director of Orange County Economic Development)**

Following the removal of the former Orange County IDA Board and the appointment of a new Board, William Fioravanti [Fioravanit] stated that, based on his knowledge and experience, he of was asked to assume the position of Liaison to the Board and staff of the Orange County IDA. Fioravanti stated prior, he had been attending Orange County IDA Board meetings for seven or eight years. As a spectator of those meetings, Fioravanti stated he didn't really understand the roles of Villasuso and Cozzolino. Fioravanti stated it appeared Cozzolino pretended he wasn't in charge, but everyone knew he was the one in charge.

With regards to job creation/retention numbers, Fioravanti stated he and the new Orange County IDA Board could not figure out where the numbers presented by GTG/Cozzolino came from. The Orange County IDA had a Compliance Officer for a while, but no one really knew her, she was brought in by GTG/Cozzolino and when she left, they never replaced her.

### **THE INTERVIEW AND FINDINGS OF LEONARD VONA, CPA**

Vona stated that he was retained by Brown Weinraub, a Strategic Consulting Firm, to do a review of the corporate finances and potential misuse of finances at the Orange County IDA on December 2, 2020. He stated that he believed he was hired to look at the inquires O'Donnell and the Orange County Legislature were making of the Orange County IDA. He stated the idea was they thought he would be able to indicate everything was ok with the books and records. Essentially, to do a forensic investigation of themselves.

According to Vona, this was supposed to be a risk assessment, but the project evolved over time. In the beginning the end result was never supposed to be a report to the Orange County Legislature.

Vona agreed his initial scope of work was to look for missing/stolen money from the Orange County IDA. Vona noted that he was initially retained to review and defend the Orange County IDA by looking at their books and records. He stated he advised Cozzolino that the contracts GTG held with the Orange County IDA “sucked.” Vona was asked if Dowd signed off on the documents, he stated Cozzolino basically told him no, he did not have anyone sign off on the contracts. Vona then noted he didn’t think Dowd had ever seen the contracts, stating, “Come on, would an attorney ever sign off on these things?” When asked again if Cozzolino stated Dowd hadn’t seen the contracts between the Orange County IDA and Galileo, he confirmed that was what Cozzolino indicated to him. After Vona critiqued the contracts noted above, he stated Cozzolino came to him and presented him with a new version of the 2021 contracts and wanted to know if they looked better.

Vona questioned how as Counsel, Dowd didn’t ensure he (Dowd) saw the contracts and why didn’t he ensure the Board saw the contracts. Further, Vona questioned why the Board members themselves didn’t insist on seeing the contracts, noting they are business astute people.

Generally, Vona stated that he questioned how a Board would not look at how much they spend on their top 10 vendors/customers, noting there was no sign off, and asked generally where the controls were.

Vona was asked of his understanding of who between Villasuso and Cozzolino was in charge, to which he stated he would argue that Villasuso was technically supposed to be, but that they operated as if they were equal.

At this point, Vona stated it was never clear to him the distinction between GTG billing for an hourly rate vs his straight contract Managing Director fees.

Of Januskiewicz, Vona stated he viewed Januskiewicz more as a bookkeeper than a Comptroller or CFO. Vona stated his observation was that Januskiewicz was just told where to put the expenses. Generally, of the Orange County IDA's bookkeeping, Vona stated there was no consistency of reporting or a clear audit trail. If you look at the ledger, on the expense side, sometimes there were descriptions and sometimes not.

Vona was shown the Orange County IDA Accelerator 2020 review document that was created by GTG/Cozzolino and presented to the Orange County IDA Board. He was asked about what expenses Cozzolino should have used in the final calculation of cost per job creation/retention. Vona reviewed a Profit & Loss Report for the year 2020 for the Orange County IDA Accelerator program.<sup>24</sup> Vona then explained the Accelerator 2020 review shows a number for cost per job creation/retention, but not all categories in the report were utilized in that job creation/retention number. He believed that the categories of payroll, bank charges and special initiatives were not included in the calculations of the Accelerator 2020 review when it was created. This is of note because Cozzolino would report to the Board that expenses that did not include all categories in order to have the Accelerators appear to have cost per a creation of a job appear lower, when in fact the cost per a job was much higher than reported; causing the Orange County IDA board to be misinformed of the cost and maintain a job. Had the Board known this they may have discontinued the Accelerator program. He then clarified how on the cost of job retention/creation should have been calculated, by giving this example;

The total expenses between January 1, 2016 and December 31, 2020 for the Accelerator program on the report was \$6,988,324. If he was to back out the payroll cost over the same time period, \$2,037,999, also taking bank charges \$650, \$4,940,325 is difference in expenses, without payroll and bank fees. Next dividing that by the

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<sup>24</sup> He noted that the Profit & Loss Report was run from the Orange County IDA's accounting software, QuickBooks, and would have been utilized to create the 2020 Accelerator review document. The report is generated by the Orange County IDA CFO who at the time was Januskiewicz.

reported 485 jobs would give an approximate cost of created/retained \$10,206 per job.<sup>25</sup>

Vona also noted he believed there should be a note at the bottom of any review of these numbers which states a certain portion of the IDA staff salaries really should have been considered in the numbers. The Orange County IDA should have found a way to track the percentage staff was working on the Accelerator program so that they could be included in the cost per job creation/retention number.

Vona was asked if it was appropriate for a contractor to be providing the cost of job creation/retention numbers to the Board to which he responded it would never be appropriate for the individual regardless of if he was an employee or contractor to create the number and present the numbers without an independent review of those numbers. Generally, Vona stated in his opinion what failed with the Orange County IDA was a lack of proper reporting, and the reporting shouldn't have come from Cozzolino.

Vona was asked about the CPA firm hired by the Orange County IDA to which he stated their review was consistent with looking at financials. As far as they were concerned the Orange County IDA's controls were fine. Vona did however note, that this past year once it was publicly reported there were questions about the Orange County IDA Board's finances, the CPA firm should have looked into more details at the Orange County IDA.

Vona then discussed Ziel and Melo, and his review. Vona had a direct conversation with Cozzolino about the Ziel and Melo billings and why they were billed through the AWOW program. Vona stated Cozzolino advised him Ziel and Melo were like two different business with regards to the startup of making Personal Protection Equipment. Vona noted he thought the billings were

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<sup>25</sup> After the interview, Vona provided spreadsheets showing the revised 2020 cost per job was \$3,842.00, however, the cumulative cost per job for the five (5) years from 2016 through 2020 was \$16,163.99, approximately five (5) times more than Cozzolino represented to the IDA Board of Directors.

over the top and believed the money showed proof of that. Cozzolino said to Vona of the billings, well you have to keep these businesses running. However, Vona said some of the things he was billing under the AWOW program like fixing doors seemed like they should fall under the Managing Director role. As the contract was so vague, he was concerned with bills lack of support as he identified billing for maintenance on the cutting machine which one would think would be covered by the Managing Director of the Accelerator role and not part of the AWOW program. Vona also spoke to the owners of Ziel and Melo as well as some other clients in his review.

Vona was asked if he found evidence of double billing on the GTG contracts, he responded he never really got the chance to finish his work because it kept evolving. He was reviewing and focused on control issues.

Vona was asked if after reviewing the vouchers and invoices from GTG to the Orange County IDA did he speak with Cozzolino, to which he stated he did and he advised Cozzolino that the invoices were insufficient and questioned how anyone was supposed to know if the billing was proper or not as they lacked detail. Vona stated he asked Cozzolino for back up to the invoices; however, Cozzolino had an employee of GTG do an internal audit of the invoices to time and attendance records rather than provide the records to him. The employee advised Vona he may have found some double billing with regards to Cozzolino's time approximating \$18,000 and he asked Vona what he should do. Vona stated he advised that GTG needed to fix the overage. However, Vona stated as he was never provided the time records, he requested, and in fact, he wasn't convinced there were any actual time records. Vona stated that he never learned how many employees worked for GTG. Vona stated that he never really believed there was a real company behind Cozzolino. He went to the GTG website, and it wasn't a real professional company website. He said anyone would think that the Orange County IDA was their only client.

Vona stated he found that the Orange County IDA Financial Director only initialed the invoices presented by GTG to the Orange County IDA and paid them, never doing a review of the invoices.

Vona stated it seemed that Cozzolino and Villasuso wanted him to represent that generally everything was ok financially for the Orange County IDA. Of the meeting with the Orange County IDA Board, Vona stated he does not recall anyone having a negative reaction to his presentation.

Generally, Vona stated he advised both Cozzolino and Villasuso that their management controls at the Orange County IDA “sucked”, that there was a total absence of management controls and they ran the Orange County IDA like the wild west. Between Cozzolino and Villasuso he was never sure who was running the Orange County IDA.

Vona stated the Board was oblivious, they didn’t do their due diligence but then noted, “really how many Boards do?” Further noting, that the Board failed in their fiduciary duties.

### **NEGLIGENT OVERSIGHT**

The crimes committed by Cozzolino, Villasuso and Diana could have been prevented, or at the very least mitigated, had the IDA’s Board of Directors exercised proper oversight. Although the investigation did not reveal evidence that there was direct theft or misappropriation of IDA monies, it did reveal a pattern of conflicts of interest, one-sided contracts, and negligent oversight that resulted in GTG/Cozzolino having virtually unfettered discretion to bill the IDA hundreds of thousands of dollars for services that were only vaguely described and overlapped with services they were required to provide under other existing contracts. It also revealed a blind, unquestioned allegiance to Cozzolino/GTG, which fostered a self-enriching sense of accomplishment, albeit unverified and unsubstantiated, on the part of the Board of Directors. This report will explore not only the crimes discovered during the investigation, but the abrogation of duties of board members

and other structural failings, which made those crimes possible. In addition, this report will provide recommendations to prevent such occurrences in the future. This report and its findings should also serve as a warning to other IDA's.

Both Villasuso, the Chief Executive Officer of the IDA, and Diana, the Board Member who chaired the IDA's Accelerator Committee, were duty bound to exercise oversight of GTG's work and billing practices; but instead, both were literally on GTG's payroll. This situation was made even worse by the fact that neither the greater Board of Directors nor the IDA's attorney exercised competent - much less adequate - oversight, notwithstanding that some Board Members admittedly knew about Villasuso's and Diana's conflicted employment. As a result of this systemic lack of oversight, GTG was paid more than it was entitled to and should have been paid for services. Since the IDA willingly allowed GTG to submit invoices which did not contain detailed descriptions of the services it provided nor the time spent on each task, it is impossible to properly audit the invoices to determine precisely what it was entitled to be paid.

### **THE CRIMINAL DISPOSITIONS**

As a result of our joint investigations, on June 21, 2021, Cozzolino pleaded guilty to Corrupting the Government in the Third Degree, a class D felony, for his actions as Managing Director of the IDA. The IDA's former Chief Executive Officer, Villasuso, also pleaded guilty to Corrupting the Government in the Fourth Degree, a class E felony, and Diana, a former member of the IDA's Board of Directors, and a former County Executive of Orange County, pleaded guilty to Offering a False Instrument for Filing in the First Degree, a class E felony<sup>26</sup>, and committing a Prohibited Conflict of Interest.

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<sup>26</sup> At the time of sentencing, if Diana has fully complied with the terms of his cooperation agreement, the felony plea will be vacated and he will be permitted to plead guilty to Offering a False Instrument for Filing in the Second Degree, a Class A misdemeanor.

At the time that they pleaded guilty, Cozzolino and Villasuso each admitted that they had acted in concert with each other in a scheme to defraud the IDA through payments that the IDA made to Cozzolino's company, GTG. Villasuso admitted that she had been employed by both the IDA and GTG even as she signed contracts on behalf of the IDA with that corporation. Diana admitted being employed by GTG while he was an IDA Board Member and filing a false document which hid his employment. As a member of the IDA's Board of Directors, Diana voted on the contracts that the IDA had with GTG and chaired the committee which dealt most directly with that company.

As part of the plea disposition, Cozzolino agreed to pay the negotiated amount of restitution of \$1,000,000 to the IDA by the date that he is sentenced. Villasuso and Diana agreed to pay \$175,000 and \$90,000 respectively. The amount of restitution that each individual defendant is required to pay is approximately the amount of money each earned from GTG while in conflict with their respective fiduciary positions with the IDA. All the defendants are scheduled to be sentenced on September 10, 2021.

## **CONCLUSIONS**

Most, if not every, investigation begins with a report of suspected wrongdoing. The report can be based on actual knowledge, past knowledge, or a motive, sincere or otherwise, or on a combination of one or more of those elements. In any event, the sense of obligation and persistence, or a personal desire to reveal potential wrongdoing, can trigger, as in this case, an investigation into a public benefit corporation, the Orange County IDA. State law prohibits IDA officers and officials from any outside activities which conflict with their official duties and mandates disclosure of potential conflicts and the annual PARIS filings provide insight into whether the public authority is following critical conflict of interest requirements. When one

considers that the makeup of IDA boards, such as the Orange County IDA Board, it is comprised of elected officials, business leaders, labor leaders and other self-described developers, who may very well benefit from their tenure on the board, it should not be surprising when recognition of fiduciary duty and ethical requirements, is obliterated by self-interest, or worse yet, complacent indifference to their oath to uphold the integrity of the agency.

An Orange County Legislator, O'Donnell, brought attention to an alarming drain of funds from the Orange County IDA. His prior experience as an Executive Director of the Orange County IDA made him acutely aware that the Orange County IDA's Accelerator program was hemorrhaging money. As a result, the existence of a convoluted web of conflicts of interest was uncovered by a joint investigation by the Orange County District Attorney's Office and the New York State Comptroller's Office. The undisclosed, interconnectedness of a member of the Board of Directors, the CEO, and the Managing Director of virtually every aspect of the Orange County IDA operation, led to the inevitable discovery of a public benefit agency commitment to the Accelerator program was resulting in expenditures that far outpaced the Orange County IDA's income. Continuing on this path, the Orange County IDA was bound to eventually run out of money. While there was no evidence of outright theft or misappropriation there was overwhelming evidence that an ineffective at best, and apathetic at worst, Board of Directors and General Counsel, created an environment within which someone like Cozzolino, could engage in an attractive sales pitch, touting an aggressive Accelerator program to stimulate business and create jobs without any Board Member asking critical questions or demanding independent verification of his claims. Unfortunately, the "star struck" board was intoxicated by their self-congratulatory claims of success, spoon fed to them by Cozzolino and his co-conspirators Villasuso, the CEO of the Orange County IDA, and Edward Diana, the head of the very committee charged with

monitoring the Accelerator program. With each passing year, the reported successes of the Accelerator program, by Cozzolino and Villasuso, resulted in ever expanded and bloated contracts which enriched Cozzolino and his company, GTG.

The investigation revealed that the Board of Directors never saw, much less examined, a proposed contract with GTG before approving it. Likewise, the Board of Directors never saw or demanded review of a single invoice of GTG, before paying it, as submitted. In no uncertain terms, the Orange County IDA Board of Directors, totally abdicated, to Cozzolino and Villasuso, their collective legal, fiduciary, and ethical responsibility and duty to oversee the operation of the Orange County IDA, in the public interest. Any oversight which could have been provided by the relevant IDA committee was vitiated by the fact that it's chair, Edward Diana was on Cozzolino's payroll in a \$90,000 low-show job. In this context, the result, albeit regrettable, is understandable. The Board of Directors handed Cozzolino a blank check, and he made sure that there would be an ever increasing, financially draining, creation of Accelerator campuses, whose success he could bellow about, while the Board of Directors nodded and smiled in approval.

The experience suffered by the Orange County IDA, should be a clarion call to the New York State Legislature and IDAs around the state as to the consequences of inadequate oversight. Public Benefit Corporations exist for the public good. They are not an end in themselves. Those who wish to serve must take upon themselves the full responsibility to oversee the agency to ensure it is operated in the public interest. Board members cannot, and must not, abdicate their responsibility. While board members are volunteers, that does not in any way, lesson their duty to be vigilant and committed to protect the public interest. That vigilance and commitment was lacking from the Orange County IDA Board, as a whole, which suffered the humiliation of removal

amid a cloud of corruption and malfeasance. Going forward, substantial changes must be made to the structure, processes, and oversight of industrial development agencies.

## **RECOMMENDATIONS**

The evidence above clearly illustrates a systematic pattern of failures within the prior absentee Board; including a lack of; transparency, controls; and oversight. Based on this investigation and forensic review of records, the following recommendations should be considered for adoption by the current Orange County IDA Board.

- The Board should review and approve all contracts;
- The Board should receive and review a detailed list of all invoices, with a detailed list for Board approval;
- The Board should be provided with and review all committee meeting minutes;
- The Board should be provided with and review all leases and subleases;
- The CFO should review and approve all invoices;
- Duties should be separated between preparation, payment, and oversight of all vouchers and invoices; and
- All job creation numbers with regards to the Accelerator Program should be verified by an independent source.

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