

A.G. Schneiderman Announces Felony Conviction Of Engineering Firm Manager For Making Unauthorized Alterations To Damage Report In Wake Of Superstorm Sandy

Matthew Pappalardo, Former Project Manager Of HiRise Engineering, P.C., Pleads Guilty To Unauthorized Practice Of Engineering

HiRise Engineering, P.C. Agrees To Be Permanently Debarred From The National Flood Insurance Program

Schneiderman: My Office Is Committed To Protecting Homeowners And Ensuring That Their Claims Are Handled Accurately And Fairly

NEW YORK – Attorney General Eric T. Schneiderman announced today the felony conviction of Matthew Pappalardo, 39, of Nassau, for Unauthorized Practice of Engineering. Pappalardo, former Project Manager for Uniondale engineering firm HiRise Engineering, P.C. (“HiRise”), admitted today in Nassau County Supreme Court to altering an engineering report prepared in connection with the assessment of structural damage of residential properties resulting from Superstorm Sandy. HiRise pleaded to the violation of Criminal Solicitation in the Fifth Degree, and agreed to be permanently banned from receiving contracts and providing services under the Federal Emergency Management Association’s (“FEMA’s”) National Flood Insurance Program (“NFIP”).

“Fraudulently altering engineering reports undermines the integrity of the entire NFIP claims process, which homeowners and families rely upon in a time of crisis,” said **Attorney General Schneiderman**. “My office is committed to protecting homeowners and ensuring that their insurance claims are handled accurately and fairly. Today’s conviction also re-emphasizes the need for FEMA to implement the reforms to the National Flood Insurance Program identified by my office, so that when the next major storm hits, families can be confident that their claims are being handled professionally and reliably.”

In August 2016, the Attorney General’s Office announced the unsealing of an indictment from a Nassau County Grand Jury charging Pappalardo and HiRise with multiple counts of Forgery in the Second Degree, a class D Felony, and charging Pappalardo with multiple counts of Unauthorized Practice of Engineering, a class E Felony.

According to statements made by prosecutors at arraignment on the indictment, after Superstorm Sandy in October 2012, HiRise, a Uniondale-based engineering firm, was contracted to perform structural engineering assessments for properties covered under the National Flood Insurance Program. HiRise, in turn, retained numerous licensed professional engineers to perform house inspections and prepare engineering reports.

According to prosecutors, the original reports authored by the on-the-ground, subcontracted professional engineers were altered by employees of HiRise, under the direction of project manager Pappalardo. Pappalardo and the other HiRise employees who made the alterations to the original reports did not personally inspect the damaged buildings and were not licensed to practice engineering in New York State. The altered reports were then submitted by HiRise, and ultimately provided to the adjusting firms, without the consent or approval of the

underlying professional engineers. Federal flood claim administrators and adjusting firms then relied on these reports as part of their evaluation of coverage under the NFIP.

Today, before the Honorable Jerald S. Carter in Nassau County Supreme Court, Pappalardo pleaded guilty to Unauthorized Practice of Engineering, a Class E felony. Pappalardo is expected to be sentenced on March 1, 2017, to three years' probation and a fine in the amount of \$10,000. Also today, HiRise pleaded to Criminal Solicitation in the Fifth Degree, a violation, agreed to be permanently banned from receiving contracts and providing services under the NFIP, and paid \$225,000 in costs of prosecution.

Contemporaneous with filing the criminal charges resulting in today's conviction, Attorney General Schneiderman released a report identifying several fundamental flaws in the NFIP and recommending specific reforms designed to provide homeowners with a better understanding of their coverage and to insure the integrity of the structural damage assessment process. The Attorney General's Report, entitled "[Murky Waters: Increasing Transparency and Accountability in the National Flood Insurance Program, Findings and Recommendations in the Wake of Superstorm Sandy](#)," identifies several fundamental flaws related to both the scope of coverage and the structural damage assessment process under the NFIP, and calls for the immediate implementation of specific reforms.

Flaws in the NFIP identified by the OAG include:

- A lack of clarity in the scope of coverage under the Standard Flood Insurance Policy;
- Inadequate training and lack of certification requirements for structural engineers retained in connection with flood claims; and
- Poor administration and supervision of the flood claims process, including the failure to provide important documentation to policyholders.

Reforms to the NFIP recommended by OAG include:

- Increase the transparency and clarify the scope of flood insurance coverage and any applicable exclusions, to provide consumers with a better understanding of what is and is not covered under their flood policy, through the creation of a plain language disclosure sheet;
- Provide policyholders with all documents created during the course of the flood claim administration process and ultimately relied upon in determining payment or denial of a flood claim, including all final adjuster and engineering reports, as a matter of course;
- Implement a national certification process for all engineers retained to provide structural damage assessments in the wake of a flood event; and
- Ensure the transparency of fees paid to engineering experts by implementing a standardized fee schedule for all engineering services.

Attorney General Schneiderman thanks the United States Department of Homeland Security, Office of the Inspector General for their valuable assistance on this investigation, including Special Agent in Charge Gregory K. Null, Assistant Special Agent in Charge Julio Santana, Special Agent in Charge of Headquarters Michael Dawson, Special Agent George Heitz and Special Agent Steven Tseng.

Attorney General Schneiderman also thanks the New York State Education Department, Office of Professions for their valuable assistance on this investigation.

The OAG investigation was conducted by Senior Investigator Michael Leahy and Investigator Anna Ospanova. The Supervising Investigator is Sylvia Rivera and the Deputy Bureau Chief is John McManus. The Investigations Division is led by Chief Investigator Dominick Zarrella.

The case is being prosecuted by Assistant Attorneys General Joseph D'Arrigo and Robert Miller of the Attorney General's Criminal Enforcement and Financial Crimes Bureau. The Bureau is led by Bureau Chief Gary T. Fishman and Deputy Bureau Chief Stephanie Swenton.

The original Consumer Frauds investigation was handled Assistant Attorney General Melvin L. Goldberg of the Consumer Frauds and Protection Bureau. The Bureau is led by Bureau Chief Jane Azia. The Division of Economic Justice is led by Executive Deputy Attorney General Manisha M. Sheth.