

NEWS

United States Department of Justice  
U.S. Attorney, Eastern District of Louisiana  
500 Poydras Street, Suite B210  
New Orleans, Louisiana 70130

**Jim Letten, UNITED STATES ATTORNEY**

News releases are posted at our website at [www.usdoj.gov/usao/lae](http://www.usdoj.gov/usao/lae)

Contact: Kathy English (504) 680-3068

Immediate Release  
June 16, 2005

---

**FEDERAL GRAND JURY INDICTS FOUR IN CITY HALL INVESTIGATION ON FRAUD, EXTORTION, MONEY LAUNDERING AND CONSPIRACY CHARGES**

**NEW ORLEANS, LOUISIANA** - Jim Letten, United States Attorney for the Eastern District of Louisiana, James Bernazzani, Jr., Special Agent in Charge, Federal Bureau of Investigation, and Michael Nelson, Special Agent in Charge, Internal Revenue Service, Criminal Investigations, announced today that a Federal Grand Jury indicted four (4) individuals today in connection with the federal probe into government corruption in the City of New Orleans. The indictment charges criminal fraud in the contracting process relating to the City of New Orleans energy saving contracts with Milwaukee-based Johnson Controls, Inc. which were signed in three phases beginning in October, 2000 and ending in April, 2002. The contracts in question were for terms of twenty (20) years. The indicted individuals include the former Director of Property Management for the City of New Orleans, **KERRY DE CAY**, age 45, of New Orleans, and three local businessmen, **STANFORD BARRÉ**, age 60, of New Orleans, **REGINALD WALKER**, age 57, of New Orleans and **JULIUS LIPS, JR.**, age 49, of Terrytown, Louisiana.

The contracts entitled Johnson Controls to be paid \$9.4 million for Phase One, \$17.7 million for Phase Two and \$6 million for Phase Three. The total amount which the City will pay out (including principal and interest) over the course of the entire contract period is approximately \$65 million. The contracts were premised on the goal of achieving energy savings for the City sufficient to pay for the cost of the contracts. The indictment states that contrary to the stated cost - saving method of paying for the contract, the City has paid approximately \$3.2 million annually towards this debt using capital improvement funds obtained from bond issues.

The indictment charges conspiracy, mail fraud, extortion, obstruction of justice, false statements and money laundering. Specifically, **KERRY DE CAY**, who oversaw Phases Two and Three on behalf of the City of New Orleans, is charged with conspiracy to commit mail fraud, multiple counts of mail fraud, money laundering, extortion, and one count of obstruction of justice.

**STANFORD BARRÉ**, a sub-contractor to Johnson Controls, is also charged with conspiracy to commit mail fraud, multiple counts of mail fraud and money laundering, and obstruction of justice.

**REGINALD WALKER**, a sub-contractor to Johnson Controls, is charged with conspiracy to commit mail fraud, multiple counts of mail fraud and money laundering, and obstruction of justice. **JULIUS LIPS, JR.** is charged with mail fraud and making a false statement to the Federal Bureau of Investigation.

This case involves alleged kickbacks and fraudulently inflated invoices which cost the City of New Orleans more money than the value it received from the contract. For instance, the indictment alleges that while **BARRÉ** was being paid by Johnson Controls to help manage its subcontractors, he was being paid hundreds of thousands of dollars from one of them, Moss Creek. The indictment goes on to allege that **BARRÉ** would then share the money he received from Moss Creek with **KERRY DE CAY** and the Johnson Controls project manager, Terry Songy. Songy was not charged in today's indictment.

Additionally, the indictment alleges that **BARRÉ** helped secure the subcontract for Moss Creek which is owned by

Reginald Walker. Walker's company did work under the Johnson Controls contract at the New Orleans Cultural Center which had no energy savings component. This work was authorized by **KERRY DE CAY** and personally benefitted **BARRÉ**, who holds the exclusive concession contract under the name Pampy's, Inc. for the Morris F.X. Jeff Municipal Auditorium and the Mahalia Jackson Theater of the Performing Arts which comprises the Cultural Center. According to the indictment, **BARRÉ**, operating under the name Chrystal, is also part of a joint venture with SMG known as SMG Crystal, L.L.C., which manages the Cultural Center and received management fees and incentive bonuses as part of his contract.

The indictment alleges several instances wherein **KERRY DE CAY** received things of value besides money from businesses involved in the contracts with Johnson Controls. In one of those instances, defendant **JULIUS "JAY" LIPS, JR.** is alleged to have bought **DE CAY** a custom glass table while doing work with the City. Other items **DE CAY** is alleged to have received, in addition to cash, are a Viking refrigerator, an icemaker, a pool pump.

"This significant investigation has revealed evidence that a high-level official in the City of New Orleans used his position to illegally enrich himself and others at the expense of the taxpayers of the City," United States Attorney Jim Letten said. Letten went on to state:

"Such corruption and abuses like it discourage and deter competent, deserving businesspeople from doing business in our community because they believe that they will not receive a fair opportunity to participate in government projects on a level playing field. Today's federal charges are, I submit, themselves compelling evidence of our commitment in federal law enforcement to leave no stone unturned in aggressively seeking out, identifying, and prosecuting anyone - whether public official or private citizen - for jeopardizing free enterprise and harming honest businesspeople and citizens through extortion, fraud, obstruction of justice and other serious offenses. Our team of highly competent and aggressive prosecutors, together with the truly fine Special Agents from the FBI Organized Crime Squad and the IRS Criminal Investigations Division will forge ahead in this and other investigations to effectively cripple the forces of corruption in the City of New Orleans. To that end, it is my fervent hope and belief that we will seek additional federal criminal charges in the coming weeks against other individuals in connection with this investigation."

If convicted, **DE CAY** faces a maximum sentence of 210 years in prison; **BARRÉ** faces 130 years in prison; **WALKER** faces 130 years in prison; and **LIPS** faces 15 years in prison. All face substantial fines and forfeiture if convicted.

The U. S. Attorney reminds citizens that an indictment is an accusation, and that every defendant so charged is, under our Constitution, presumed innocent until proven guilty.

This case is being investigated by Special Agents of the Federal Bureau of Investigation and IRS Criminal Investigations Division. This case is being prosecuted by First Assistant United States Attorney Jan Maselli Mann, along with Assistant United States Attorneys Robert J. Boitmann, Brian M. Klebba and Jon M. Maestri.

\* \* \*

---

[New Orleans Homepage](#)

[Press Releases](#)

[FBI Homepage](#)