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Probe's Thread Turned Extraordinary

By SEAN GARDINER



Ramsay de Givie for The Wall Street Journal

Some of the investigators involved in the Business Integrity Commission probe: Detective Peter McMahon, left, Sgt. John Sondey, Lt. Chris Murphy, Detective William Martin and Dominick Albergo.

As New York City's oversight agency for private garbage-haulers, the Business Integrity Commission handles complaints that tend toward the mundane: stolen containers, illegal dumping, bid-rigging.

Investigators had little reason to believe a suspected arson in 2009 at a Staten Island carting company would be much

different. But over the next three years, the fire would lead them to an extraordinary series of alleged crimes, including one that was a first for the commission: murder.

The investigation—which spiraled into allegations of robbery, betrayal, revenge and organized-crime connections—culminated in federal indictments last week of two men and shined a light on an obscure agency whose work goes largely unnoticed.

"We look at every loose thread that needs to be pulled," said agency Commissioner Shari Hyman. "And you can see what can unravel when you do these kinds of investigations."

Established in November 2001 as the Organized Crime Control Commission, the small agency was later renamed and given law-enforcement and regulatory control over industries with historic mob influence: more than 1,500 private carting companies, three wholesale markets and local shipboard gambling.

In April 2009, New York City Police Lt. Chris Murphy and Detective William Martin, who are both assigned to the agency, opened what seemed like a run-of-the-mill investigation. Four trucks were reported to have been torched at Coney Island Container Service, a carting company located in an isolated spot on Staten Island.



BIC

A surveillance photo of Luigi Grasso

But the probe soon grew into something larger. The New York City officers, working with commission investigators Dominick Albergro and Nelson Cortez, found the business was owned by a Department of Sanitation worker who had his agency's permission to run a private garbage-hauling firm, according to the commission and the department.

The owner, Anthony Castelle, and his lawyer didn't respond to a request for comment. He pleaded guilty to an unrelated weapons possession charge in May, according to the Staten Island District Attorney's office. The commission announced in June it had declined to renew his company's registration. He still works for the city, the department said.

The alleged arson appeared to have its roots in an August 2008 dispute, Lt. Murphy said. A man named John Ferris gave \$250,000 to a pair of longtime friends of Mr. Castelle, Christopher Garguilo and James Donovan, for safekeeping, Lt. Murphy said. Mr. Ferris said he had worked for Mr. Garguilo.

But when Mr. Ferris tried to retrieve the money, the men balked, the lieutenant and Mr. Ferris said.

In an interview with The Wall Street Journal, Mr. Ferris said he gave Mr. Garguilo \$500,000, not \$250,000, that he had taken from his ex-girlfriend and mother of his child. Mr. Garguilo didn't return a call for comment.



Piotr Sikora for Vh1 Networks

Hector 'Junior' Pagan

Over the next several months, the three feuded, investigators said. Messrs. Garguilo and Donovan were arrested in November 2008 on menacing charges after allegedly threatening Mr. Ferris with a gun. Mr. Ferris was arrested in April 2009 after allegedly setting one of their cars on fire, a charge he denied. Then came the blaze at Coney Island Container Service. The New York Fire Department deemed the fire to be arson, but no one was ever charged.

The menacing and car-fire cases eventually were dropped because of a lack of cooperation from the victims. Mr. Ferris denied any involvement in the fire at Coney Island Container Service.

While probing that case, the agency investigators discovered that during Mr. Donovan's arrest for menacing, officers seized from his car what appeared to be a customer ledger, \$62,000 in cash, deposit slips and checks from local businesses.

Their attention shifted. In March 2010, Mr. Donovan became the subject of a new investigation: Authorities believed he was collecting insurance checks from auto-body shops for a fee and giving the shops the cash value of the checks. The shops would pocket the money without declaring it, allowing them to avoid paying taxes. Lt. Murphy said their investigation found that Mr.

Donovan was cashing more than \$1 million worth of these checks a year through connections at check-cashing stores and clearing more than \$100,000 annually from the alleged scheme.

Over the following months, investigators said, Mr. Donovan's alleged scheme was linked to dozens of companies in "Operation Tax Grab."

But before any charges were filed, Mr. Donovan was killed. The focus of the case changed once again, and so did Mr. Donovan's role—from suspect to victim.

A surveillance camera that investigators were using to watch Mr. Donovan at a friend's auto-body shop caught something on July 2, 2010: Four men approached Mr. Donovan, appearing intent on robbery.

The men struggled with Mr. Donovan, who was shot in the leg. The robbers made off with \$90,000 in cash and \$60,000 in checks, according to Lt. Murphy. Mr. Donovan died several hours later at a local hospital.

Now it was a murder investigation, which brought Brooklyn homicide Detective Peter McMahon into the probe. Still, investigators had few clues.

A break came weeks later when detectives followed a trail from a bank surveillance camera. A man spotted depositing some of the allegedly stolen checks—and who was subsequently arrested on an unrelated narcotics charge—placed calls from Rikers Island that were ultimately traced to a parolee, Nunzio "Nicky" DeCarlo. Federal prosecutors identified Mr. DeCarlo as a member of the Colombo crime family when he was arrested in 1987 on racketeering charges. He was later convicted and served 18 years in prison.

Those calls plus other clues, including DNA from discarded cigarette butts that Detective McMahon had collected from the scene and phone taps—another almost unheard-of tactic for the Business Integrity Commission—led investigators over the following months to three other men: Hector "Junior" Pagan, Richard Riccardi and Luigi Grasso.

Mr. DeCarlo died in October 2010 at his Staten Island home from an overdose of drugs, including heroin, according to the New York City Medical Examiner's office.

On July 11, a federal grand jury in Brooklyn indicted Messrs. Riccardi and Grasso on charges of robbery conspiracy, causing death through the use of a firearm and using or carrying a firearm. They pleaded not guilty and were ordered held without bail.

Mr. Riccardi's attorney, Joseph Benfante, said his client was falsely implicated. "Richard Riccardi is innocent of these charges," he said. Mr. Grasso's attorney, Robert Soloway, didn't return calls for comment.

In mid-2011, Mr. Pagan agreed to cooperate with federal investigators in continuing probes, including a case that resulted in the arrest on racketeering charges of several alleged members of the Bonanno crime family. His role as government informant emerged during a federal court hearing in Brooklyn in February.

Included among the defendants was his former father-in-law, Anthony "TG" Graziano, once named by a "confidential source" as a member of the Bonanno family, according to federal court papers. Mr. Graziano pleaded guilty to extortion on April 9. His lawyer didn't return a call for comment.

Mr. Pagan, whose ex-wife Renee Graziano is on the VH-1 television show "Mob Wives," hasn't been charged in connection with Mr. Donovan's murder. Ms. Graziano declined to comment for this article.

"Unprecedented might not be the right word, but it might be close," Lt. Murphy said of the investigation. "We started with that arson job three years ago and now it's the tax evasion and the homicide and guns we've gotten and everything."

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