



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
NOVEMBER 19, 2008**

**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**DOI
DIANE STRUZZI
(212) 825-5931**

**FORMER DEPUTY DIRECTOR OF HEAD START PROGRAMS INDICTED
FOR EMBEZZLING FUNDS INTENDED FOR LOW-INCOME CHILDREN
AND FAMILIES IN NEW YORK CITY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation, announced today an Indictment charging HUGH BLACKBURN, 51, of the Bronx, New York, with embezzling Head Start funds from the Human Resources Center of the St. Albans, Inc. and the La Peninsula Community Organization, Inc. Head Start Programs. BLACKBURN surrendered this morning to federal authorities and will appear in Magistrate court later today. According to the Indictment filed yesterday in Manhattan federal court:

Head Start is a program run by the United States Department of Health and Human Services. Among other things, Head Start provides comprehensive education, health, nutrition, and parent involvement services to low-income children and their families. La Peninsula Community Organization, Inc. ("La Peninsula") and St. Albans, Inc. ("St. Albans") are non-profit organizations which operate federally-funded Head Start programs in the Bronx and Queens, respectively. Both organizations contracted with New York City to provide education, health and social services to children of low-income families.

HUGH BLACKBURN was employed as the Deputy Director of La Peninsula from 1989 to 1996, and of St. Albans from 1999 to 2007. In his capacity as the Deputy Director of St. Albans, BLACKBURN was responsible for the fiscal operations of the organization, and was in a position to review invoices and other requests for payment submitted by vendors. BLACKBURN authorized the payment of expenses, and directed his employees to prepare

checks for vendors.

Beginning in 1999, St. Albans and/or La Peninsula purchased goods and services in connection with their Head Start programs from two vendors - "DACO Sales & Service" ("DACO") and "DSA Enterprises" ("DSA") - which were in fact shell companies controlled by HUGH BLACKBURN. DACO is owned by the mother of two of BLACKBURN's children ("Girlfriend 1"), who, acting at BLACKBURN's direction, withdrew money from the DACO bank account to pay BLACKBURN's personal expenses. DSA is registered under BLACKBURN's name.

From 1999 to 2005, DACO and DSA billed St. Albans and/or La Peninsula for various goods and services, including annual service contracts for computers; computer training; booster seats with safety restraints for buses; carpets; flat panel monitors; office supplies; classroom painting; and digital cameras. In fact, these goods were either never provided, or were provided at prices far lower than those charged by DACO and/or DSA.

In total, St. Albans paid DACO more than \$400,000 and La Peninsula paid DACO almost \$200,000, much of which was then used by BLACKBURN to pay personal expenses. Between 1999 and 2005, approximately \$163,000 was paid by DACO to BLACKBURN's girlfriend, and more than \$90,000 was withdrawn in cash from the DACO bank account using an ATM card in his girlfriend's name. In addition, approximately \$15,000 in checks payable to BLACKBURN were issued from the DACO Bank Account, at least \$14,500 in checks written on the DACO account were used to pay a variety of other credit card bills for BLACKBURN.

Between 1999 and 2006, La Peninsula paid over \$850,000 to DSA. DSA also received approximately \$80,000 from DACO during the same period. DSA then diverted approximately \$211,000 in checks payable to BLACKBURN; \$50,000 in checks payable to cash; over \$300,000 in checks payable to American Express, Advanta Business Card and other credit card vendors for the benefit of BLACKBURN; \$15,000 to an attorney for the benefit of BLACKBURN's girlfriend; \$11,000 in checks to BLACKBURN's wife; and approximately \$54,450 to another woman who is the mother of one of BLACKBURN's children.

BLACKBURN is charged with embezzlement of federal funds, mail fraud and money laundering. He faces a maximum sentence of 20 years in prison if convicted on the money laundering count, 20 years in prison on the mail fraud count, and 10 years in prison on the embezzlement count; a fine on each count of the greater of

\$500,000 or twice the gross gain or loss from the offense; the imposition of restitution; and the forfeiture of the proceeds of the offenses.

"The defendant stole resources intended for low-income families, placing his greed above his responsibility to the children served by the Head Start Program," said MICHAEL J. GARCIA. "As a result of the investigation by DOI, the defendant's schemes were uncovered and he will be prosecuted."

DOI Commissioner ROSE GILL HEARN said: "Just over a year ago, DOI formed a unit to focus on fraud by unscrupulous not-for-profit vendors that have City contracts, having seen it was a vulnerable area in need of additional scrutiny with millions of taxpayers' dollars at stake. The indictment announced today is part of that on-going effort to expose crimes that put brazen greed above the need of people served by these not-for-profits, in this case children. This indictment demonstrates that individuals who think they can use a publicly funded not-for-profit as their own personal bank account will be prosecuted and their corruption stopped. We remain grateful to honest employees within these organizations who come forward when they see something improper taking place. I thank the U.S. Attorney's Office for their continued commitment to public corruption matters."

Mr. GARCIA praised the investigative work of the New York City Department of Investigation.

The case is being handled by the Office's Public Corruption Unit. Assistant United States Attorney RUA KELLY is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.