

Approved: Jessica K. Feinstein
JESSICA K. FEINSTEIN
Assistant United States Attorney

Before: THE HONORABLE HENRY B. PITMAN
United States Magistrate Judge
Southern District of New York

14 MAG 2069

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: UNITED STATES OF AMERICA : SEALED COMPLAINT
: :
: -v- : Violations of
: : 18 U.S.C. §§ 666 and 2
: KISHAWN SCARBORO, :
: : COUNTY OF OFFENSE:
: Defendant. : New York
: :
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SOUTHERN DISTRICT OF NEW YORK, ss.:

LAUREEN HINTZ, being duly sworn, deposes and says that she is a Deputy Inspector General/Executive Agency Attorney with the New York City Housing Authority Office of the Inspector General, and charges as follows:

COUNT ONE

(Embezzlement of Government Funds)

1. From at least in or about June 2010, until at least in or about September 2013, in the Southern District of New York and elsewhere, KISHAWN SCARBORO, the defendant, being an agent of an organization that received at least \$10,000 in federal grants for each calendar year from January 1, 2010 through December 31, 2013, did embezzle, steal, and obtain by fraud, and without authority did knowingly convert to the use of a person not the rightful owner and did intentionally misapply property that was worth at least \$5,000 and was owned by and under the care, custody, and control of such organization, to wit, SCARBORO, while she was employed by the New York City Housing Authority ("NYCHA"), fraudulently obtained approximately \$94,884 in rent payments belonging to NYCHA.

(Title 18, United States Code, Section 666(a)(1)(A) and 2.)

The bases for my knowledge and the foregoing charges are, in part, as follows:

2. I am a Deputy Inspector General/Executive Agency Attorney with the NYCHA Office of the Inspector General and I have been personally involved in the investigation of this matter. I have been involved in investigations involving the embezzlement and theft of government funds, including the embezzlement and theft of rent payments owed to NYCHA. This affidavit is based upon my own observations, conversations with other law enforcement agents and others, and my examination of reports and records prepared by others. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise expressly indicated.

3. Based on my investigation of this matter, I have learned that from at least in or about June 2010 to at least in or about September 2013, KISHAWN SCARBORO ("SCARBORO"), the defendant, an employee of NYCHA, embezzled approximately \$94,884 in rent payments owed to NYCHA. The scheme worked as follows: SCARBORO, using her position as a NYCHA employee, obtained checks and money orders from NYCHA tenants and deposited them in her personal bank account by double-endorsing the instruments and/or altering the payee information. Then, using the username and password of her supervisor, SCARBORO hid her embezzlement by entering false credits and rent adjustments into NYCHA's computerized rent collection system.

4. Based on my training and experience, my review of records maintained by NYCHA, and discussions with NYCHA employees, I have learned that:

a. NYCHA is a New York City public entity that provides housing to low and moderate income New York City residents.

b. NYCHA's operations are funded, in part, by grants from the United States Department of Housing and Urban Development ("HUD"). Between 2010 and 2013, HUD provided millions of dollars in grants to NYCHA, including approximately \$2.340 million in grants in 2010, approximately \$2.284 million

in grants in 2011, approximately \$2.194 million in grants in 2012, and approximately \$2.127 million in grants in 2013.

c. In addition to grants from HUD, NYCHA is also funded through rental payments made by individuals residing in NYCHA housing. These payments are made on a monthly basis. With some exceptions, tenants mail their monthly rent payments to a central NYCHA lockbox facility.

d. The New York City Human Resources Administration/ Department of Social Services ("NYC-DSS") operates an Emergency Public Assistance program which provides eligible New York City residents with emergency rental assistance in cases of impending evictions. Prior to 2014, when a NYCHA tenant received NYC-DSS assistance with rent, NYC-DSS either mailed a check made payable to the tenant directly to the tenant or required the tenant to pick up the check. The tenant was then responsible for delivering the check to the management office of the NYCHA housing development. The management office then forwarded the checks to the NYCHA lockbox office in New Jersey.

e. NYCHA maintains a computerized rent collection system called "AS-400," which creates an account ledger for each tenant and indicates the amount of rent and other charges due, payment amount and date received, and remaining balance. AS-400 also processes all rent payments received by NYCHA and posts all charges and credits. NYCHA employees access AS-400 using usernames and confidential passwords unique to each employee.

f. Each NYCHA housing development is managed by a Housing Manager. Among other responsibilities, the Housing Manager is responsible for reviewing and approving all rent changes and credits. When a NYCHA tenant receives a rent change or a credit, the Housing Manager enters his or her approval through AS-400 and/or signs and dates a paper form.

g. The Housing Manager is assisted at each NYCHA development by Housing Assistants. Housing Assistants are NYCHA employees who are typically assigned to a particular building or set of tenants with whom they have frequent personal contact. Housing Assistants do not have authority to approve rent changes or credits.

h. At all times relevant to this Complaint, KISHAWN SCARBORO, the defendant, was employed as a NYCHA Housing

Assistant at the Jefferson Houses, a NYCHA housing development located at 300 East 115th Street, New York, NY.

i. At all times relevant to this complaint, SCARBORO resided in Effort, Pennsylvania.

The Rent Embezzlement Scheme

5. As part of my investigation, I have obtained and reviewed financial records and bank account documents, including copies of checks and money orders deposited in a bank account ("Account-1") belonging to KISHAWN SCARBORO. I have also reviewed NYCHA records, including tenant identifying information and AS-400 ledgers, and information provided to me by NYCHA's Information Technology ("IT") department. From these materials, I have learned the following:

a. Between in or about June 2010 and in or about September 2013, approximately \$94,884 in checks and money orders traceable to tenants of the Jefferson Houses were deposited into Account-1 (the "Suspect Rent Checks"). All of the Suspect Rent Checks, some of which were issued by NYC-DSS, display the names, addresses, and/or account numbers of individuals listed in NYCHA records as tenants of the Jefferson Houses. Many of the Suspect Rent Checks are made payable to "Kishawn Scarboro." All of the Suspect Rent Checks are endorsed on the back by what appears to be the signature of SCARBORO.

b. Most of the tenants whose rent payments were deposited into Account-1 received rent credits on AS-400 in amounts matching the deposits (the "Suspect Rent Credits"). NYCHA never received the Suspect Rent Checks or related payments.

c. NYCHA IT data show that on at least 30 occasions, Suspect Rent Credits were entered on computers in and just outside of SCARBORO's office using the AS-400 username and password of an individual employed as a Housing Manager at the Jefferson Houses ("Manager-1"). On each occasion, an individual using SCARBORO's AS-400 username and password logged off AS-400 minutes before each of the Suspect Rent Credits were entered, and logged back on minutes afterward.

d. NYCHA time records indicate that on at least 52 occasions, Suspect Rent Credits were approved by Manager-1 at

times when Manager-1 had not yet clocked in at work, or was absent from work.

The Scheme Regarding Tenant-1

6. Based on my conversation with a tenant of the Jefferson Houses ("Tenant-1") and an associate of Tenant-1 ("Associate-1"), I have learned the following:

a. In or around April 2013, Tenant-1 received a letter from NYCHA informing her that Tenant-1 had accepted an apartment at the Jefferson Houses. The letter informed Tenant-1 that rental fees of \$1,317 were due by April 10, 2013. The letter was signed by "Ms. Scarboro, Housing Assistant."

b. On or about April 3, 2013, in order to pay rent on the new apartment, Tenant-1 obtained a cashier's check for \$1,282 ("Check-1"). Check-1 listed Tenant-1 as remitter, was made payable to NYCHA, and had an identifying number ending -14.

c. On or about April 4, 2013, Tenant-1 obtained a money order for \$35 with an identifying number ending -18 ("Money Order-1"). Tenant-1 left blank the payee and sender sections of Money Order-1. Together, Check-1 and Money Order-1 totaled \$1,317.

d. On or about April 4, 2013, Tenant-1 and Associate-1 brought Check-1 and Money Order-1 to SCARBORO at the management office of the Jefferson Houses. SCARBORO made copies of Check-1 and Money Order-1 and date-stamped the copies. In the presence of Tenant-1 and Associate-1, SCARBORO wrote Tenant-1's account number on Check-1 and Money Order-1.

e. On or about July 2013, when Tenant-1 returned to Tenant-1's bank to make some transactions, the bank informed Tenant-1 that Check-1, originally made payable to NYCHA, had instead wound up payable to "Kishawn Scarboro."

7. Based on my review of bank records, I have learned the following:

a. On or about May 15, 2013, Check-1 was deposited into Account-1 at an ATM located in Brodheadsville, Pennsylvania. The version of Check-1 deposited into Account-1 is made payable to "Kishawn Scarboro," instead of NYCHA. I have compared the endorsement on the back of Check-1 with SCARBORO's

signature on the signature card associated with Account-1. The endorsement on the back of Check-1 appears to match SCARBORO's signature.

b. On or about May 15, 2013, Money Order-1 was deposited into Account-1 at an ATM located in Brodheadsville, Pennsylvania. The version of Money Order-1 deposited into Account-1 was made payable to "Kishawn Scarboro." I have compared the endorsement on the back of Money Order-1 with SCARBORO's signature on the signature card associated with Account-1. The endorsement on the back of Money Order-1 appears to match SCARBORO's signature.

c. Tenant-1 and Associate-1 recognized the handwriting on Check-1 and Money Order-1 as that of SCARBORO.

The Scheme Regarding Tenant-2

8. Based on my conversations and communications with Manager-1, I have learned that:

a. On or about September 4, 2013, Manager-1 observed that the name of a tenant of the Jefferson Houses ("Tenant-2") was not included on a monthly report listing tenants who are delinquent in paying their rent. Manager-1 was familiar with Tenant-2 and was aware that Tenant-2 had been delinquent in paying rent for several months.

b. At all times relevant to this Complaint, SCARBORO was Tenant-2's Housing Assistant.

c. On or about September 4, 2013, Manager-1 reviewed Tenant-2's account on AS-400. Manager-1 observed that Tenant-2's account had received a change in rent and a retroactive credit of \$2,998 on August 22, 2013. Manager-1 printed the associated "Rent Change Notice." The Rent Change Notice indicated that SCARBORO had prepared a rent change on or about August 22, 2013. The Rent Change Notice indicated that Manager-1 had approved the rent change on or about August 22, 2013. Manager-1 was not at work on August 22, 2013.

d. On or about September 4, 2013, Manager-1 asked SCARBORO about the rent change authorized for Tenant-2's account. SCARBORO apologized and admitted to Manager-1 that she had authorized the rent change for Tenant-2 on August 22, 2013.

e. Manager-1 obtained housing court records which provided that on or about August 23, 2013, Tenant-2's case had been discontinued because Tenant-2's rent had been paid from four NYC-DSS checks (the "NYC-DSS Checks") dated July 29, 2013 for an amount of \$860.25 each.

f. Copies of the NYC-DSS Checks were stamped as received by the Jefferson Houses on August 22, 2013. The NYC-DSS Checks were dated July 29, 2013 for an amount of \$860.25 each, with identification numbers ending -73, -74, -75, and -76.

g. On or about September 4, 2013, Manager-1 issued a "Counseling Memo" to be placed in SCARBORO's NYCHA personnel folder. The Counseling Memo reprimanded SCARBORO for erroneously applying a retroactive credit to Tenant-2's account and approving it by impermissibly using Manager-1's password. In the presence of Manager-1, SCARBORO signed the Counseling Memo.

9. Based on my review of NYCHA records and information provided to me by NYCHA IT, I have learned the following:

d. NYCHA granted Manager-1 a leave of absence from work for the date of August 22, 2013. NYCHA time records indicate that Manager-1 was absent from work on August 22, 2013.

e. NYCHA never received the NYC-DSS Checks.

10. Based on my review of bank records, I have learned the following:

a. On or about August 23, 27, and 29, 2013, three of the NYC-DSS Checks were deposited into Account-1 at an ATM located in Brodheadsville, Pennsylvania. I have compared the endorsements on the back of the NYC-DSS Checks deposited into Account-1 with SCARBORO's signature on the signature card associated with Account-1. The endorsements on the NYC-DSS Checks appear to match SCARBORO's signature.

The Scheme Regarding Tenant-3

11. Based on my conversation with a tenant of the Jefferson Houses ("Tenant-3"), I have learned the following:

a. Tenant-3 has been a tenant of the Jefferson Houses for approximately seven to eight years. At all times

relevant to this Complaint, SCARBORO was Tenant-3's Housing Assistant.

b. In or about August 2013, Tenant-3 gave SCARBORO a money order for \$800 to pay rent ("Money Order-2"). Money Order-2 was dated August 6, 2013, made payable to NYCHA, and had an identifying number ending -46.

c. In or about October, 2013, Tenant-3 attended a housing court hearing regarding his failure to pay rent. Tenant-3 called SCARBORO at the Jefferson Houses management office. SCARBORO told Tenant-3 not to worry.

12. Based on my communications with Manager-1, I have learned that:

a. On or about October 18, 2013, Tenant-3 had an Order to Show Cause in housing court for failure to pay rent.

b. One of the Housing Assistants at the Jefferson Houses ("HA-1") attended housing court on or about October 18, 2013.

c. When Tenant-3 appeared in court, HA-1 told Tenant-3 that his NYCHA account had been credited \$800 in error, and he still owed rent. Tenant-3 informed HA-1 that Tenant-3 had paid rent, and left to obtain proof.

d. After Tenant-3 had left court, SCARBORO appeared in court and gave HA-1 a copy of Money Order-2.

e. SCARBORO asked HA-1 not to tell Manager-1 that she had come to court.

13. Based on my review of records maintained by NYCHA and information provided to me by NYCHA's Information Technology ("IT") personnel, I have learned the following:

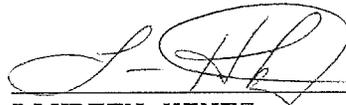
a. AS-400 records show that on August 19, 2013, at approximately 7:10 a.m., Tenant-3 received an \$800 rent credit. The rent credit was approved by an individual using Manager-1's username and password from the computer located in SCARBORO's office ("Computer-1"). Minutes before and immediately after the rent credit was entered, an individual using SCARBORO's username and password logged off and then logged on to AS-400 on Computer-1.

b. NYCHA time records indicate that on August 19, 2013, Manager-1 clocked in at 7:59 a.m., after the rent credit was approved. SCARBORO clocked in at 6:52 a.m.

14. Based on my review of bank records, I have learned the following:

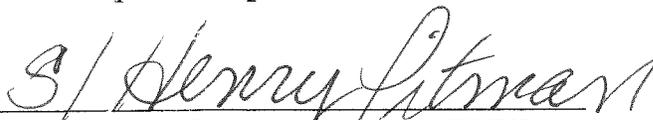
a. On or about August 8, 2013, Money Order-2 was deposited into Account-1 at an ATM located in Brodheadsville, Pennsylvania. The version of Money Order-2 deposited into Account-1 was now made payable to "Kishawn Scarboro." I have compared the endorsement on the back of Money Order-2 with SCARBORO's signature on the signature card associated with Account-1. The endorsement on the back of Money Order-2 appears to match SCARBORO's signature.

WHEREFORE, deponent prays that a warrant be issued for the arrest of KISHAWN SCARBORO, the defendant, and that he be arrested and detained, or bailed, as the case may be.



LAUREEN HINTZ
Deputy Inspector General
Executive Agency Attorney
New York City Housing Authority

Sworn to before me this
17th day of September, 2014.



THE HONORABLE HENRY B. PITMAN
United States Magistrate Judge
Southern District of New York