

Approved: EBD / Alison G. Moe
Edward B. Diskant/Alison G. Moe
Assistant United States Attorneys

Before: HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

17 MAG 3911

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	:
UNITED STATES OF AMERICA	: <u>SEALED COMPLAINT</u>
	:
	: Violations of
	: 18 U.S.C. §§ 1343,
- v. -	: 666(a)(1)(A), and 2
	:
DEREK BROOMES,	: COUNTY OF OFFENSE:
	: NEW YORK
Defendant.	:
	:
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SOUTHERN DISTRICT OF NEW YORK, ss.:

MASON POSILKIN, being duly sworn, deposes and says that he is a Criminal Investigator with the United States Attorney's Office for the Southern District of New York ("USAO"), and charges as follows:

COUNT ONE
(Wire Fraud)

1. From at least in or about 2013, up to and including in or about April 2016, in the Southern District of New York and elsewhere, DEREK BROOMES, the defendant, willfully and knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343, to wit, BROOMES, as the president and chief executive officer ("CEO") of a nonprofit housing provider based in Harlem, New York (the "Housing Nonprofit"), fraudulently obtained, on behalf of the Housing Nonprofit, more than \$800,000 in federal funding by making and

causing others to make false and misleading representations that such funding was reimbursement for legitimate program expenses when, in fact, BROOMES caused a substantial portion of such funds to be used for unauthorized purposes, including to cover hundreds of thousands of dollars in personal expenses incurred by BROOMES.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT TWO
(Embezzlement of Government Funds)

2. From at least in or about 2013, up to and including in or about April 2016, in the Southern District of New York and elsewhere, DEREK BROOMES, the defendant, being an agent of an organization that received in any one year period benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, and other form of federal assistance, to wit, the Housing Nonprofit, did willfully and knowingly embezzle, steal, obtain by fraud, and otherwise without authority did knowingly convert to the use of a person other than the rightful owner and intentionally misapply property that was valued at \$5,000 and more and was owned by and was under the care, custody, and control of such organization, to wit, BROOMES, while acting as an agent of the Housing Nonprofit, fraudulently authorized transfers of federal funds that had been received by the Housing Nonprofit exclusively for the purpose of administering a federally-funded housing program and instead used those funds to cover other, unauthorized expenses, including hundreds of thousands of dollars in personal expenses incurred by BROOMES using a corporate credit card.

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

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

3. I am a Criminal Investigator with the United States Attorney's Office for the Southern District of New York, and have been in that position since August 2016. Previously, I was a Special Agent with the U.S. Department of Labor for over four years. While with the USAO and DOL, I have participated in multiple investigations of fraud and money laundering offenses.

4. I am familiar with the facts and circumstances set forth below from my participation in the investigation of this case, including my participation in interviews and my review of

documents and records; from my conversations with other law enforcement attorneys, officers and staff, including investigators with the New York City Department of Investigation ("DOI"); and my review of summaries and analyses prepared by DOI as a part of this investigation. Because this Complaint 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 and statements of and conversations with others are reported herein, they are reported in substance and in part. Where figures, calculations, and dates are set forth herein, they are approximate, unless stated otherwise.

Summary of the Scheme to Defraud

5. From my involvement in this investigation, I have learned of a scheme in which DEREK BROOMES, the defendant, abused his authority as the president CEO of the Housing Nonprofit to steal hundreds of thousands of dollars in funds from his employer by charging personal and unauthorized expenses to a corporate credit card issued in his name (the "Corporate Credit Card"). Using the Corporate Credit Card, BROOMES routinely paid for personal auto repairs, medical bills, electronics, clothing, and gifts. None of these charges were authorized by the Housing Nonprofit, which ultimately was required to pay the monthly bills on the Corporate Credit Card.

6. Moreover, to cover those expenditures and other operating expenses at the Housing Nonprofit, DEREK BROOMES, the defendant, misappropriated more than \$800,000 in federal funds that were provided to the Housing Nonprofit under false pretenses through the federally-funded Scattered Site Housing Program ("SSHP" or the "Program").¹ Specifically, BROOMES diverted the SSHP funds, which were intended to subsidize housing for low income individuals suffering from HIV and/or AIDS, to the Housing Nonprofit, where they were used to pay for unauthorized expenses, including the monthly Corporate Credit Card bills.

7. While some of the funds were subsequently repaid by the Nonprofit Organization to the SSHP, as a direct result of the misappropriation of these funds by DEREK BROOMES, the defendant, the Housing Nonprofit fell into substantial arrears to landlords of SSHP housing units, causing individuals who were

¹ Scattered-site public housing has been promoted as an alternative to large public housing projects.

supposed to receive housing assistance from the Program to be threatened with eviction. Moreover, and despite the fact that the Housing Nonprofit was using SSHP funds for unauthorized purposes and thus not making rental payments for the SSHP units, BROOMES submitted, and caused others to submit, false and fraudulent reimbursement requests to the New York City Human Resources Administration ("HRA"), in which BROOMES and others acting at his direction certified that the Housing Nonprofit had paid rent on the SSHP units, when in truth and in fact it had not made those payments, in order to perpetuate his scheme and avoid detection.

Background

8. The Housing Nonprofit is a faith-based, non-profit organization located in New York, New York. Founded in 1986, the Housing Nonprofit's mission is to develop and provide low-income housing in Harlem to a variety of constituencies. In particular, the Housing Nonprofit develops and manages multiple apartment buildings, which it rents at reduced rates to qualified community applicants. In addition, the Housing Nonprofit participates in the SSHP, through which the Housing Nonprofit receives federal funds that it uses to subsidize rents for low-income individuals who are living with HIV and/or AIDS.

9. In or about 2002, DEREK BROOMES, the defendant, began working for the Housing Nonprofit as its Chief Financial Officer. In or about 2011, BROOMES became its President and CEO. As President and CEO, BROOMES supervised all aspects of the Housing Nonprofit, including the Housing Nonprofit's participation in the SSHP.

10. Prior to joining the Housing Nonprofit, DEREK BROOMES, the defendant, worked briefly as a Deputy Commissioner at the HRA, which, as described below, is the agency responsible for administering the SSHP. Prior to that, BROOMES worked for three years as, among other things, an investigator and Deputy Inspector General at DOI.

The Scattered Site Housing Program ("SSHP")

11. Based upon my review of documents and records maintained by New York City (the "City") and conversations with DOI investigators and employees of HRA, I have learned, among other things, the following:

a. In New York City, the SSHP is administered by the HRA, which disburses the SSHP funds to qualifying non-profit organizations. The Housing Nonprofit has participated in the SSHP since at least 1999, and is presently participating in the SSHP pursuant to a contract with HRA that was initially entered into in 2007 and has since been repeatedly renewed.

b. In the Housing Nonprofit's fiscal year 2014, which ran from July 2013 to June 2014, the Housing Nonprofit received approximately \$1,590,845.67 in SSHP funds from the City. In the Housing Nonprofit's fiscal year 2015, which ran from July 2014 to June 2015, the Housing Nonprofit received approximately \$1,552,378.01 in SSHP funds from the City.

c. The Housing Nonprofit's SSHP program worked, in general terms, as follows: The Housing Nonprofit entered into leases for approximately 60 SSHP-eligible units located mainly in Harlem, New York. The Housing Nonprofit placed eligible residents--i.e., low-income individuals living with HIV and/or AIDS who had been qualified through an application process run by the HRA--in a SSHP housing unit. Residents were required to make modest contributions toward their rent; however, the balance of those monthly rent payments was covered by the SSHP.

d. HRA rules governing the Program specified that the Housing Nonprofit was expected to pay the rent balances each month *prior* to submitting claims for reimbursement to HRA. Accordingly, on a monthly basis, the Housing Nonprofit was required to submit certifications to HRA seeking reimbursement for rent payments and other authorized program expenses that the Housing Nonprofit already had paid in the previous month.² With each of the claims it submitted to the HRA during the time period relevant to this Complaint, the Housing Nonprofit included the following statement, as required by the HRA: "This certifies that the net reimbursable claims represent the total incurred expense already paid for by the [Housing Nonprofit] for the month of [the reimbursement period]."

e. In addition, in order to safeguard funds disbursed under the Housing Nonprofit's contract, the HRA

² In addition to monthly claims for reimbursement, HRA also provided the Housing Nonprofit with a substantial cash advance at the beginning of each fiscal year to assist the Housing Nonprofit in covering rental payments and other authorized program expenses prior to being able to seek retroactive reimbursements under the Program.

required that the Housing Nonprofit maintain a separate account for all SSHP funds. In its current contract with the Housing Nonprofit, the HRA specified that:

The Contractor [the Housing Nonprofit] shall establish and maintain within the City of New York a separate ledger account as a depository for the funds provided under this Agreement. The funds shall not be co-mingled with funds from any other source or with funds received under any other agreement. Funds shall be deposited only in such bank accounts as are approved by the Department.

f. DEREK BROOMES, the defendant, signed the 2007 program contract with the HRA that was operative at all points relevant to this Complaint on behalf of the Housing Nonprofit.

The Embezzlement Scheme

The Corporate Credit Card and BROOMES's Theft of Hundreds of Thousands of Dollars from the Housing Nonprofit

12. Based on my investigation, including my review of documents obtained from a credit card company (the "Credit Card Company"), I am aware of the following:

(a) The Housing Nonprofit opened a corporate account with the Credit Card Company in or around March 2013. The Credit Card Company issued corporate credit cards to three executives at the Housing Nonprofit, including the Corporate Credit Card issued to DEREK BROOMES, the defendant. Each corporate credit card had a unique account number, and BROOMES was the only authorized user of the Corporate Credit Card.

(b) Between March 2013, when the Corporate Credit Card was issued to BROOMES, and March 2015, when the Corporate Credit Card was cancelled, thousands of dollars each month were charged to the Corporate Credit Card. In some months, the Corporate Credit Card's balance exceeded \$30,000, and in total during this period, BROOMES charged \$394,145.65 to the Corporate Credit Card.

(c) The Housing Nonprofit made regular payments to the Credit Card Company from the Housing Nonprofit's operating account.³

³ Records from the Credit Card Company reflect that the

13. Based on my review of an analysis conducted by the Housing Nonprofit of the charges incurred on the Corporate Credit Card between July 2013 and September 2014, I have learned that during that time period alone, at least approximately \$243,907.35 in charges were determined by the Housing Nonprofit to be either personal or otherwise unauthorized. For example:

a. Approximately \$15,174.70 for auto repairs between in or about August 2013 and in or about August 2014.

b. Purchases at Macy's totaling approximately \$2,960 from between in or about November 2013 to in or about August 2014. The items purchased included formal china, a designer handbag, a wallet, jeans, and fragrances.

c. A Nikon SLR camera for approximately \$3,469.56 using a PayPal account in or about February 2014. The Corporate Credit Card was used to fund the PayPal purchase.

d. A \$1,616.00 purchase in or about September 2014 from "B&H Photo Video."

14. Since in or around March 2015, I and other law enforcement agents have interviewed on multiple occasions the former Chief Financial Officer at the Housing Nonprofit who was employed during a portion of the time period relevant to this Complaint ("CFO-1").⁴ Based on my interviews of CFO-1, my review of documents and e-mails obtained from the Housing Nonprofit, as well as bank records for the Housing Nonprofit's primary operating accounts, I have learned the following, in substance and in part:

a. CFO-1 began working at the Housing Nonprofit in February 2013. As the Chief Financial Officer, CFO-1 reported

Housing Nonprofit paid the bills for the Corporate Credit Card by wiring money directly from the Housing Nonprofit's accounts in New York to the Credit Card Company's accounts in New Jersey.

⁴ CFO-1, who was involved in aspects of the scheme described above, has been providing information to law enforcement in the hopes of receiving leniency in connection with CFO-1's own conduct. Information provided by CFO-1 to date has proven to be accurate and, as detailed herein, has been corroborated by information obtained from independent sources such as documents, e-mails, and bank records.

directly to DEREK BROOMES, the defendant. In 2013, at BROOMES' direction, the Housing Nonprofit opened a corporate account with the Credit Card Company, and issued credit cards to CFO-1 and BROOMES, among others. While the cards ostensibly were intended to facilitate purchases of business-related items, at some point after they were issued, BROOMES approached CFO-1 and told CFO-1 that he was concerned that the Credit Card Company would close their corporate account for lack of activity. BROOMES further told CFO-1 that they should both use their corporate credit cards for personal expenses to make it appear that the cards were being used. BROOMES told CFO-1 that they would pay back the Housing Nonprofit for the charges.

b. Over the course of the ensuing months, and consistent with the conversation described above, CFO-1 charged modest personal purchases to CFO-1's corporate credit card, which CFO-1 documented and re-paid. Bank records obtained for the operating accounts for the Housing Nonprofit confirm CFO-1's efforts to repay those personal expenses. BROOMES, however, began using the Corporate Credit Card to pay for a high volume of personal and otherwise unexplained expenses. As noted above, on some occasions the monthly statements for BROOMES's Corporate Credit Card were in excess of \$30,000. Based on CFO-1's contemporaneous review of those monthly statements, CFO-1 could identify numerous charges for, among other things, clothing, retail goods, and car repairs.

c. CFO-1 also noticed at the time that BROOMES was using his Corporate Credit Card to purchase tens of thousands of dollars' worth of expensive electronic equipment, including photography equipment. When CFO-1 confronted BROOMES about these purchases, BROOMES told CFO-1 that the purchases were business related. Specifically, BROOMES claimed that he had purchased these items for a "photography project" at the Housing Nonprofit. CFO-1 was not aware of any such photography project and never saw, while employed at the Housing Nonprofit, any evidence of a photography project.

d. BROOMES did not repay the Housing Nonprofit for most of the purchases he made on the Corporate Credit Card. Instead, as the account holder, the Housing Nonprofit was obligated to pay the debts accrued by BROOMES on the card. When CFO-1 and other members of the finance staff at the Housing Nonprofit asked BROOMES for receipts or invoices documenting his purchases on the Corporate Credit Card to demonstrate that the expenses were business related, BROOMES neither provided documentation for the expenses nor repaid them.

e. According to CFO-1, the Housing Nonprofit was a small non-profit that operated with small margins and little financial reserve. While the Housing Nonprofit was regularly meeting its financial obligations as of early 2013, when CFO-1 began working there, the large sums the Housing Nonprofit paid to cover the charges incurred by BROOMES on his Corporate Credit Card in 2013 and 2014 contributed to the Housing Nonprofit's increasing financial distress. Indeed, according to a financial summary prepared by CFO-1 at BROOMES' request, as of November 2014, the Housing Nonprofit was operating with a deficit of approximately \$448,826.

f. As detailed further below, and as the shortage of funds became more acute, BROOMES directed CFO-1 and other staff members to transfer funds out of the SSHP account to cover other expenses at the Housing Nonprofit, including BROOMES' Corporate Credit Card bills.

The Diversion of SSHP Funds by or at the Direction of BROOMES

15. Based on my review of HRA records and bank records for the Housing Nonprofit, as well as my review of reports prepared by DOI analysts and documents obtained from the Housing Nonprofit, I have learned, among other things, that beginning in at least 2013 and continuing until at least approximately January 2016, the Housing Nonprofit repeatedly transferred money from the SSHP to other accounts at the Housing Nonprofit for the purpose of using it to pay for non-Program expenses, in violation of its contract with HRA. See supra ¶ 11(d). Frequently, money was diverted from the SSHP account for non-Program expenses on the very same day it was received from HRA.

16. As detailed herein, DEREK BROOMES, the defendant, was aware of, and frequently authorized, transfers from the SSHP account for the purpose of covering unauthorized expenses, including the hundreds of thousands of dollars in personal expenses BROOMES charged to his Corporate Credit Card. For example, based on my review of documents obtained from the Housing Nonprofit and HRA, as well as bank records for the Housing Nonprofit accounts, I am aware of the following:

a. On July 1, 2014, CFO-1, acting on behalf of the Housing Nonprofit and at BROOMES' direction, sought a substantial cash advance of \$284,652.83 from HRA for the upcoming fiscal year.

b. Bank records for the Housing Nonprofit's primary operating account for the month of July 2014 reflect that:

i. On July 23, 2014, the Housing Nonprofit received a wire transfer from HRA in the amount of \$284,652.83. That same day, and consistent with the SSHP requirements, the Housing Nonprofit transferred that full amount into a segregated SSHP account.

ii. However, also that same day, the Housing Nonprofit then transferred \$200,000 of the cash advance back into the Housing Nonprofit's main operating account, in violation of SSHP rules.

iii. Shortly thereafter, the Housing Nonprofit, at BROOMES' direction, began using the \$200,000 SSHP advance to cover unauthorized expenses. In particular, on or about July 28, 2014, the Housing Nonprofit made two wire payments from that main operating account totaling \$36,182.97 and \$28,692.95, respectively, to the Credit Card Company to cover charges incurred on BROOMES' Corporate Credit Card.

c. In or about February 25, 2016, an employee in the finance department at the Housing Nonprofit prepared an accounting at BROOMES' request documenting a total of \$809,895.48 in funds "borrowed" from SSHP between July 2013 and February 2016 to cover other Housing Nonprofit expenses, including charges on the Corporate Credit Card. While the Housing Nonprofit repaid some of those purported "loans" over time, as of February 2016, according to the Housing Nonprofit's own internal accounting, it still "owed" the program approximately \$269,645.12. One of the transfers identified in that accounting specifies funds as "Borrowed to pay [the Credit Card Company] in Oct."

16. Based on my interviews of CFO-1, as described more fully above, I am aware of the following:

a. Transfers of SSHP funds from a dedicated account at the Housing Nonprofit to cover other, unauthorized expenses were done with the knowledge and frequently at the direction of DEREK BROOMES, the defendant, who carefully monitored and controlled the Housing Nonprofit's financial decisions through, among other things, regular finance staff meetings and updates on account balances. According to CFO-1 who, as noted, was not permitted by BROOMES to have direct access to any of the Housing Nonprofit's bank accounts, money movements were either made by BROOMES himself or, more frequently, by another member of the

finance staff after the transfers were authorized by BROOMES.

b. As a result of the transfer of funds from the SSHP to pay for, among other things, BROOMES' Corporate Credit Card bills, the Housing Nonprofit was often unable to make rent payments for SSHP apartments on a timely basis. Instead, rent checks were written by the Housing Nonprofit and signed by BROOMES along with a member of the Housing Nonprofit's Board, but then stored in a filing cabinet and held for several months prior to being mailed to landlords.

c. As the Housing Nonprofit fell increasingly behind on its rent obligations due to a lack of sufficient SSHP funds in its accounts, tenants it sponsored in the SSHP began to receive threats of eviction by landlords who were owed months' worth of back rent by the Housing Nonprofit. When told about these rent arrears--and the threats of eviction--BROOMES would typically respond, in sum and substance, "what do you want me to do?"

d. Notwithstanding the above, the Housing Nonprofit continued to represent to both HRA and HUD on reimbursement certification forms signed by CFO-1 and BROOMES, among others, that SSHP funds were being used exclusively for permitted purposes, and that SSHP rents had been paid.

17. Based on my review of e-mails and documents obtained from the Housing Nonprofit, I have learned, among other things, that DEREK BROOMES, the defendant, caused the transfer of funds from the SSHP for non-authorized purposes, as set forth above. In addition, based on these sources, I have learned that BROOMES was aware that the use of the SSHP funds to pay, among other things, his Corporate Credit Card contributed to the Housing Nonprofit's repeated inability to make rental payments on SSHP units in a timely fashion. In particular:

a. On or about August 28, 2014, a landlord participating in the SSHP program sent an e-mail to several Housing Nonprofit employees, including BROOMES. The e-mail stated: "Guys--your arrears totals \$171k. how is it going to get paid?"

b. On or about January 2, 2015, the director of the SSHP program at the Housing Nonprofit sent an e-mail to several Housing Nonprofit employees, including BROOMES, stating in relevant part: "Attached, are some of the outstanding rent arrears for SSHP. Rental payment is a priority for our program. Consumers have been receiving 3 Day [Eviction] Notices and are

very concerned of their housing status."

c. On or about August 18, 2015, CFO-1 e-mailed BROOMES the following, in relevant part: "I am reaching out for your decision towards the Rent Arrears for our Scatter Site Program which already amounted to \$261K as of July 31, 2015 (please see attached List of Hold Checks) brought about by the borrowings of previous year from Scatter Site to the Housing Nonprofit."

d. On or about February 25, 2016, BROOMES sent an e-mail to staff members in the Housing Nonprofit's finance department that stated, in relevant part: "I need an accurate spread sheet on how much [the Housing Nonprofit] Owes Sshp, what is owes [sic] for, how much has been paid. I have a very good idea how much. Let me see if you have the same." A staff member replied: "Please see the attached documents detailing the borrowing from SSHP by [the Housing Nonprofit]." Attached to the e-mail was a chart detailing approximately \$809,895.48 in unauthorized transfers from the SSHP account between July 2013 and February 2016, including the \$200,000 transfer in June 2014 described in paragraph 16(b)(ii), above. The chart, which referred to those funds as "borrowed" from the SSHP, also reflected the Housing Nonprofit's efforts to repay the SSHP. As of the date the chart was prepared, however, the Housing Nonprofit still owed the SSHP approximately \$269,645.12.

18. Notwithstanding the above, between January 2013 and February 2016, at the direction of DEREK BROOMES, the defendant, the Housing Nonprofit sought "reimbursement" each month from HRA for SSHP costs that it represented it had actually expended in the prior 30 days, including rental payments. As detailed above, many of these certifications were false. In fact, during the time period that the certifications were made, the Housing Nonprofit routinely was not making rental payments but instead was using SSHP funds for other, unauthorized expenses. Based on my review of these monthly submissions, I have learned the following:

a. The Housing Nonprofit's monthly claims for reimbursement typically included the following: "This certifies that the net reimbursable claims represent the total incurred expense already paid by the Housing Nonprofit for the" prior month. In fact, as noted above, many of the rental expenses had not actually been paid by the Housing Nonprofit, which had instead used the money for other, unauthorized purposes.

b. Each monthly submission by the Housing Nonprofit was signed by a representative of the Housing Nonprofit. DEREK BROOMES, the defendant, personally signed these certifications on May 8, 2013 and July 19, 2013 and directed others, including CFO-1, to sign similar certifications throughout the duration of the scheme detailed herein.

c. Additionally, each monthly submission attached a detailed chart purporting to represent the actual expenditures disbursed for the prior month. In fact, however, the Housing Nonprofit had not made the expenditures included in the chart. Each time the chart was submitted, it was signed by two Housing Nonprofit officers, one of which was CFO-1. BROOMES signed the expenditure charts submitted to HRA on or about February 9, 2015; March 9, 2015; April 13, 2015; June 5, 2015; June 12, 2015; and July 24, 2015.

19. I have interviewed a member of the Board of Directors of the Housing Nonprofit ("Board Member-1"), who has informed me of the following, in substance and in part:

a. DEREK BROOMES, the defendant, was never authorized by the Board of Directors to use the Corporate Credit Card to pay for personal expenses, and many of the hundreds of thousands of dollars in specific charges BROOMES made using the Corporate Credit Card were never permitted by the Board of Directors.

b. The Board was not aware of and never approved funding for a "photography project" at the Housing Nonprofit. Moreover, any such project--especially one that required over a hundred thousand dollars in equipment purchases--would have required approval from the Board of Directors. The Board also is not aware of the present location of any of the expensive equipment BROOMES purchased for this "photography project." Board Member-1 confirmed that none of the equipment is currently in the possession of the Housing Nonprofit.

c. In or around October 2014, CFO-1 first brought to the Board's attention that BROOMES was using the Corporate Credit Card for unauthorized personal expenses. At the time, the Board believed the total personal charges to be approximately \$60,000 based on an initial review of the account statements. When confronted by the Board, BROOMES admitted to charging personal and unauthorized expenses to the Corporate Credit Card and was required, by the Board, to begin repaying the approximately \$60,000 in identified personal costs to the

Housing Nonprofit.

d. The Board of Directors also never authorized or approved of the transfer of SSHP funds for non-program expenditures.

e. At a Board meeting in September 2015, the issue of the Housing Nonprofit's substantial rent arrears was raised. At that meeting, the Board learned that funds were being transferred out of the SSHP and, at that meeting, BROOMES acknowledged transferring money from the SSHP account to cover other, unauthorized expenses but assured the Board that practice was not cause for concern because he intended to repay the SSHP funds.

f. However, Board members subsequently examined the terms of the SSHP contract and confirmed that BROOMES was not authorized to transfer funds from the SSHP account to cover other expenses. At a meeting of the Board of Directors in or about April 2016, the Board confronted BROOMES with the terms of the SSHP contract. BROOMES again acknowledged that he had authorized the diversion of SSHP funds to cover other, unauthorized expenses at the Housing Nonprofit. After the April 2016 meeting, the Board made the decision to terminate BROOMES.

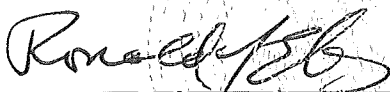
g. The Housing Nonprofit is currently working to repay the hundreds of thousands of dollars unlawfully diverted from the SSHP by BROOMES.

WHEREFORE, I respectfully request that a warrant be issued for the arrest of DEREK BROOMES, the defendant, and that he be arrested and imprisoned or bailed, as the case may be.



MASON POSILKIN
Criminal Investigator
United States Attorney's Office
Southern District of New York

Sworn to before me this
23rd day of May 2017



HONORABLE RONALD L. ELLIS
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK