



Department of Investigation

Press Release

EXECUTIVE DIRECTOR & TWO OTHERS CHARGED WITH MISAPPROPRIATING \$2.3 MILLION FROM THE FEDERATION OF PUERTO RICAN ORGANIZATIONS

THURSDAY, AUGUST 19, 1999 -- LORETTA E. LYNCH, United States Attorney for the Eastern District of New York, and EDWARD J. KURIANSKY, Commissioner of the New York City Department of Investigation, today announced that a federal grand jury in Brooklyn has returned an eighteen-count indictment charging VICTOR MEDINA, CHARLES GIBSON and ROLANDO VARGAS with misappropriating approximately \$2,300,000 from the Federation of Puerto Rican Organizations, a social-service provider that operated programs under city and state contracts in Brooklyn and Queens. MEDINA is the executive director of the Federation. GIBSON was, until recently, the comptroller of the Federation. VARGAS is the owner of three cleaning companies, Nicaragua Maintenance Co., Cypress Hills Maintenance Co., and Hazel Cleaning Co. The charges against the three men include misappropriating Federation funds, in violation of 18 U.S.C. § 666, conspiracy to misappropriate Federation funds, in violation of 18 U.S.C. § 371, money laundering, in violation of 18 U.S.C. § 1956, and structuring financial transactions, in violation of 31 U.S.C. §§ 5322 and 5324.

Between 1992 and 1997, the Federation operated (as it had previously) a number of social service programs through five not-for-profit corporations under its control. These programs were administered under contracts with New York City and New York State. During the five-year period, the Federation received approximately \$200,000,000 pursuant to these contracts, of which over \$120,000,000 was paid under various federal funding plans, most significantly the federal Medicaid program.

The indictment charges that MEDINA and GIBSON used their positions with the Federation to divert close to \$2,000,000 in program funds for their own benefit during this time. Between 1993 and 1997 the Federation entered into contracts with VARGAS'S cleaning companies to clean 21 group homes run by the Federation, as well as the Federation's corporate offices. Approximately \$1,800,000 of the misappropriated money was siphoned off through the cleaning companies by means of VARGAS'S cashing of hundreds of checks made payable to himself. The indictment alleges that MEDINA and GIBSON shared in this money through direct payments and through work performed at MEDINA'S house by VARGAS without charge to MEDINA.

In addition, the indictment charges that in December 1994, MEDINA and GIBSON established a sham Federation bank account at Natwest Bank in Brooklyn. Over the next two years, MEDINA and GIBSON caused over \$170,000 in checks made payable to the Federation to be deposited into this account. Many of these checks were refunds from vendors for overpayments made by the Federation. MEDINA and GIBSON then wrote checks to themselves on this account in the sum of \$81,600 each. Furthermore, the indictment charges that MEDINA and GIBSON caused checks totaling over \$100,000 to be written to each of them in payment of claimed back wages. In fact, payment of these claimed back wages had never been approved by

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the Federation and when asked to produce documentary authorization for the payments, MEDINA and GIBSON presented fraudulent affidavits. In addition, GIBSON is charged with using his corporate American Express card for \$44,000 in personal charges that were then paid for by the Federation.

If convicted, the defendants face a maximum of twenty years' imprisonment on the money laundering charge, ten years on the charge of misappropriating Federation funds, and five years on the structuring charge. In addition, the indictment seeks forfeiture of the property obtained by MEDINA, GIBSON and VARGAS, including MEDINA's home at 21 Primrose Ave., Yonkers, New York. *(The charges contained in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty).*

The case has been assigned to the Honorable Nina Gershon of the United States District Court for the Eastern District of New York. Defendants MEDINA and GIBSON were arrested today and will be arraigned before United States Magistrate Judge Robert M. Levy.

VARGAS was previously arrested on a warrant relating to this case and will be arraigned on the indictment later this week. He is free on a \$200,000 secured bond.

MEDINA, age 58, resided at 21 Primrose Avenue, Yonkers, New York. GIBSON, 67 years of age, resides at 14 Francine Court, White Plains, New York. VARGAS, age 59, resides at 33-60 21st Street, Long Island City, New York.

The investigation was conducted by the New York City Department of Investigation by Gerard Hoey, Inspector General for the Human Resources Administration, as well as Deputy Inspector Generals Valentine Douglas and Hans Seiderman, and Investigative Auditors Anthony Adjei and Lavinel§ Lotrean. The United States Postal Inspection Service also assisted in the investigation.

The case is being prosecuted by Assistant United States Attorney Stuart M. Altman.