

Department of Justice
U.S. Attorney's Office
Southern District of New York

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Former President And CEO Of New York City Nonprofit Organization Charged With Fraud And Embezzlement Offenses

Joon H. Kim, the Acting United States Attorney for the Southern District of New York, and Mark G. Peters, Commissioner of the New York City Department of Investigation (“DOI”), announced today the arrest of DEREK BROOMES, the former president and chief executive officer of a nonprofit housing organization based in Harlem, New York (the “Housing Nonprofit”). BROOMES is charged with fraud, embezzlement, and misappropriating more than \$800,000 from a federally funded program intended to provide housing to low-income individuals living with HIV and AIDS. BROOMES was arrested this morning in the Bronx, New York, and is scheduled to appear before U.S. Magistrate Judge Ronald L. Ellis in Manhattan federal court later today.

Acting U.S. Attorney Joon H. Kim said: “As alleged, Derek Broomes, the former president and CEO of a non-profit organization, abused his position to divert more than \$800,000 in public funds designed to assist low-income citizens living with HIV/AIDS. By his scheme to enrich himself at the expense of the non-profit, Broomes allegedly jeopardized housing for dozens of vulnerable tenants. I thank our partner at the Department of Investigation for their work in rooting out fraud and corruption in New York City.”

Commissioner Mark G. Peters said: “This defendant saw more value in purchasing luxury items than in putting a roof over the heads of his clients, according to the charges. He not only defrauded the organization and the City out of hundreds of thousands of dollars, but callously stole precious resources allocated to pay the rent of some of the City’s neediest New Yorkers. DOI thanks the Office of the United States Attorney for the Southern District of New York for their partnership on this case.”

According to the allegations contained in the Complaint [\[1\]](#) unsealed today in Manhattan federal court and publicly-available documents:

The Housing Nonprofit is a faith-based, nonprofit organization located in New York, New York, that develops and provides low-income housing in Harlem to a variety of constituencies. In approximately 2002, DEREK BROOMES, the defendant, became the chief financial officer of the Housing Nonprofit and, in approximately 2011, became its president and CEO. Prior to joining the Housing Nonprofit, BROOMES worked as a Deputy Commissioner at the New York

City Human Resources Administration (“HRA”) and, for three years at DOI in various capacities, including as an investigator and Deputy Inspector General.

Since at least 1999, the Housing Nonprofit has participated in the federally funded Scattered Site Housing Program (“SSHP” or the “Program”), 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. According to Program rules, SSHP funds are to be maintained in a segregated account and used exclusively for Program costs, including rental payments for residents covered by the Program. In fiscal year 2014, which ran from July 2013 through June 2014, the Housing Nonprofit received approximately \$1,590,845.67 in SSHP funds. In fiscal year 2015, which ran from July 2014 through June 2015, the Housing Nonprofit received approximately \$1,552,378.01 in SSHP funds from the City.

Beginning in at least 2013, BROOMES abused his position as president and 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. In total, between approximately March 2013, when the Corporate Credit Card was issued, and March 2015, when it was cancelled, BROOMES charged \$394,145.65 to the Corporate Credit Card. Of that, an analysis conducted by the Housing Nonprofit determined that at least \$243,907.35 in charges were either personal or otherwise unauthorized.

To cover those expenditures and other operating expenses at the Housing Nonprofit, BROOMES misappropriated more than \$800,000 in federal funds that were provided through the SSHP. Specifically, BROOMES diverted the SSHP funds, which were intended to be used to cover rent payments for residents covered by the Program, to the Housing Nonprofit’s operating account, where they were used to pay for unauthorized expenses, including the monthly Corporate Credit Card bills. For example, in July 2014, the Housing Nonprofit received a \$284,000 advance from the SSHP intended to be used exclusively to cover Program expenses. Instead, that same day, BROOMES directed the transfer of approximately \$200,000 of that advance into HCCI’s operating account, where it was used to pay various unauthorized expenses, including \$64,875.29 in payments to the credit card company that issued the Corporate Credit Card.

As a result of BROOMES’s diversion of SSHP funds, 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. 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. In a January 2, 2015, email to BROOMES, another Housing Nonprofit employee reported: “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.”

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, in order to perpetuate his scheme and avoid detection, BROOMES submitted, and caused others to submit, false and fraudulent reimbursement requests to HRA, which administers the SSHP, in which BROOMES and others acting at his direction certified that the Housing Nonprofit had paid rent on the SSHP units. In truth and in fact, the Housing Nonprofit had not made those payments. BROOMES personally signed paperwork submitted to HRA as a part of the Housing Nonprofit's monthly certifications and reimbursement requests on May 8, 2013, and July 19, 2013, and directed others to sign monthly certifications and related paperwork throughout the duration of the charged scheme.

* * *

BROOMES, 71, of New York, New York, is charged in a complaint with one count of wire fraud and one count of embezzlement from a federally funded program, each of which carries a maximum penalty of 20 years in prison.

The maximum potential sentences in these cases are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant will be determined by a judge.

Acting U.S. Attorney Kim praised the work of DOI and the Criminal Investigators of the United States Attorney's Office for the Southern District of New York.

The case is being prosecuted by the Office's Public Corruption Unit. Assistant U.S. Attorneys Edward B. Diskant and Alison G. Moe are in charge of the prosecution.

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

[1] As the introductory phrase signifies, the entirety of the text of the Complaint, and the description of the Complaint set forth herein, constitute only allegations, and every fact described should be treated as an allegation.

Attachment(s):

[Download u.s. v. derek broomes complaint.pdf](#)

Component(s):

[USAO - New York, Southern](#)

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