

**CRIMINAL COURT OF THE CITY OF NEW YORK
COUNTY OF NEW YORK**

THE PEOPLE OF THE STATE OF NEW YORK

-against-

WILLIAM RAPFOGEL,

Defendant.

FELONY COMPLAINT

**ASSISTANT ATTORNEY
GENERAL GARY FISHMAN
(212) 416-6535**

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.:

Investigator Gerard Matheson, shield number 2316, of the New York State Office of the Attorney General, located at 120 Broadway, New York, New York, states:

From on or about January 1, 1993 to on or about August 12, 2013, in New York County and elsewhere in the State of New York, the defendant, William Rapfogel, committed the offenses of:

1. PL155.42 Grand Larceny in the First Degree
(1 count)
2. PL470.20(1)(b)(ii)(A)(iii) Money Laundering in the First Degree
(1 count)
3. PL470.15(1)(b)(i)(B)(iii) Money Laundering in the Second Degree
(1 count)
4. TL1804 Criminal Tax Fraud in the Third Degree
(4 counts)
5. PL105.10(1) Conspiracy in the Fourth Degree
(1 count)
6. PL175.10 Falsifying Business Records in the First Degree
(5 counts)
7. PL175.35 Offering a False Instrument for Filing in the First Degree
(3 counts)

The defendant stole property valued in excess of one million dollars; the defendant, knowing that property involved in one or more financial transactions represented the proceeds of a class A, B, or C felony, or of a crime in any other jurisdiction that was or would have been a class A, B, or C felony under the laws of this state, conducted one or more such financial transactions which in fact involved the proceeds of any such felony knowing that the transaction or transactions in whole or in part were designed to conceal or disguise the nature, the location, the source, the ownership or the control of the proceeds of specified criminal conduct, and the total value of the property involved in such financial transaction or transactions exceeded one million dollars; the

defendant, knowing that property involved in one or more financial transactions represented the proceeds of specified criminal conduct, conducted one or more such financial transactions, which in fact involved the proceeds of specified criminal conduct with intent to engage in conduct constituting a felony set forth in section eighteen hundred three, eighteen hundred four, eighteen hundred five, or eighteen hundred six of the Tax Law, and the total value of the property involved in such financial transaction or transactions exceeded one hundred thousand dollars; the defendant committed a tax fraud act or acts, and, with intent to evade a tax due under the Tax Law, and to defraud the state and a subdivision thereof, paid the state and a political subdivision of the state (by means of underpayment and receipt of refund), in a period of not more than one year, in excess of ten thousand dollars less than the tax liability that was due; the defendant, with intent that conduct constituting a class B or C felony be performed, agreed with one or more persons to engage in and cause the performance of such conduct; the defendant, with intent to defraud including an intent to commit another crime and to aid and conceal the commission thereof, made and caused a false entry in the business records of an enterprise; and the defendant, knowing that a written instrument contained false information and with intent to defraud the state and a subdivision thereof, presented it to a public office believing that it would become a part of the records of such office.

1. This felony complaint is based upon information and belief, the source of which is: deponent's interviews of the defendant, co-conspirators, and other witnesses; notes and information from other investigators from the Office of the New York State Attorney General; a review of business records, bank records, and documents on file with public agencies, including Metropolitan Council on Jewish Poverty, Inc.'s annual New York State ("NYS") charity filings and campaign disclosure reports on file with New York City ("NYC"), NYS, and federal government agencies; among other sources.

The offenses were committed under these circumstances:

Background

2. Metropolitan Council on Jewish Poverty, Inc. ("Met Council") was a not-for-profit organization incorporated in New York State. Its stated purpose was to serve as a primary advocate for the social welfare needs of the poor, near-poor, and elderly in the metropolitan New York City area. Met Council provided social, economic, housing, and family violence services,

and emergency financial assistance. Met Council also operated a food program to deliver food packages to low-income households.

3. Met Council received millions of dollars from NYC, NYS, and the federal government during the period of the conspiracy described in this complaint.

4. The defendant held the titles of Executive Director and Chief Executive Officer at Met Council from in or around 1992 to August 2013, when he was terminated by Met Council.

5. Century Coverage Corporation ("Century") was an insurance company located in Valley Stream, New York. Beginning in or around the early 1990s to in or around August 2013, Century provided insurance services for Met Council, such as obtaining property, automobile, casualty, and umbrella insurance policies from insurance providers. Century also administered the health insurance program for employees of Met Council.

THE CONSPIRACY

Inflating Met Council's Insurance Premiums to Steal From Met Council: Summary of the Larceny Scheme

6. I am informed by a co-conspirator who was employed by Met Council ("CC-1") that beginning in or around the early 1990s, CC-1 and another co-conspirator employed by Century ("CC-2") agreed to inflate the cost of insurance policies that Century obtained for Met Council for the purpose of personally pocketing the difference between the actual cost and the inflated cost ("the scheme"). I am informed by CC-1 and CC-2 that the proceeds of the scheme were usually distributed in cash.

7. I am informed by CC-1 that within months after the conspiracy began, the defendant was hired as the Executive Director of Met Council. I am informed by CC-1 and CC-2 that the

defendant was informed of the scheme and began receiving proceeds from the scheme, mostly in cash.

8. I am informed by CC-2 that during the period of the scheme, the co-conspirators set an approximate amount by which the cost of insurance policies billed to Met Council for the upcoming year would be inflated ("the yearly margin"). I am informed by CC-2 and my review of the records concerning the inflated insurance premiums charged to Met Council, records concerning the actual cost of the insurance premiums, and monthly invoices incorporating the inflated insurance costs that were paid by Met Council, that CC-2 provided Met Council insurance policies and invoices containing inflated insurance costs and that Met Council paid the inflated costs. I am further informed by CC-2 that this scheme continued until August 2013.

9. I am informed by CC-1, CC-2, and my review of the false versions of the insurance policies and inflated monthly insurance invoices paid by Met Council that the approximate amount of the yearly margin gradually increased over time and that the total amount of money stolen from Met Council was in excess of \$5,000,000.

10. The defendant received in excess of \$1,000,000 in proceeds from the scheme from in or around 1993 to in or around August 2013, and these proceeds included, but were not limited to, envelopes of cash given to the defendant on a regular basis and periodic checks that the defendant used to pay for his personal expenses. I base this on information I received from CC-2, conversations with the defendant, a review of the defendant's bank records and Century's bank records, and cash I recovered from the defendant.

11. Specifically, I am informed by the defendant that he received hundreds of thousands of dollars in cash and checks from CC-2, and that he kept in his homes some of the cash he

received from CC-2. I recovered over \$400,000 in cash from the defendant on three dates: on August 9, 2013, I recovered approximately \$322,000; on August 21, 2013, I recovered approximately \$50,000; and on August 29, 2013, I recovered approximately \$48,000.

12. I am informed by CC-2 that throughout the years, CC-2 and the defendant had ongoing discussions concerning the split of the proceeds from the scheme. At times during these discussions, the defendant demanded certain amounts for himself, including specific amounts to be issued by check for the defendant's personal expenses, such as payment of approximately \$27,000 in 2013 for a contractor working on the defendant's home.

13. In addition to taking cash kickbacks from the scheme involving the inflation of Met Council's insurance premiums, the defendant also made personal purchases using a Met Council corporate credit card. I am informed by the defendant and my review of Met Council records that the defendant charged thousands of dollars in personal items to Met Council.

Disguising the Cash Kickbacks: Summary of the Money Laundering and Tax Fraud Scheme

14. I am informed by CC-2 and my review of Century's bank records that after Century deposited check payments from Met Council for the insurance policies in the bank, the inflated amount of the insurance costs had to be converted to cash in order to pay cash kickbacks to the defendant and the other co-conspirators involved in the larceny scheme.

15. I am also informed by CC-2 and my review of an e-mail between the defendant and CC-2 that the defendant was aware that the inflated amount of the insurance costs that Century received from Met Council was converted into cash by CC-2 for the purpose of distributing the cash kickbacks. I am also informed that defendant requested that CC-2 convert approximately \$100,000 in cash that the defendant had previously received from the scheme into a check. I am

further informed that the defendant requested this conversion to conceal the true nature of funds which the defendant later used to assist his son with the purchase of a home.

16. I am informed by the defendant and by my review of his joint personal NYS and federal income tax returns for tax years 2008 to 2011 that he did not report the cash payments and other monetary benefits he received from CC-2 on any of the returns.

Using Cash Kickbacks for Political Donations from Straw Donors: Summary of the Campaign Finance Scheme

17. I am informed by CC-1 and the defendant that beginning in the 1990s, they directed CC-2 to make donations to various politicians in an effort to benefit Met Council.

18. I am informed by my review of the NYS and federal laws concerning not-for-profit organizations incorporated under Section 501(c)(3) of the federal tax laws that such entities are prohibited from making donations to campaigns of politicians (hereinafter, "political contributions").

19. I am informed by my review of the public records electronically available on the websites of the New York City Campaign Finance Board ("CFB"), the New York State Board of Elections ("BOE"), and the Federal Election Commission ("FEC"), that candidates for NYC elective offices file certain disclosures with the CFB and BOE identifying contributors and the amount of their contributions; candidates for NYS elective offices file such disclosures with the BOE; and candidates for federal elective offices file such disclosures with the FEC. I am also informed by my review of campaign finance law, including the New York State Election Law, and rules set forth on the CFB and BOE websites, that political contributions must be identified under the true name of the contributor and that the individual identified as the contributor cannot be reimbursed by someone else for the contribution.

20. I am informed by CC-2 that the defendant instructed CC-2 to make contributions to campaigns of various politicians and to political organizations and to use some of the proceeds from the insurance premium inflation scheme for these contributions. Specifically, CC-1, CC-2, and the defendant agreed that the money for the political contributions would be deducted from a share of the cash kickbacks, and that the checks for these political contributions would be issued by CC-2 and owners and employees of Century. Pursuant to this agreement, CC-2 regularly delivered checks for political contributions to the defendant, who in turn gave the checks to the various politicians and their political organizations.

21. I am informed by CC-2 that for certain political contributions, the defendant directed that separate checks in smaller amounts be obtained from multiple donors rather than one large check from one donor – for example, rather than one check of \$600, separate checks of smaller amounts totaling \$600 – in order to maximize New York City "matching funds" that would be provided to the campaign receiving the donations. Based on my review of the CFB website, I am informed that the "matching funds" referred to by the defendant were public monies that the CFB provided to candidates who participated in the campaign finance program to match donations they had received that met certain eligibility criteria, at a 6-to-1 rate up to a maximum of \$1,050 per contributor. Therefore, using this example, I am informed that a campaign receiving a \$600 donation would obtain only \$1,050 in matching funds because of the cap for each contributor, whereas a campaign receiving four separate donations of \$150 instead would obtain \$3,600 total in matching funds, because each \$150 donation would be matched by \$900 from the City.

22. I am also informed by my review of e-mails between the defendant and CC-2 that the defendant forwarded political fundraising invitations, solicitations, and contribution cards from campaigns to CC-2, and directed CC-2 to write checks payable to politicians and their political organizations.

23. I am further informed by my review of NYC, NYS, federal campaign disclosure reports, and records identifying the names of all Century employees that donations to various candidates and political organizations were made by CC-2, Century owners, and Century employees from in or around the late 1990s to in or around the middle of 2013. For example, the campaign disclosure reports for candidates for New York City elective offices show over \$120,000 in contributions from Century owners and employees to candidates for NYC elective offices from in or around the late 1990s to in or around the middle of 2013. Also, campaign disclosure reports filed with BOE and the FEC during this same time period show that various candidates for NYS and federal elective offices reported receiving tens of thousands of dollars in contributions from Century owners and employees.

The Falsification of Records to Facilitate and Cover Up the Schemes

24. To facilitate and cover up the larceny and campaign finance schemes, I am informed that the defendant caused the falsification of: Met Council's business records; Century's business records; campaign finance records of candidates for NYC elective offices; campaign finance records of candidates for NYS elective offices; and campaign finance records of candidates for federal elective offices.

25. To facilitate and cover up the larceny and campaign finance schemes, I am informed that the defendant presented false campaign finance records concerning contributions to the CFB, BOE, and FEC.

False statements made herein are punishable as a class A Misdemeanor pursuant to Penal Law § 210.45.


Gerard Matheson
Deponent

Dated: September 24, 2013
New York, New York