



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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PRESS RELEASE

**FORMER PROCUREMENT DIRECTOR OF STATEN ISLAND DISTRICT
ATTORNEY'S OFFICE CHARGED WITH EMBEZZLING GOVERNMENT FUNDS**

***Defendant Fraudulently Purchased Hundreds of Personal Items in Scheme to Defraud the
Richmond County District Attorney's Office of Over \$440,000***

A ten-count indictment was unsealed today in the United States District Court for the Eastern District of New York charging William Nelson, former Director of Procurement at the Richmond County District Attorney's Office (RCDA), with one count of theft of funds and nine counts of mail fraud. The defendant is scheduled to be arraigned before United States Magistrate Judge James Orenstein at the Brooklyn federal courthouse this afternoon.

The charges were announced by Bridget M. Rohde, Acting United States Attorney for the Eastern District of New York, William F. Sweeney, Jr., Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI), and Mark G. Peters, Commissioner, New York City Department of Investigation (DOI).

As alleged in the indictment, for approximately 10 years between 2006 and 2016, Nelson stole over \$440,000 from the RCDA as part of a long-term scheme to defraud the RCDA of funds. Specifically, Nelson used two RCDA American Express credit cards to purchase items such as jewelry, apparel, toys, sporting goods and memorabilia, alcohol, video games and movies, electronics, household items, grocery items, books, sundries, knives, survival gear, handbags, collectibles, souvenirs, event tickets, meals, lodging, airfare, excursions, and online services that he then used for his own benefit and the benefit of others. Nelson also used the online payment system PayPal to directly transfer thousands of dollars from the RCDA credit cards to his own personal bank account. In furtherance of his scheme, Nelson took steps to conceal his embezzlement, which included concealing the itemized credit card statements, mischaracterizing the nature of the purchases, and using his authority as Director of Procurement to approve payments of his fraudulent personal expenditures.

“As alleged, Nelson abused his position as Procurement Director for the Richmond County District Attorney's Office by engaging in a decade-long scheme to defraud

the DA's office of nearly half a million dollars," stated Acting United States Attorney Rohde. "Together with our law enforcement partners at the FBI and DOI, our Office will hold to account those who engage in such fraud, particularly where it disadvantages agencies tasked with safeguarding our communities." Ms. Rohde thanked the Richmond County District Attorney's Office for its assistance during the investigation.

"This case is a textbook example of what can happen when power goes unchecked," stated FBI Assistant Director-in-Charge Sweeney. "Not only did Nelson allegedly steal hundreds of thousands of dollars from the RCDA, but he shamefully exploited his official position to authorize the very transactions that made this possible. Instead of using taxpayer funds for their intended purpose, he allegedly used them for his own personal intentions. Our communities place a high level of trust in those who hold these positions, and that trust should never waver. We won't allow schemers of any kind to put the public's trust at risk."

"This defendant stole law enforcement funds to finance jet-setting vacations and purchase hundreds of thousands of dollars in luxury items, according to the charges," stated DOI Commissioner Peters. "DOI has issued a report documenting how this scam was perpetrated for over a decade and recommended changes to safeguard our city's finances. DOI thanks the United States Attorney's Office for the Eastern District of New York for its partnership on this criminal investigation and the Richmond County District Attorney's Office for its cooperation and swift action in implementing DOI's recommendations."

The charges in the indictment are merely allegations, and the defendant is presumed innocent unless and until proven guilty. If convicted, the defendant faces up to 10 years' imprisonment on the theft of funds count and 20 years' imprisonment on each of the mail fraud counts.

The government's case is being prosecuted by the Office's Public Integrity Section. Assistant United States Attorney Maria Cruz Melendez is in charge of the prosecution.

The Defendant:

WILLIAM NELSON
Age: 44
New York, New York

E.D.N.Y. Docket No. 17-CR-394 (RJD)



New York City Department of Investigation

**A Report on Theft of Funds
by the Former Procurement Director
of the Richmond County District Attorney's Office**

**MARK G. PETERS
COMMISSIONER**

August 2017

I. Executive Summary

The New York City Department of Investigation (DOI) conducted an investigation concerning theft of funds from the Richmond County District Attorney's Office (RCDA) after being alerted to the issue by RCDA. On August 3, 2017, following DOI's investigation which was conducted in partnership with the United States Attorney's Office for the Eastern District of New York and the Federal Bureau of Investigation, with support from RCDA, an indictment was unsealed in the United States District Court for the Eastern District of New York charging William Nelson, the former Procurement Director of RCDA, with theft of government funds and mail fraud.¹ As charged in the indictment, Nelson stole over \$440,000 in City funds from RCDA between 2007 and 2016 by using agency credit cards for personal expenditures.

As charged in the indictment, Nelson engaged in deliberate conduct to conceal his scheme to defraud the City. DOI also determined that RCDA lacked sufficient internal controls relating to use of the agency credit card accounts, and its supervisors failed to provide sufficient oversight of Nelson's use of the credit cards in order to detect the fraudulent scheme earlier. DOI made several recommendations to RCDA to correct these deficiencies, which RCDA has already implemented or agreed to implement.

This Report discusses Nelson's theft of RCDA funds, highlights the array of deficiencies in RCDA's past fiscal practices, and sets forth DOI's recommendations.

II. William Nelson Misappropriated More Than \$440,000 in City Funds from RCDA.

DOI initiated its investigation after RCDA identified questionable transactions during a reconciliation of its credit card accounts and immediately reported the suspicious activity. DOI's ensuing investigation centered on Nelson, who had been the Procurement Director with RCDA from June 2005 until his resignation in December 2016. Nelson's responsibilities included use of the RCDA credit cards for agency purchases.

As charged in the indictment and set forth in public filings, Nelson used the RCDA AMEX cards to misappropriate over \$440,000 in City funds. DOI's investigation uncovered vendor records, social media posts by Nelson, and agency records that confirmed Nelson was responsible for these personal AMEX transactions. Specifically, as set forth in public filings, Nelson used the RCDA AMEX credit cards to purchase a variety of personal goods and services including but not limited to the following:

- Over \$72,000 in vacation expenses such as airfare, lodging, meals, and excursions for Nelson and his family, including for trips to Disney World in Florida, the Landsdowne Resort and Spa in Virginia, the Sagamore Resort in Lake George, New York, and other locations.

¹ The charges in the indictment are merely allegations and Nelson is presumed innocent unless and until proven guilty. DOI previously arrested Nelson on June 6, 2017, and RCDA charged Nelson with grand larceny in the second degree.

- Over \$100,000 on an extensive knife collection.
- Over \$99,000 in personal items from the online vendor Amazon.com Inc. and other vendors, including items such as clothing, jewelry, watches, luxury handbags, digital cameras, laptops, toys, sporting goods and memorabilia, video games, movies, household items, grocery items, books, survival gear, and collectibles. More specifically, these items included a Samsung laptop, a Victorinox Swiss Army men's watch, a titanium plain edge knife, a Salvatore Ferragamo quartz beige watch, a Gucci women's stainless steel watch, and a pair of ECCO men's dress shoes.
- Over \$13,000 for tickets to sporting events including tickets to see the November 15, 2015 New York Giants versus New England Patriots football game and the December 28, 2014 Pittsburgh Steelers versus Cincinnati Bengals game.

The Appendix to this Report includes examples of photographs posted by Nelson to his social media accounts that document some of these purchases. Moreover, Nelson spent approximately \$160,000 in funds from the AMEX Cards via his PayPal account, including transferring at least \$12,000 of these funds from the cards through PayPal to his personal bank accounts.

III. RCDA Failed to Institute Sufficient Internal Controls or Provide Oversight Relating to Nelson's Use of the Agency Credit Card Accounts.

Nelson avoided detection of his fraudulent activity by making material misrepresentations of fact and engaging in deliberate conduct aimed at concealing his scheme to defraud RCDA. DOI determined that Nelson also avoided detection for over 10 years due to RCDA's lack of internal controls, the wholesale delegation of authority, and the absence of supervision over Nelson's use of the RCDA credit cards. As a result of Nelson's material misrepresentations and deliberate concealment, as well as RCDA's internal control deficiencies, RCDA did not detect the fraudulent scheme earlier.

A. RCDA Failed to Monitor Nelson's Credit Card Activities.

City agencies are required to designate staff independent of credit card holders to conduct monthly reviews of card holder activity and ensure no improper use.² RCDA's Chief Fiscal Officer is responsible for the review and approval of credit card purchases. However, DOI found that the Chief Fiscal Officer did not review Nelson's AMEX purchases or conduct regular monthly reviews of agency card usage. Instead, as charged in the indictment, Nelson, among other things, concealed the fraudulent scheme by having the AMEX credit card statements, which contained the itemized purchases with the cards, sent to his RCDA email address and concealing those statements in his office and elsewhere to avoid any review.

² Comptroller's Directive 24; Comptroller's Memorandum 1-01, at 4 (June 2001).

B. RCDA Failed to Properly Approve Payments to Vendors.

City agencies generally facilitate the payment of City funds to vendors such as AMEX through the City's Financial Management System (FMS). Agency employees with authority to submit payment vouchers initiate the payment process in FMS, while other employees with approval authority sign off on those payments in FMS.³ This approval process is a control designed to verify that expenditures are reasonable and to segregate the duties of agency staff.

DOI found that RCDA did not comply with this process. Specifically, as set forth in court filings, Nelson used his FMS approval authority to approve his own AMEX charges, including his personal expenditures, as legitimate RCDA purchases and thereby facilitate payments to AMEX for those charges. In addition, the Chief Fiscal Officer improperly delegated his FMS approval authority to subordinates by allowing them to use his FMS password to approve payments to AMEX and other vendors. It was also revealed that the individuals approving the payments only reviewed the first page of the AMEX bills indicating how much money was spent for the month because Nelson intentionally withheld the itemized statements as supporting documentation.

C. RCDA Failed to Review Object Code Expenditures.

City agency budgets are separated into various categories of funds that are assigned distinct billing object codes for the purpose of tracking the source of funds for expenditures. As set forth in court filings, Nelson fraudulently assigned object codes to AMEX expenditures and provided this information to RCDA staff for entry of the codes into FMS. To conceal his unauthorized personal AMEX charges, Nelson recorded or directed RCDA staff to record a number of those charges under the object code 460, which refers to the Special Expenditures account used for payment of confidential expenditures such as witness protection, paid informants, and surveillance operations.⁴ DOI found that RCDA did not review whether transactions were properly posted to object code 460.

DOI also found that RCDA did not conduct its own audit of these expenditures despite declining to provide access to the New York City Comptroller in connection with an audit by the Comptroller covering the period from June 2007 to June 2008. The Comptroller wrote in its report that it did not review object code 460 expenditures because RCDA stated that an audit of those expenditures by the Comptroller might jeopardize current or future investigations.⁵

³ Comptroller's Directive 24, Section 6.

⁴ The RCDA budget includes a number of line items including one for object code 460. For example, in the Adopted Fiscal Year 2016 budget, the total RCDA adopted budget was approximately \$8.17 million, and the budget for object code 460 was approximately \$484,000.

⁵ Comptroller, *Audit on the Financial and Operating Practices of the Richmond County District Attorney's Office*, at 3 (June 30, 2009).

D. RCDA Failed to Set Purchase Thresholds.

Many of Nelson's credit card purchases individually exceeded any reasonable purchase thresholds. The Comptroller's rules establish a tiered approach involving heightened internal controls based on the increasing cost of purchases.⁶ RCDA failed to enforce any purchase amount thresholds limiting the authority of card users to make purchases over particular amounts.

IV. Conclusion and Recommendations

As charged in the indictment, Nelson engaged in an extensive theft of hundreds of thousands of dollars of City funds spanning over 10 years. In addition, RCDA lacked sufficient internal controls and oversight to detect the fraudulent scheme earlier. As a result, DOI made the following recommendations:

1. RCDA should draft a specific written policy that sets forth limitations on the use of agency credit cards.
2. RCDA should require any agency credit card user to review the written policy concerning card usage and to sign an acknowledgment of the policy on an annual basis.
3. RCDA should require any agency credit card user to notify a supervisor prior to any purchase of goods or services with an agency credit card.
4. RCDA should designate personnel independent of credit card users to review and approve credit card purchases.
5. RCDA should institute regular monthly reviews of credit card use including review of card statements and supporting documentation as set forth in the Comptroller's directives and memoranda.
6. RCDA should prohibit the use of credit cards for cash advances.
7. RCDA should ensure the creation, maintenance, and retention of appropriate supporting documentation and logs of transactions.
8. RCDA should limit credit card usage to agency staff approved by the Chief Administrative Officer and maintain a log of approved users;
9. RCDA should establish purchase thresholds and corresponding approval standards for purchases over such thresholds.

⁶Comptroller's Directive 24.

10. RCDA should draft a specific written policy concerning compliance with FMS rules and policies.
11. RCDA should require that two distinct approvers authorize payments to vendors through the FMS system.
12. RCDA should prohibit FMS users from sharing personal FMS passwords with others or from taking FMS actions on behalf of others.
13. RCDA should require that FMS users sign an acknowledgment of FMS rules and policies annually.
14. RCDA should ensure segregation of duties by prohibiting employees who place orders for goods and services from preparing vouchers for the requested item, submitting or approving requests for payments for the requested item, or receiving the requested item.
15. RCDA should conduct monthly reviews to determine that agency transactions have been allocated to appropriate budget object codes; the reviewers should be separate from any personnel who allocated the codes.
16. RCDA should conduct monthly and annual reviews of total credit card expenses and compare with the amount of total monthly and annual expenditures from prior years; the reviewers should be separate from any personnel who made credit card purchases.
17. RCDA should review agency spending by budget code and compare with prior years in connection with the annual budget submission process in order to determine, among other things, any significant increases or decreases in spending under particular codes; the reviewers should be separate from any personnel who made purchases.
18. RCDA should provide all finance and procurement personnel with regular training in the relevant rules and procedures of the Comptroller and other City agencies such as the Financial Information Services Agency.
19. In addition to any audits that may be conducted by the Comptroller, the Executive Assistant District Attorney and Chief Fiscal Officer should conduct an annual internal review of transactions posted to Special Expenditures (Object Code 460).
20. RCDA should also ensure that an independent entity conducts an audit of agency finances within the next 12 months.

RCDA fully cooperated with this investigation and took immediate action to correct the previous inadequate fiscal controls. RCDA has implemented or agreed to implement the recommendations set forth above. DOI will continue to monitor the implementation.

APPENDIX

APPENDIX A-1- INSTAGRAM PHOTOGRAPH OF KNIVES PURCHASED AT 2015 KNIFE CONVENTION IN ATLANTA, GEORGIA

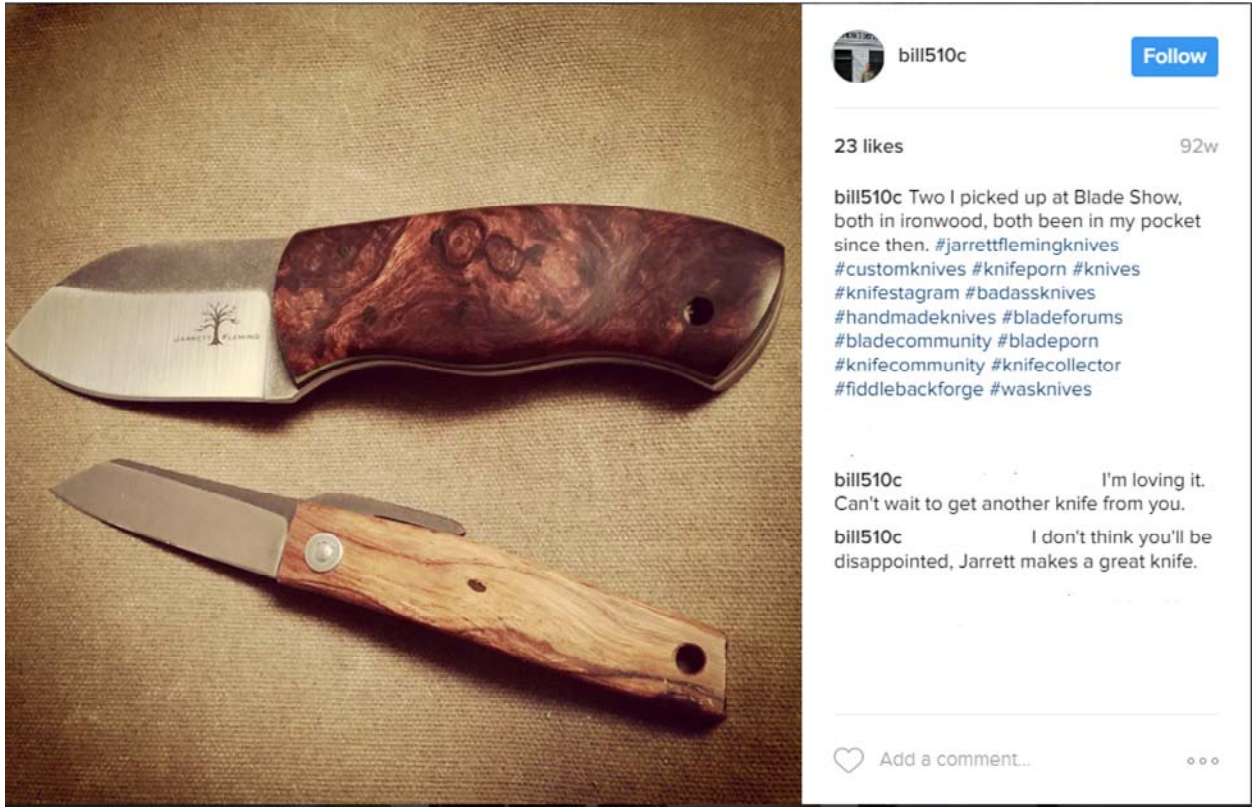
APPENDIX A-2 - FACEBOOK PHOTOGRAPH OF NELSON & OTHERS AT A PITTSBURGH STEELERS GAME

APPENDIX A-3-INSTAGRAM PHOTOGRAPH OF NELSON'S 2016 GOLF OUTING AT DISNEY WORLD

APPENDIX A-4 - INSTAGRAM PHOTOGRAPH OF NELSON'S 2016 TRIP TO LANDSDOWNE RESORT

APPENDIX A-5 INSTAGRAM PHOTOGRAPH OF NELSON'S TRIP TO SAGAMORE RESORT

APPENDIX A-1



bill510c

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92w

bill510c Two I picked up at Blade Show, both in ironwood, both been in my pocket since then. #jarrettflemingknives #customknives #knifeporn #knives #knifestagram #badassknives #handmadeknives #bladeforums #bladecommunity #bladeporn #knifecommunity #knifecollector #fiddlebackforge #wasknives

bill510c I'm loving it. Can't wait to get another knife from you.

bill510c I don't think you'll be disappointed, Jarrett makes a great knife.


♡ Add a comment...



APPENDIX A-2

Public Account - Bill Nelson
Item ID: 17-001180000000015 / Preview

[17-001180000000015 Metadata](#)

 Bill Nelson
Bill Nelson was with 1 and 4 others at Heinz Field.
Heinz Field 4.5 stars Event
12/25/2014 11:51 PM UTC

0 tags

Location: Pittsburgh, Pennsylvania, Pittsburgh, PA, United States

1 comment



12/25/2014

APPENDIX A-3



bill510c

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21w

bill510c Not a bad way to spend a Friday morning in Florida..better than being in the office..#golf #disney #disneyworld #disneygolf #disneymagnolia #disneymagnoliagolfcourse #disneygolfcourse #disneygolffing #livingthedream #onlythebest

bill510c

Orlando, doing Disney for a few days



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APPENDIX A-4



bill510c

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bill510c Beautiful perfect morning for a quick 9 with my boys and a great cigar. #golf #golfandcigars #cigarsnob #cigars #cigar #lansdownegolf #lansdownegolfresort #thegoodlife #onlythebest #livingthedream

bill510c I smoke plenty of montes, but my numero uno choice is Partagas Series D



53 likes

JULY 11, 2016

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APPENDIX A-5



bill510c
The Sagamore Resort

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75w

bill510c Happy hour poolside.
#happybirthday #happyhour # Lake
George #thesagamoresort #thebest #
the life #the lifestyle #living large

bill510c This was from two hours ago. Cell
service sucks here.

bill510c I highly
recommend it. Some beautiful county here,
you forget you're in NY state

♡ Add a comment...

