



Press Release
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FOR IMMEDIATE RELEASE:

**MAIL FRAUD CHARGES FILED AGAINST KAPPER
ALLEGING CONFLICTS OF INTEREST**

The United States Attorney for the Northern District of Ohio, after an investigation conducted by the FBI, the Internal Revenue Service, and the Ohio Ethics Commission, filed a bill of information on Monday alleging mail fraud and conflicts of interest in payments received by Raymond J. Kapper from seven vendors to Summit County agencies on whose public Boards he was serving at the time of the payments.

Kapper was employed as the Director of Public Service for the City of Akron from 1984 to 1992. In January 1993, the Akron Mayor appointed him to the Akron Metropolitan Housing Authority (AMHA), where he served as Chair from June 30, 1993 through January 29, 1998. From May 1997 through December 1998, Kapper also served as a member of the Board of Trustees of the Summit County Children Services Board (CSB).

The charges allege that conflicts of interest by Kapper were created by a series of undisclosed payments he received from vendors to the AMHA and CSB boards he served between 1993 and 1998. Payments from the vendors were made to his private consulting company, Kapper & Associates. Kapper actively participated in matters involving those vendors before the board and in dealings with subordinate staff.

"The wrong here was simply that you cannot be on both sides of the fence in service to the public. As a public board member, your allegiance is to the public. Either remove yourself from all matters that involve your private business, or don't work for those who do business with your public board. That's why it is called a 'conflict of interest,'" explained David E. Freel, Executive Director of the Ohio Ethics Commission. "When other board members don't know that you are a paid consultant to a business that wants public contracts, and subordinate staff doesn't know, and the public doesn't know, there is no way of later assuring to the public that their interest, and not your interest in lobbying for your clients,

has been the paramount and controlling concern in spending public money or making impartial decisions on their behalf," Freel added.

The bill of information alleges that:

From January 1993 to December 1998, Kapper received a total of \$183,000 in consulting fees from DLZ Corporation or its subsidiaries, at the same time that DLZ was paid \$600,000 by AMHA to design a new administrative complex. DLZ also provided Kapper with a country club membership and allowed him to use the corporate condominium in Florida. Kapper voted to approve the original contract between AMHA, a subsidiary of DLZ Corporation.

From March 1995 through February 1998, Kapper received a total of \$24,000 in consulting fees from Costigan Furniture, at the same time that Costigan was paid \$600,000 by AMHA and \$100,000 by CSB for office supplies and furniture. Kapper voted to award the CSB contract to Costigan, and also approved subsequent CSB expenditures.

From 1995 to 1997, American Shipping and Packing Movers (ASPM) paid Kapper \$5,000 in consulting fees, and in March 1996, ASPM received a \$40,000 contract with AMHA to move furniture from an old into a new administrative building. Kapper played an active role in ASPM obtaining the moving contract with AMHA to move the furniture.

From 1994 through March 1998, Cavanaugh Building Corporation (Cavanaugh) paid Kapper \$29,000 in consulting fees and his \$15,000 initiation fee to the Firestone Country Club. During this time period, Cavanaugh had construction contracts with both AMHA and CSB. In April 1995, Kapper noted in a Kapper Associates Completed Activity Report that he had finalized a \$7 million job for Cavanaugh with AMHA.

Furthermore, from February 1995 through December 1997, Kapper voted to approve financial reports setting forth payments made by AMHA to Kapper. At CSB, Kapper voted on awarding the contract with Cavanaugh and also voted to approve change orders that awarded additional money to Cavanaugh.

In 1997, Kapper received \$60,000 for successfully selling property located at 11 South Main in Akron from the owner of the property, John Mazzola. Since 1981, Mazzola had a continuing contract with AMHA to provide housing assistance payments to tenants of this property. The sale involved relocating 63 low-income tenants and obtaining HUD approval for the sale.

From September 1995 through 1997, Public Sector Solutions (PSS), a financial consulting firm owned by James Achterman, paid Kapper \$60,000 in consulting fees. During this time period, AMHA paid PSS \$90,535 for financial consulting services related to financing the new AMHA central office and purchasing six properties. Kapper, as the AMHA Board President, voted to approve hiring Achterman.

From June 1996 through May 1997, Kapper received \$50,000 in consulting fees from Summit Management Services, Inc. (SMS), a real estate management company owned by Herb Newman. During this time period, Kapper, as AMHA Board President, voted to enter

in an agreement with SMS to supply real estate management services to AMHA, at a fee to be determined by the AMHA executive director and the Board.

The Ohio Ethics Commission is an independent agency of state government, charged with interpreting and administering the Ohio Ethics Law. The Ethics Commission investigates alleged unethical conduct and refers violations to the appropriate prosecuting attorney for criminal prosecution. The Ethics Commission has been serving the public, and state and local governments, since its formation as part of the Ohio Ethics Law in 1973.