



The City of New York
Department of Investigation

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DOI ARRESTS 731 IN 2011 CAPPING A RECORD YEAR

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (“DOI”), announced today that the agency will close out Calendar Year 2011 with 731 arrests, a record-high number that is more than double the 341 arrests made in 2002 and surpasses last year’s 724 calendar year-end arrests.

The significant number of arrests in 2011 caps a year of accomplishments that highlight DOI’s broad impact – from finding solutions to recurring corruption problems to working with federal law enforcement to stop and expose a large-scale bribery and kickback scheme and recover funds owed to the City’s taxpayers. DOI’s investigations also helped bolster New Yorkers’ safety, stop benefit fraud, protect City property and funds, curtail contraband in the City’s jails, and root out housing fraud. In 2011, DOI issued several informative investigative reports, including one that chronicled the 2010 Blizzard cleanup showing isolated instances of employee-misconduct and problematic operational policies but no evidence of an organized slowdown; another that traced how top executives of a large City-funded nonprofit came to receive extraordinarily high increases in compensation with no meaningful input from their Board, and an investigation that documented how a now former employee of a City software vendor forged the signature of a City agency official on a contract document.

In 2011, DOI received approximately 13,000 complaints, closed approximately 1,240 investigations, and conducted nearly 500 corruption prevention lectures. DOI continues to tackle corruption on multiple fronts educating City employees about their mandate to report corruption, presenting approximately 4,550 corruption prevention lectures since 2002 to thousands of City employees and contractors and, also since 2002, issuing 2,600 policy and procedure recommendations to City agencies to close corruption vulnerabilities, with the majority being implemented.

DOI Commissioner Rose Gill Hearn said, “DOI’s accomplishments from arrests to policy changes at City agencies demonstrate its value within New York City government. In these tough economic times DOI continues to protect the public coffers and ensure that the City’s anti-corruption efforts are vigorous, innovative, and effective, as the City’s taxpayers deserve. I commend the DOI staff for their tireless work this year, and to the dedicated City employees and the public who alerted us to fraud and corruption – you are the eyes and ears needed in our continuing efforts.”

The following are highlights from DOI’s 2011 accomplishments:

Stopping a Large-Scale Bribery and Kickback Scheme

- An outgrowth from a previous DOI corruption case led DOI to join forces with its federal law enforcement partners to expose a large-scale bribery and kickback scheme involving HPD programs, resulting in the indictment and arrest of an HPD Assistant Commissioner and six HPD developers and contractors. During the two-year investigation, DOI analyzed financial records and found large cash deposits and other transactions that established connections between the HPD Assistant Commissioner and the developers and contractors, and exposed a shell company and various sham transactions that facilitated the charged criminal scheme. Because DOI’s legal powers enable investigators access to City properties, books, and records, DOI was able to obtain and review key records such as personnel records, project files, and thousands of HPD emails covertly.

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Benefit Fraud Cases

Because DOI investigators are experts in the City agencies they oversee, and the agency's policies and procedures, they are in a prime position to act proactively and establish methods to catch corruption before it has a chance to take root. For instance, DOI has long worked to stop unemployment benefit fraud by City workers and this year joined with the state Department of Labor to establish a data matching system that will prevent City workers from simultaneously collecting paychecks and unemployment checks. The data share increases speed and efficiency in identifying fraud and minimizes the financial loss to the taxpayers. Since 1998, DOI has identified and arrested 122 City employees (16 in Calendar Year 2011) who fraudulently obtained more than \$430,000 in unemployment insurance payments by falsely claiming they were unemployed when in actuality they were working for and receiving wages from City agencies. Most were "seasonal" City employees.

A DOI investigation also led to the indictment and arrest yesterday, December 29, 2011, of a former City Sanitation worker on charges of filing a fraudulent claim against the City falsely stating he injured himself in the line of duty. DOI investigated after the City Department of Sanitation ("DSNY") reported that video recordings contradicted the defendant's claim he fractured his wrist in a trip and fall on his way into DSNY's medical clinic in Manhattan. As a result of the defendant's false claim, the City paid more than \$7,600 towards the defendant's medical bills. Although the defendant fractured his wrist, DOI's investigation found the injury did not occur at the time and place he claimed.

Also in 2011, DOI arrested a former Parks and Recreation employee on charges of workers' compensation fraud and theft. DOI's investigation found that the employee collected more than \$70,000 in workers' compensation benefits from the City while stating he did not work when, in fact, the employee was paid for home improvement and repair work at numerous private residences.

Investigating Conflicts of Interest

Each year, DOI investigates conflict of interest allegations involving City employees. As the confidential investigative arm of the City's Conflicts of Interest Board ("COIB"), DOI receives allegations from the COIB, and also receives allegations from other entities, such as City agencies or from the public. This year, DOI's investigations in this area resulted in a range of fines from the COIB, including:

- A \$12,500 fine for the former Chief of Operations at the City's Emergency Medical Services ("EMS") at the City Fire Department ("FDNY") for obtaining a paid position with a FDNY vendor that he did business with when he was working at EMS.
- A \$20,000 fine for the Brooklyn Borough President accepting free foreign travel and accommodations for his wife and, in a separate case, a \$2,000 fine for the Brooklyn Borough President and a \$1,100 fine for his chief of staff, in connection with the chief of staff and chief of staff's law firm representing the Borough President in a home purchase.
- A \$10,000 fine for the former Bronx Borough President for hiring an architect to redesign his home porch, when the architect was involved in a project that would require the Borough President's approval.
- A \$2,500 fine for the now former director of the City Department of Housing Preservation and Development's Labor Relations and Discipline unit for using two of her subordinates to run a personal errand on City time and using a City vehicle without authorization to commute to and from work.
- A \$2,500 fine for a former Correction Department Chaplain for accepting a silver Kiddush cup and plate from an inmate in exchange for arranging a jailhouse Bar Mitzvah celebration for the inmate's son.

Identifying Recurring Corruption Problems and Finding Solutions

DOI has worked with the City Department of Consumers Affairs ("DCA") over the past several years to evaluate general vendors who habitually claim to have lost their DCA General Vendor license. DCA and DOI share the concern that these licensees obtain replacement identification cards in order to sell them to unlicensed individuals. DOI worked with DCA to implement policy changes to prevent fraudulent requests for replacement identification cards. DCA reported a 25% reduction in requests for replacement identification cards in 2011.

Protecting the City from Theft

In 2011, DOI investigated and made arrests in a range of thefts from the City, from the selling of NYCHA-owned backhoes on Craigslist to the theft of individuals' identities. The spectrum of these investigations shows the breadth of investigative skill at DOI and includes the arrest of a NYCHA employee and another individual for selling two skid-steer loader bobcats with backhoe attachments, valued in excess of \$20,000, from a NYCHA storage facility in the Bronx, and advertising the sale of the equipment on Craigslist.

As a result of a DOI investigation with federal authorities, a Parks Department employee was charged with creating false Social Security Administration letters and selling them to another individual whom the defendant believed was using them to obtain other identification documents, such as drivers' licenses, United States passports, and birth certificates. The

investigation determined the defendant created the false identity documents on at least 10 occasions on her home computer and printed them on her City work station in Manhattan.

Stopping Financial Fraud Against the City

DOI's investigations uncovered thefts that included City-issued checks for bail refunds, a property tax refund, rent subsidies and counterfeit checks made to appear that they were issued by the City and a private day care center, and rent subsidy checks that were stolen and illegally cashed. The investigations began after DOI received check fraud allegations from City agencies, including the City Department of Finance, illustrating the significance of having an agency like DOI within City government.

DOI has also worked with the New York City Employees' Retirement System ("NYCERS") to identify and stop pension fraud. An undercover investigation led to the arrest of the adult son of a deceased City retiree on charges he attempted to steal \$17,218 from the City pension system by falsely claiming he never received a survivor's benefit check. In fact, DOI's investigation found that the defendant had cashed the check. In another case, DOI arrested the son of another City retiree for failing to notify the City pension system of his mother's death and continuing to collect her monthly pension for nearly two years, pocketing \$44,165. The defendant pleaded guilty and his probationary sentence includes restitution in full to NYCERS.

Investigations that Further Public Safety

Four years ago, DOI discovered a host of delinquent fire code violations throughout the five boroughs on commercial properties and apartment buildings relating to such fire safety issues as blocked egress, dangerous wiring, and improperly stored flammable materials. Working with the City Fire Marshals, DOI began an annual initiative (undertaken throughout the year, including a targeted approach in October, which is Fire Prevention Awareness Month) to bring these violators who had failed to respond to a criminal summons to court. The initiative has the result of ensuring that the unsafe conditions are remediated. DOI's ongoing enforcement initiative with the City Fire Marshals has resulted to date in more than 930 arrests, including approximately 215 this year, and more than \$370,000 in fines.

The effort was expanded this year to include warrants involving building violations. DOI worked with the City Department of Buildings ("DOB") to track down and arrest violators who ignored or refused to remedy violations, including in illegal Single Room occupancies. The coordinated initiative, spearheaded by DOI, brought charged safety code offenders to justice, and highlighted the legal obligation of property owners and all persons to maintain safe conditions and respond in court to the City's legal notices of violations requiring corrective action. In 2011, 23 arrests were made, including some individuals with multiple warrants, and more than 35 warrants were vacated.

Curtailing Contraband in the City Jails

DOI continues to work with the Correction Department to stop the flow of contraband in the City's jails and this year that initiative resulted in the arrests of three correction officers on contraband charges. One correction officer was charged with unlawfully giving an inmate a cell phone, a prohibited item in the City's jails, and another correction officer was charged by indictment for using her cell phone to have conversations with an inmate in custody on Rikers Island and allowing the inmate to use the cell phone. A third correction officer and a cook were charged with receiving hundreds of dollars in bribes to smuggle what they believed were oxycodone pills, a narcotic, to one of the Rikers Island jails. The arrests were the result of DOI undercover investigations that used placebos to ensure that the smuggling and bribes were exposed and that no drugs were brought onto Rikers Island. In addition, DOI participated in a multi-agency investigation that resulted in the arrest of a correction officer and an accomplice on bribery and drug charges with the correction officer accused of soliciting a bribe from an inmate, promising to secure the inmate's early release in exchange for cash or drugs.

Housing Fraud

DOI continued its focus on rooting out tenants who fraudulently obtain housing benefits, arresting more than 50 individuals associated with approximately \$1.7 million in theft. In fact, since 2002 more than 660 individuals have been arrested on housing fraud charges, associated with approximately \$14 million in theft. In 2011, the schemes included concealing income and occupants to increase the amount of public housing subsidies, illegal subletting of NYCHA apartments, and fraudulently collecting dual government housing subsidies from NYCHA and HPD. The fraud also included a Section 8 tenant charged with stealing nearly \$100,000 by concealing her ownership of her home, in effect, collecting rent from the government for occupying her own house.

As part of this initiative, DOI worked with the Manhattan District Attorney in a housing fraud sweep in which seven individuals were charged in thefts that totaled nearly \$260,000 and, separately, with the United States Attorney for the Southern District of New York in an investigation that resulted in charges against a former City Correction Department Chaplain and his brother in connection with a \$200,000 Section 8 fraud scheme.

DOI's housing fraud cases also resulted in prison sentences and restitution orders in 2011:

- An 18-month prison sentence for a woman who illegally received simultaneous subsidies from NYCHA, HPD and the United States Department of Housing and Urban Development, defrauding the government of approximately \$182,500.
- A one to three year prison sentence for a former tenants' association president who stole approximately \$98,600 that should have been used for her Manhattan building under an affordable housing program.
- A 1½ to three year prison sentence for a former tenants' association secretary in the Bronx for taking more than \$30,000 from the building's bank account and then using the funds to pay individuals' credit card, cable, cell phone, and utility bills.

Taxi Driver Integrity

In 2010, DOI worked with the Manhattan District Attorney's Office and the Taxi and Limousine Commission to identify and stop City taxi drivers who defrauded passengers by pressing the out-of-town rate while they were still within New York City limits. The evidence obtained during this investigation led to charges brought against 59 taxi drivers. The investigation has resulted in 52 convictions so far.

Following up on the 2010 criminal case, DOI conducted a series of integrity tests in 2011 to determine whether taxi drivers were charging customers the appropriate rates. As a proactive measure, DOI conducted 20 random integrity tests during the month of August, a busy tourist season in the City, in which undercover investigators posed as passengers to see if proper rates were being charged – 10 involved trips from one City borough to another, and 10 involved trips to or from Manhattan and JFK International Airport. In each, the proper rate was charged. DOI undercover investigators observed seven drivers with various administrative issues, including failing to display a hack license, failing to activate the meter in a trip to JFK, and refusing to drive to Staten Island. Those drivers and the findings of the report were forwarded to the TLC Commissioner.

Delivering a Message of Deterrence

Many of DOI's cases result in convictions, prison sentences, orders of restitution, and administrative actions, sending a powerful message of deterrence to individuals who think the City is an easy mark. The following is a highlight of some of the dispositions from DOI cases in 2011:

- The Buildings Special Investigation Unit, a joint investigatory unit between DOI and the Buildings Department and supervised by DOI, was responsible for administrative action against the licensed rigger involved in the 2008 fatal crane collapse on 51st Street, which resulted in the Buildings Department's revocation of the rigger's two City licenses. The revocation immediately prohibited the crane operator from overseeing the erection and/or dismantling of any crane or operating any crane in the City, a significant deterrent to the City's limited number of crane operators.
- A con man who bilked City businesses in two boroughs was sentenced to between 2½ and seven years in prison for purporting he was contracted by DOHMH and duping four small business operators in the Bronx into paying him cash to help them prepare for health inspections. His sentence runs concurrently to a prison sentence in Manhattan for similar conduct.
- A former City Finance Clerk was sentenced to a year in jail for defrauding the City of more than \$24,000 in a ticket-fixing scheme she ran out of a Brooklyn bodega.

Criminal complaints and indictments are accusations. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.

**DOI's press releases can also be found at twitter.com/doinews
Get the worms out of the Big Apple. To report someone ripping off the City, call DOI at (212) 825-5959.**