



**NEW YORK CITY COMMISSION ON GOVERNMENT EFFICIENCY
HEARING ON CHARTER REVISION PROPOSALS**

**TESTIMONY OF NADIA I. SHIHATA
COMMISSIONER, NEW YORK CITY DEPARTMENT OF INVESTIGATION**

**CONCERNING RECOMMENDATIONS TO FURTHER PROTECT THE
INDEPENDENCE OF THE NEW YORK CITY DEPARTMENT OF INVESTIGATION**

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**CUNY Medgar Evers College
1650 Bedford Avenue, Brooklyn, N.Y.**

Testimony of DOI Commissioner Nadia I. Shihata
Proposals to Strengthen DOI's Independence

Good evening. My name is Nadia Shihata and I am the Commissioner of the Department of Investigation ("DOI"). Thank you to Chair Gaspard and all the Commission members for this opportunity to discuss several proposals that would further strengthen the independence of DOI, the City's Inspector General that investigates corruption, fraud, waste, and abuse involving New York City government. DOI provides robust oversight by conducting objective fact-finding investigations, holding responsible those who seek to compromise the integrity of City government, and issuing recommendations for policy and procedural reforms. Our broad oversight and ability to follow the facts wherever they lead are unlike any other oversight agency in New York City.

Corruption in City government inherently undercuts efficiency and the ability of government to reach and positively impact every day New Yorkers. Consistently, through our investigations, DOI sees how this plays out. Every taxpayer dollar that a vendor fraudulently overbills the City is a dollar that is not being spent on City services. Each inspection that is bumped to the front of the line because an inspector takes a bribe means that other small businesses and homeowners who play by the rules have to wait longer for their turn. And each time an agency or a senior City official violates the laws, rules, and regulations governing their conduct, it erodes New Yorkers' faith and trust in their City government. DOI exists to ensure accountability, to identify and prevent waste, incompetence and corruption, and to prompt government reform in real-time.

DOI, which was established more than 150 years ago in 1873 to combat the corruption of Boss Tweed and Tammany Hall, has a broad mission that allows it to directly tackle these inefficiencies. The DOI Commissioner is statutorily empowered by the City Charter "to make any study or investigation which in his [or her] opinion may be in the best interests of the city, including but not limited to investigations of the affairs, functions, accounts, methods, personnel or efficiency of any agency." The Mayor and New York City Council also may direct the DOI Commissioner to conduct an investigation.

DOI's investigations and factual findings can lead to criminal prosecutions, disciplinary proceedings, or other administrative actions. Where relevant and appropriate based on those findings, DOI also drives reform by making policy and procedure recommendations to City agencies aimed at addressing corruption vulnerabilities or otherwise improving government efficiency. In addition to criminal and disciplinary investigations, DOI investigates potential conflicts of interest that may result in referrals to the Conflicts of Interest Board (COIB); conducts background investigations for certain City employees, such as those in high-level and sensitive positions; provides vendor name checks of City-funded vendors to agency procurement officers; and oversees integrity monitorships of certain integrity-compromised vendors or large-scale City projects. Our public reports provide critical transparency about City government and enhance the public's confidence by ensuring that corruption risks and inefficiencies are brought to light and appropriately addressed.

Through these functions, DOI plays an indispensable role in ensuring the accountability of City government. We are the investigatory body for the COIB and thus bear almost sole responsibility for investigating conflict of interest cases. Both local and federal prosecutors routinely seek our expertise by partnering with us on public corruption investigations. And our investigations lead to policy recommendations that are grounded in actual, tangible, identified frauds on City programs, rather than the more traditional auditing work done by other oversight entities, like the Comptroller.

DOI's history, its ability to conduct complex investigations that view government holistically – seeing across agencies -- and our knowledge of City programs and processes have made DOI a model both nationally and internationally, allowing us to share our expertise with other oversight entities, including the Chicago Inspector General's Office as it advanced its effort to strengthen its own independence.

DOI's independence from one of the very entities it oversees -- City Hall -- is at the heart of all the work we do. It instills public confidence in our work, ensuring that our findings are unbiased, free from undue influence, and based solely on the facts and the best interests of the City. DOI's independence is already supported by the City's charter and a number of Executive Orders and the agency has maintained its independence throughout our 150-year history. However, as I will discuss this evening, more can be done to reinforce this foundational principle.

Over the years, mayors have strengthened DOI's authority and access to information through a number of Executive Orders, most notably during the late 1970s to the mid-1980s. Those orders brought agency Inspectors General under the leadership of DOI, rather than working out of their "home agencies" with a dual report to the DOI Commissioner and the home agency head. By establishing DOI as **the** City agency responsible for combatting City-related corruption issues, these Executive Orders provided DOI and its Inspectors General with an important measure of independence. In light of the interconnectedness of many City agencies, this consolidation also increased DOI's effectiveness by allowing DOI to follow the facts wherever they may lead, cutting across agency lines when collecting information and issuing recommendations on similar issues across agencies.

Other aspects of the Mayoral Executive Orders have furthered DOI's mission by mandating City employees' affirmative obligation to report corruption to DOI and to cooperate with DOI's investigations. These Executive Orders also gave DOI access to all regular meetings of agency executives and managerial staff, and to all records and documents maintained by each agency, including emails.

I am here to urge the Commission to consider four additional changes that would strengthen DOI's independence, and which are also aligned with best practices within the oversight and Inspector General profession and the mission of this Commission. These proposals are not new. My predecessor, Commissioner Jocelyn Strauber, put them forth to the Commission to Strengthen Local Democracy just over one year ago. That Commission broadly adopted the proposals in its final report to wide public support.

There are four core proposals, each of which would require a change in the City Charter:

- (1) First, DOI should be afforded budget independence to reduce the risk of City Hall or City Council interference or retaliation against DOI through control of the agency's budget and staffing. To be clear, I am not suggesting that DOI has been the target of retaliation in the budget process during my brief tenure or during Commissioner Strauber's tenure. However, I believe it is fair to say that our budgetary needs have not been made a priority in light of the severe and significant cuts that the agency has faced over the past five years and continues to face. These budgetary challenges have significantly impacted DOI's ability to hire and to retain employees and the constant shifts in the City's approach to hiring have made long-term planning with respect to staffing difficult, if not impossible. The approval process for hiring, promotions or raises, other than personal services

spending, and capital funding, is generally burdensome and time-consuming, including for requests within our existing budget. It also hinders our ability to conduct proactive investigations, such as reviews of large amounts of data, that allow us to identify inefficiencies and waste early on.

In advance of putting forth these proposals last year, DOI conducted a preliminary analysis regarding the best model for an independent budget and concluded that an appropriate and independent budget is best established by determining DOI's budget as a percentage of the City budget. This would not be a novel approach. The Inspector General for the City of Chicago's budget is set in this way, for example, as is the New Orleans Office of the Inspector General. It is also important to note that budgetary independence for oversight agencies is a feature of many City institutions, such as the City Campaign Finance Board, which sets its own budget, and the Independent Budget Office, whose funding is a set percentage of the budget of the Office of Management and Budget. Funding DOI at an appropriate percentage of the City budget and giving DOI full control over its hiring and spending would safeguard DOI's independence and reinforce the City's commitment to rooting out and preventing fraud, waste, and abuse.

DOI initially proposed that the agency should be funded at approximately seven to eight one hundredths of one percent of the City's budget, and the Commission to Strengthen Local Democracy ultimately adopted a proposal of six one hundredths of one percent of the City budget, which would bring DOI's budget back to roughly the proportion of the City budget it was in Fiscal Year 2021. That would be 0.06 percent of the more than \$124.7 billion that the City plans on spending in Fiscal Year 2027, or \$74.8 million, which in our view is a modest investment in absolute terms and relative to the value DOI provides. By comparison, the Inspector General for the City of Chicago's budget is fixed at 0.14 percent of Chicago's budget, almost 2.5 times higher than our requested benchmark.

I would be happy to share additional details with the Commission staff, but broadly, our analysis included a right-sizing of the agency to account for the understaffing and under-resourcing we have experienced over the past few years as a result of the budget climate, as well as a modest expansion.

Equally important, we propose that statutory language be included to explicitly protect DOI's ability to spend within its budget in the best interests of the agency, including as to hiring, salary, promotion, and other than personnel expenditures, without external approvals.

- (2) Second, the Charter should be amended to expand and strengthen the controls around the Mayor's authority to remove the DOI Commissioner. Under current law, the Mayor may do so after making a statement of reasons for the termination, to be provided to the Department of Citywide Administrative Services, and after the DOI Commissioner has an opportunity to respond. While this process is intended to reduce the risk of removal for an improper purpose, the Charter does not currently require that removal be for cause and the Mayor has authority to act unilaterally. The law should be amended to add a requirement that any removal be for cause only with an opportunity for a public hearing. The removal-for-cause

requirement would permit removal of the DOI Commissioner by the Mayor only for reasons specified in the statute and prohibit discharge in retaliation for the legitimate performance of oversight responsibilities. A public hearing process would allow for further exploration of a Mayor's reasons for removal and provide the Commissioner with a public forum for a response.

- (3) Third, the Charter should establish a tenure of five years for the DOI Commissioner, so that the Commissioner's term would span administrations, thereby limiting the risk that a DOI Commissioner would be subject to improper influence or retaliation by any Mayoral administration.
- (4) Fourth, the Charter should be amended to codify some of the provisions and authorities granted to DOI through the Mayoral Executive Orders that I mentioned earlier. In particular, the Commission should consider codification of City employees' obligation to cooperate with DOI, the consolidation of all agencies' Inspectors General within DOI, and DOI's access to agency data and records. DOI would welcome the opportunity to work with the Commission on these Charter amendments so as to appropriately align them with DOI's current structure and needs.

DOI has a unique and critical role in ensuring that City government acts with efficiency, transparency and integrity. Then-DOI Commissioner Raymond Fosdick emphasized this fact in his first annual report in 1910, stating "[t]here is probably no other branch of the city government which possesses greater possibility for the support of an efficient administration. ...With its double powers of audit and investigation, [DOI] is peculiarly fitted not only to detect official misconduct and incompetency, but to suggest new methods and systems to prevent waste and inefficiency."

That sentiment has been carried throughout DOI's history. Another former DOI Commissioner, Nicholas Scoppetta noted that "[t]he special knowledge DOI develops about the work and applicable processes within City agencies makes DOI uniquely qualified to investigate activity within those agencies and the people who do business with the City. There is another obligation that DOI has which is to insure the effective delivery of City services. DOI is the Mayoral Agency best equipped to do that."

Moreover, as former DOI Commissioner Susan Shephard observed, DOI is "[t]he agency that pays for itself – literally." We do that through the prevention and deterrence of corrupt behavior that causes bad actors to steal City funds by holding wrongdoers accountable; the identification and improvement of inefficient and wasteful City processes and procedures; and the collection of restitution and forfeiture funds from our criminal cases. DOI's broad anti-corruption work is at the very heart of making sure City resources are actually focused on New Yorkers' needs.

DOI's CityTime investigation highlights former Commissioner Shephard's point. That case brought in over \$500 million to the City's general fund, an amount roughly equivalent to a decade of DOI's budget, which then-Mayor Bloomberg stated enabled the City to fill more than 2,500 teaching positions that were otherwise going to be eliminated. And that work is carried through year after year. In 2025 alone, DOI investigations led to over \$6 million in City recoveries, over \$5 million in savings from DOI's monitorship of the asylum seeker program, and recommendations to improve the efficiency of City programs that have cost the City hundreds of millions of dollars per year, including the Department of Corrections' worker's compensation program, the

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Department of Social Services' administration of the Electronic Benefit Transfer program, and the Department of Youth and Community Development's Summer Youth Employment Program.

Commissioner Longani noted in one of this Commission's earlier meetings that New York City's oversight system is among the best in the country, a comment that I wholeheartedly agree with and urge the City to continue advancing through the reforms I discussed. When Mayor Mamdani nominated me to lead DOI, he described a new era of government where my appointment would hold City government to the highest standard as well as, and I quote, "help usher in a new era of accountability as we build a government that New Yorkers can trust." The reforms I outlined earlier do just that. They were adopted by a previous Charter Revision Commission and ensure New York City continues to be at the forefront of this important area.

Strengthening DOI's independence is part of that new era of accountability and a new era of government that fully embraces the value of oversight and its ability to protect and improve City government. I want to thank the Commission for considering these changes and I would be happy to answer any questions.