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New York Chapter of the Association of Certified Fraud Examiners Conference
"Investigations 2015" - October 23, 2015
John Jay College of Criminal Justice- 524 West 59th St.
Remarks of DOI Commissioner Mark G. Peters
Corruption Investigations: How gateway offenses can expose systemic crimes

Thank you Chelsea.

This conference offers an in-depth perspective on the many facets of investigations and I'm honored to give you a viewpoint as the Commissioner of New York City's watchdog agency, the Department of Investigation. It is fitting that we are gathered here this morning at John Jay College of Criminal Justice. This institution has a revered history – one founded on the insight that law enforcement is a profession worthy of an educational institution that can foster an in-depth understanding of policing and all its complexities; informed discussions; and advancements in the field.

It is a story of resolve and pioneering that DOI can relate to.

One of my first tasks when I took office in 2014 was implementing the legislative mandate that gave DOI oversight of the NYPD – reviewing all aspects of the NYPD and police/community relations.

Given DOI's legacy as the City's chief integrity agency, one that has broad jurisdiction to investigate corruption, fraud, waste, inefficiency, and abuse of City operations and practices – essentially anything that touches the City -- it was a natural fit for DOI to establish the City's first Office of the Inspector General for NYPD. And it was done over the last 18 months during a period of remarkable controversy and tragedy that touched the lives of police and all New Yorkers. This week – sadly – we add another tragedy to this story and continue to mourn the death of Officer Holder.

Establishing the Office has taken focus and determination: First, I hired a nationally known expert on police oversight, Phil Eure, to lead the office; and we set out to staff the office with 40+ high-caliber investigators, policy analysts, and lawyers.

In the first year and half of the office, we have issued an array of reports that deal with significant issues involving policing in New York City, including chokeholds, body worn cameras and use of force. In fact, our use of force report not only highlighted issues of concern such as the need for better tracking of force incidents, de-escalation training, and more consistent discipline, but also provided a series of recommendations for NYPD to adopt. The impact of our Report was immediate. The very same day we issued our report, the

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NYPD announced reforms, including an agreement for the first time, to track all force incidents. I cannot overstate what a significant change in police policy this represents.

While this oversight of the NYPD is new for DOI, it really speaks to the core mission of the 142-year-old agency: DOI investigations – in fact, the agency’s very existence -- compel the City, at all levels, to wrestle with core issues in a consistent and real way. Our presence within this City ensures those important issues are a part of the discussion – and on the occasions when they are not, DOI inserts itself into the discussion – all with the mission to:

- Uncover criminal conduct and make arrests;
- Close corruption vulnerabilities revealed by our investigations;
- And, instill reforms and powerful internal controls that result in lasting change and improved governing.

What we know is this: that corruption, fraud, waste, inefficiency and incompetence have a profound impact and deplete the effectiveness of government and its ability to serve the people.

The question is how best to attack the problem. And what we’ve learned is that rather than considering individual crimes in isolation, we need to root out the systemic crimes that plague an agency or a City operation, making it vulnerable to theft, corruption, inefficiency and waste; crimes that erode the government’s ability to do its job and compromise safety.

For DOI, we have found success by being vigilant – by that I mean acting on the allegations that come our way and conducting proactive investigations where necessary – and using our expertise in how the City operates to target areas that we know are corruption prone. For us, individual investigations are windows into potentially more systemic and widespread problems.

One bribe, one theft, one act of misconduct, may be the warning sign of a broader problem.

Knowing where to look and how best to use limited resources is key. Let me show you how that looks through several case studies of DOI investigations:

First Case Study:
Investigation into Violence in the City’s Jails

Rikers Island is located between the Bronx and Queens and houses an average daily population of 10,000 in 10 City jails. In 2014, shortly after getting to DOI, my IG with oversight of the City’s jails outlined a busy docket of cases – many of which dealt with contraband smuggling, assaults by correction officers, and correction officers submitting false reports to their superiors, often to cover up other wrongdoing. The picture it created was one of disorder, one of deception, and one ripe for violence.

In fact, we could see patterns emerge through these investigations that pointed us to vulnerabilities within the City jails. We worked those individual criminal cases, but now looked at them as one larger investigation that could reveal to us common problems and issues. Through these gateway crimes of contraband smuggling, false filings by DOC employees, and assaults of inmates, we uncovered extensive, systemic problems. And probed further.

Through covert and overt operations, including wire taps, undercover investigators and confidential informants DOI identified serious vulnerabilities such as insufficient screening for contraband and incomplete vetting of personnel.

Most tellingly, we sent an undercover agent through Rikers screening with 250 decks of heroin, a half-pound of marijuana, a water bottle filled with vodka, 24 strips of an opiate called suboxone, and a razor blade.

He passed through, undetected, six of six times. That undercover was a stark example for Correction officials who could no longer deny the need for better screening of staff at jail entrances. DOC and the union ultimately agreed to establish canine units that detect drugs and that initiative is underway.

At the same time we were coordinating this undercover operation, we also began looking at the screening process for candidates to serve as Correction Officers. We found a seriously flawed process in which multiple applicants with red flags such as prior violent felonies and gang affiliation were being hired with minimal or no follow up.

One thing was clear as a result of these investigations and findings – these deficiencies fed the problems of violence on Rikers Island, putting the lives of both correction officers and inmates at risk. DOI documented its findings in public reports that resulted in reforms on Rikers, specifically strengthening screening for contraband and improving staff recruitment procedures.

Simultaneous to these reports, we continued our criminal investigations. And to date, we have arrested more than 20 Correction Officers and other staff members within the City's jails and charged them with various illegal conduct, such as contraband smuggling and submitting false reports to cover up inmate assaults. We then worked with the City Correction Department to conduct sweeps of the jail facilities to find contraband within the jails and worked with DOC to arrest more than three dozen inmates on a variety of crimes including the promotion of contraband.

One recent investigation crystallizes that this strategy makes a difference. Last month, DOI arrested a Correction Officer after he tried to enter the jail with contraband.

Correction staff stopped the CO during -- what is now, after our Reports -- a routine screening. As a result, a folding knife with a 4-inch blade was found in his duffel bag that he placed through the x-ray machine. The CO was instructed to remain at that location while tour commanders were alerted. Video surveillance then captured the CO removing an item from his bag, concealing it in his hand and placing it in a lock box. COs can stow their firearms in lock boxes that are located just before entering the jail facilities. But, in this case, DOC later discovered that object was a second knife. A subsequent search of the CO's DOC locker revealed a third knife. We know our efforts are working. This is just the latest example, and it underscores that had DOI not raised screening as a significant issue, it is likely that this type of rigorous review of incoming staff would not have taken place.

Second Case Study **Construction Fraud and How it Undermines Safety**

The second case study involves a prosecution that we worked with the Manhattan District Attorney, one that started with a report to DOI of an attempted bribe of a Buildings inspector, and which ended with the indictment of 50 individuals involved in widespread housing fraud and bribery schemes in Manhattan, Brooklyn, and Queens. Defendants included property owners and managers and 11 City Buildings Department employees, including two borough chiefs; plus five inspectors with the City Housing Preservation and Development.

This is a powerful example of how we use classic law enforcement techniques – and one, individual, crime – to construct a broad case against crooked Buildings and Housing employees.

It began with a DOI undercover operation, the kind we routinely do after receiving a tip that alerts us to possible corruption. Here, a Housing Inspector alerted us about a bribe offer. After conducting the undercover operation, we made an arrest and started looking at the evidence we had found, including cell phone texts we obtained through a search warrant. As investigators sifted through cell phone texts and buildings records, we saw irregularities that raised questions about how buildings inspections had been conducted - or in many cases, not conducted at all.

This initial work showed the same DOB inspectors signing off on violations at the same properties, again and again. Incrementally, investigators made their way from that bribery scheme to the next and then the next.

This investigation was complex: Dozens of DOI investigators spent two years tracing bribes, favors and building records utilizing 25 wire taps, 32 search warrants, and 135 surveillances. The wire taps recorded conversations in Spanish, Italian, Yiddish and English. The investigators used their expertise in the operations of buildings and housing inspections to spot the red flags.

In the Buildings-related cases, again and again, DOI saw inspectors failing to do their jobs and at times putting New Yorkers' safety at risk.

- In one case, a property owner at a Brooklyn synagogue did not obtain the proper permits to add two floors to the site, yet began construction using a design that was not structurally sound. In that same building, a crack in the side of the building's wall raised questions about the integrity of an interior wall.
- In another instance, a DOB supervisor and inspector worked with a general contractor to concoct a fake stop work order that would allow the contractor to shake down the property owner for unnecessary services.

Unlike TV shows where crimes get solved in 44 minutes, these types of cases take enormous persistence, building block by building block. The key is rarely a single "ah-hah" moment but rather many small baby steps one after another.

We need to be vigilant.

DOI was turned onto the HPD part of the case through a routine HPD audit that was looking into inspections with discrepancies, such as property owners not filing the proper paperwork and inspectors removing violations so quickly it raised questions about whether inspections were actually conducted at all.

Those red flags, reported to DOI, ultimately led to a bribery scheme in which HPD workers agreed to issue bogus vacate orders to push out the tenants paying lower rents to make way for wealthier occupants.

The investigation showed an utter disregard not just for the City's construction and housing codes, but for safety. In one case, after a worker fell 10 feet off a beam, a Buildings Construction Chief focused not on the worker's safety, or the integrity of the building, but instead on instructing the contractor how to get an ambulance to the site without raising the suspicions of the Buildings Department or OSHA.

Third Case Study **Finding Serious Deficiencies in Homeless Shelters for Families and Children**

The last example I want to discuss is an investigation that we did which focused NOT on conventional corruption but on the failure of government to efficiently and faithfully provide basic services.

It is an example of the broad work that DOI does – investigations that lead to arrests as well as investigations that reveal misconduct that is not criminal but undermines the effectiveness of government. In both instances, DOI's mandate is to shine light on the problems and then work with the City agency to remedy vulnerabilities and recommend solutions.

In this case, we initiated our investigation into 25 homeless shelters for families and children at the request of the Mayor. Our investigators reviewed thousands of pages of documents; interviewed shelter residents; spoke with DHS officials; and over four months, inspected 25 DHS family shelters in partnership with Buildings, Fire and HPD. At the end, we issued a 150+ page report on our findings and worked with the City's Department of Homeless Services to help them institute reforms.

Our gateway offenses were the subpar conditions of the shelters we inspected. In finding them, we could have just notified the regulatory agencies and closed our investigation. But when we repeatedly found conditions that were unsafe and unhealthy for the families living there, we broadened our scope; we dug beyond the individual violation; and we brought in other relevant agencies, such as Buildings, Fire, and HPD. Let me give you a glimpse of what we saw:

- One of the most hazardous conditions we observed during our investigation was at a shelter located in a City-owned building, in which a stairway was so rusted away it was declared by DOB to be an unsafe means of egress. Residents commonly avoided the stairway, leaving only one functional egress for approximately 140 families.

The damage was deemed so extensive that the FDNY insisted on immediate remediation. Prior to the DOI investigation, DHS had ignored this known danger, despite observing it during DHS' own inspections.

- We saw hundreds of building and fire violations found including:
 - Blocked or obstructed exits
 - Non-working smoke detectors
 - Broken windows and missing window guards
 - Improper or missing certificates of occupancy
- Other key findings included:
 - In some neighborhoods, for a DHS apartment, the City was paying between two to four times more than the market rate for a non-DHS apartment.
 - A recurring complaint was the infestation of rats and mice, despite monthly and sometimes weekly extermination. And many of these conditions existed despite recent inspections and passing scores by DHS inspectors. This photo is from a site in an apartment where four children were living.
 - One of the biggest obstacles to the problems with these City-funded sites, was that for years DHS had not used the City's contracting process to secure providers and failed to enforce the contracts it did have. The impact of those decisions meant they severely diminished the City's ability to hold providers accountable, when landlords fail to fix safety violations or meet standards.

Here's the good news:

As a result of the investigation, the City committed to putting all shelters under contract -- as opposed to month-to-month emergency procurement -- which will give it the ability to enforce and clean up health and safety violations.

The City, based on our recommendation, also established a Shelter Repair Squad with all of the relevant agencies (Health, Fire, DOB) to jointly inspect and identify ongoing violations in all of its shelters.

These case studies reflect the type of broad investigative work we do at DOI, and how we probe allegations and problems to get at the systemic, larger concerns and actually do something about them. Investigations offer an incredible opportunity to both identify and stop criminal and bad conduct and effect change.

They truly embody what William Herlands, DOI's Commissioner under the dynamic Mayor Fiorella LaGuardia, described in 1938:

“...the outstanding feature of the Department’s powers and duties is that it is not limited to any specific type of municipal activity, agency, or geographical subdivision. It cuts across the boundaries of county and borough. It is concerned with economic, educational, and social problems as well as technical efficiency In making investigations, the Department does not limit itself to the particular abuse uncovered or the specific complaint. It treats the individual irregularities complained of as symptomatic of broader underlying deficiencies in municipal government and administration. The suggestions and recommendations contained in the reports are designed to remove these deficiencies.”

Commissioner Herlands’ words are as true today as they were in 1938.

They are a testament to the impact that investigations can have on governing and on exacting necessary and lasting reform.

Thank you.

DOI is one of the oldest law-enforcement agencies in the country and New York City’s corruption watchdog. 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 strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

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