

ROGUES, RASCALS, AND HEROES

A HISTORY OF THE NEW YORK CITY DEPARTMENT OF INVESTIGATION 1873 to 1993



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CHAPTER VI

THE KOCH ERA: SOLVENCY, SCANDALS, AND REORGANIZATION

Edward I. Koch, who had been a relatively obscure Manhattan reformer, reportedly rode a City bus down Broadway to his inauguration in January 1978. He paid the fare. He was elected to deliver the City from impending bankruptcy and, in part, because of his often declared opposition to political patronage and the corruption it engendered.

Koch quickly moved to re-enforce the 1977 Charter mandate and increase the authority and administrative control of the DOI Commissioner over the Inspectors General soon after becoming Mayor. In January, the new Mayor appointed Scoppetta's deputy, Stanley N. Lupkin, as DOI Commissioner. Lupkin had served as an assistant District Attorney in Manhattan. The Mayor appointed the founder of the Vera Institute of Criminal Justice, Herbert Sturz, as the Deputy Mayor for Criminal Justice. Thus, the new DOI Commissioner would be free to concentrate his efforts on the Department.

Executive Order No. 16, Managing Corruption Control

In July 1978, the Mayor issued Executive Order No. 16.¹²⁴ Upon issuing the Order, the Mayor announced the hiring of 161 investigators and the expansion to 30 agencies of the program that included 25 Inspectors General, 17 deputies and 280 "inspectors." Most of the personnel for the program had been recruited by Commissioner Lupkin after a seven-month effort. The Mayor described the purpose of the program as "to reassure the public that the activities of their city government are being conducted honestly, competently, and in the public interest." The head of the largest municipal union denounced the program as "destructive" and as the "show and tell" part of the "silly season."¹²⁵

This Order formally established Inspectors General throughout the City. It gave the DOI Commissioner responsibility to direct certain crucial activities of the Inspectors General. They were required to report on criminal and other significant matters to both the agency head and the DOI Commissioner. The IGs were made responsible for agency disciplinary matters with assistance from

¹²⁴ Excerpts from the Order are found in the Chapter Notes on p. 105.

¹²⁵ *The New York Times*, July 27, 1978, p. 1.

DOI in establishing uniform standards of conduct. City employees were obligated to report corrupt activity to the IG, another appropriate agency official, or to DOI.

The mandate assigned the Inspectors General by the Order was a narrow one when contrasted to the Charter mandate given the Commissioner. Whereas DOI was empowered to "make any study or investigation . . . including but not limited to . . . the affairs, functions, accounts, methods, personnel or efficiency of any agency," the Inspectors General were confined to maintaining standards of conduct and "the investigation and elimination of corrupt or other criminal activity, conflicts of interest, unethical conduct, misconduct and incompetence within their respective agencies." Most of the human resources in DOI and within the Inspector General program were now directed, by preference and by mandate, towards investigative work. This would reinforce the pre-eminence of investigative functions over the "constructive" work of the Department.

Stanley N. Lupkin

At the end of 1978, Commissioner Lupkin reported to the Mayor that there were IGs in all major mayoral agencies, with approximately 300 confidential investigators serving in those offices. Lupkin also noted, "Inspectors General, largely inactive or under-utilized, had existed in eleven agencies prior to January 1978. Only two of those individuals have been retained in their position." Lupkin noted that five large non-mayoral agencies had voluntarily joined the IG program.¹²⁶ To strengthen support for those offices and exercise some administrative control, DOI established, in 1979, an Inspectors General Liaison Unit with a Director and two assistants.¹²⁷ The Department reformed the employee monitoring and disciplinary procedures, resulting in a doubling of dismissals from City service.¹²⁸

As DOI assumed greater control over the Inspectors General, criminal investigations continued to take an increasing importance over other functions. In 1978, DOI continued to affirm its broad, traditional role in City government, stating its primary mission as,

¹²⁶ 1978 Year-End Report on the Inspector General Program, January 19, 1979. In 1978, President Jimmy Carter signed legislation that established Inspectors General in 12 major federal agencies.

¹²⁷ It was not until 1985, that the IG Liaison Unit and the DOI Commissioner would feel sufficiently secure to formally evaluate the investigative work of the Inspectors General (in addition to the yearly evaluations done by the agency head).

¹²⁸ *The New York Times*, January 3, 1979, Section B, p. B1.

. . . improving the efficiency and effectiveness of the City's government by reducing corruption, misconduct, and inefficient management in all City agencies . . . through a central staff operation and through the supervision of the operations of Inspector General Offices within City agencies.¹²⁹

In May 1980, the primary mission of the Department was simply affirmed as, "to protect the integrity of City government." This stated purpose, reflecting both overall direction and allocation of efforts and resources, was to remain the singular focus of each of DOI's mission statements through mid-1992. The Commissioner of Investigation was no longer the fact-finder, the "eyes and ears" of the Mayor, who was as concerned with governmental efficiency as with criminality. Rather, the detection and deterrence of criminal activities was the paramount function of the Department. This role, alone, strained departmental resources:

We have also had a fair share of disappointments. . . . The Department must still devote a tremendous amount of time to relatively low level cases and complaints which we are charter-bound to accept. . . . We must also handle almost every case where sworn testimony has to be taken because only the Department can compel testimony under oath. This means that our attorneys are frequently backed up with minor cases since they conduct the sworn examinations.¹³⁰

Strong emphasis was placed on collaboration with prosecutors at City, State and federal levels, preparing some major cases in cooperation so as to concentrate resources-most efficiently. The "tools" of investigation were modernized with the purchase and training in the use of advanced technological equipment (video tapes, sophisticated recorders and cameras, etc.).

During this era various kinds of municipal anti-corruption agencies were springing up both in the U.S. and abroad. DOI became a model for newly established municipal anti-corruption agencies elsewhere in the country (i.e., Chicago, St. Louis, Cincinnati etc.) and overseas (i.e., Hong Kong Independent Commission Against Corruption). DOI took the lead in conducting coordinated efforts between and among these counterpart agencies and sponsored joint anti-corruption training programs with those sister agencies.

¹²⁹ Mayor's Management Report, p. 104., as also the Reports of February and August 1977, the last two omitting references to the Inspectors General in the Mission Statement.

¹³⁰ Memorandum, S. Lupkin to E. Koch, December 14, 1981.

Commissioner Lupkin reported¹³¹ that between February 1978 and December 1981, DOI, acting with the Inspectors General, was responsible for 539 arrests and indictments¹³² for bribery, larceny and other crimes with nearly \$8.8 million in losses, including 16 felony convictions of City employees and contractors for payments of \$100,000 in kickbacks to award maintenance and repair contracts for work in City-owned residential buildings.

Simultaneously, traditional DOI concerns for consumer and environmental protection continued.¹³³ Under Lupkin, the Department began working with the Law Department to bring civil actions against white collar criminals, attacking them professionally and financially with civil sanctions, to compensate for the minimal sentences often levied against these offenders.¹³⁴

In 1981, the Department issued a four-volume report, "Anatomy of a Municipal Franchise," a study of the six-year controversy surrounding the contract for the franchise to build bus stop shelters. Although there was insufficient evidence to sustain criminal charges, including those that the City Comptroller had used his influence in return for political contributions, the report sharply criticized the nature and extent of contract manipulation by business and City officials, including campaign contribution abuses. At the time of the report's release, there were published charges that the two and a half year investigation had intentionally been protracted, charges Lupkin denied.¹³⁵

The mandate of the Department was now substantially more limited than in its earlier history. DOI's primary function had become that of control and deterrence: over illegal acts by employees, recipients of benefits and those doing business with the

¹³¹ Ibid.

¹³² The DOI section in the Mayor's Management Reports for this period indicate some 862 arrests and referrals for prosecution.

¹³³ In 1980 to 1981, 125 arrests and indictments in four counties involved inspectors of the Consumer Affairs Department, supermarket employees, food company agents and corporations for bribe payments to overlook consumer protection violations. Some 15 Taxi and Limousine Commission and Department of Environmental Protection inspectors, garage owners and mechanics were arrested for payoffs to waive cab safety emission inspections.

¹³⁴ Two such actions were reported: the 1980 arrests and convictions of six employees of Brink's Corporation for the theft of millions of dollars during daily collections from parking meters led to a federal suit involving \$12.5 million; the 1980 arrests and convictions of three principals of fuel oil companies which billed the City nearly four million dollars in heating oil never delivered to City-owned residential buildings resulted in a federal suit for \$3 million.

¹³⁵ A year earlier, a State senator had been indicted on charges related to the awarding of the franchises. The U.S. Attorney's Office declined to indict the City Comptroller after pursuing a lengthy investigation. *The New York Times*, August 4, 1981, p. 1.

City through enforcement of the criminal laws; over improper actions and failures to act by monitoring enforcement of the disciplinary codes; and stemming revenue losses by achieving savings and cost-avoidance by recommending improved internal controls.

Commissioner Lupkin displayed a willingness to report frankly about disappointments and weaknesses that he found in his own Department. Three were highlighted: the lack of "pro-active" investigative capability (where the investigators ferret-out corruption, rather than merely respond to allegations); the difficulties encountered in persuading agencies to adopt and implement DOI recommendations for improved controls to reduce corruption risks; and, concern for not harming agency operations that were sometimes forced to "grind to a halt" as DOI pursued the "classic investigative model" of obtaining all available evidence while "freezing" the situation.¹³⁶

In April 1982, Commissioner Lupkin resigned with a desire to enter private law practice. He was succeeded by Patrick W. McGinley. McGinley had served as a judge in the Criminal Court and as an acting Justice of the State Supreme Court in New York County for the three years prior to his appointment. Earlier, he had been an assistant district attorney in Manhattan and in private law practice for some 11 years.

Patrick W. McGinley

In 1982, Commissioner McGinley began with a staff of 128, and a budget of \$3.3 million. The Department's jurisdiction covered almost 300,000 City employees and hundreds of thousands of others under contract with, licensed, or funded by, the City. That year, in addition to receiving 1,935 complaints, completing 256 criminal investigations, guiding the 390-person Inspector General Program (that completed 12,082 criminal and disciplinary investigations), the Department's deterrent capability was further used in monitoring City Marshals, and conducting 1,307 background investigations on officials, managers, and those holding sensitive positions.

In December 1983, DOI, at the request of the Mayor, submitted proposed "whistleblower" legislation to the City Council.¹³⁷ The legislation, subsequently passed, afforded specific protection from

¹³⁶ Memorandum, S. Lupkin to E. Koch, December 15, 1980.

¹³⁷ The legislation was proposed as a remedy after highly publicized reports of retribution having been taken against an analyst in the Human Resources Administration upon reporting widespread mismanagement. After a DOI investigation, the analyst was restored to his position and the Mayor issued a public apology to him. The HRA Deputy Commissioner who took the adverse action was removed from his position.

retribution to City employees who report dishonest activities. In June 1984, DOI through the Inspector General offices, began to review routinely some 7,000 financial disclosure reports filed each year with the City Clerk.

In October 1984, after disclosures of child abuse in City-funded day care centers, the Department began fingerprinting City workers and employees of contract agencies working with children, to determine through criminal record checks if children were placed at risk.¹³⁸ At its inception, it was anticipated that some 120,000 workers would be fingerprinted each year in addition to those managers and officials whose fingerprints had been obtained as part of background investigations.

On November 27, 1984, before the City Council's Committee on Governmental Operations, Commissioner McGinley testified on a legislative proposal (Local Law 870) to "muzzle the watchdog," limiting the long-established independence of the DOI Commissioner by limiting matters investigated *only* to those ordered by the Mayor and Council, and repealing the Charter prohibition against interfering with DOI investigations. McGinley stated that such actions would "transform a dynamic, aggressive, independent organization into a passive political tool . . . return[ing] to the days of Boss Tweed and Tammany Hall."¹³⁹ The legislation was not passed.

McGinley unsuccessfully sought to obtain from the Mayor greater control over the budgets and activities of the Inspectors General whose services continued to be jealously guarded by many agency heads. However, other significant organizational changes and innovations occurred under him. "Operation Doublecheck" was initiated as a program of re-inspections to detect patterns indicative of corruption and the need for training in the 11 agencies that conduct code enforcement inspections. Security standards for data processing were developed and issued for City-wide implementation. An environmental crimes unit and a capital construction unit were formed to concentrate investigative expertise. Initial plans were developed for "VENDEX," a computerized system for storing and reporting criminal and performance data on firms, contractors and consultants doing business with the City.

The Department became involved in "outreach" efforts. DOI was instrumental in setting up an international conference in

¹³⁸ Subsequent DOI studies, completed in April 1982 and April 1984, related to the mishandling of child abuse and neglect cases in foster care homes and by the City's Child Protective Services division. Several substantial deficiencies were found that led to a multi-agency mayoral task force to track the progress of implementing the DOI recommendations.

¹³⁹ Statement before the City Council Governmental Operations Committee, November 27, 1984.

Washington, DC in 1983, and hosting a 1985 conference in New York on the investigation and prevention of corruption. The New York conference, with addresses by the Mayor and the Governor, was attended by more than 200 representatives from 38 foreign countries, 19 states and representatives from several federal agencies, universities and foundations. Radio "spots" informed the public about the work of the Department and television programs were shown on local cable stations that underscored DOI undercover activities. One television presentation was described as "an absolute humdinger . . . better than Dragnet . . . without doubt some of the best cop show footage I've seen on television."¹⁴⁰

During Commissioner McGinley's four-year tenure, significant investigations were pursued, some involving powerful political figures. A City Councilman and Chairpersons of two Community Planning Boards were arrested for extortion of two companies in return for City approval of several development projects. The Councilman and one of his aides were convicted and sentenced to prison. In the largest single municipal corruption case in the City's history, the City's Director of Lease Negotiations was arrested, tried and sentenced to 12 years in prison for extorting \$2.6 million in a three-year period from landlords in return for giving them leases with City agencies. Four businessmen were arrested for paying \$30,000 of a \$100,000 bribe to an undercover police officer posing as a City official in return for development rights to City-owned land on Staten Island.

Several investigations targeted corruption within the Transit Authority and the Board of Education. A report found that the Chancellor of the City's Board of Education, Anthony Alvarado, had committed ethical and financial improprieties. The Chancellor resigned rather than face a disciplinary hearing. Investigations into bribery of City inspectors continued,¹⁴¹ as did probes into social service frauds. One case led to the arrests of two employees of a realty company who laundered almost \$500,000 in two-party rent checks, another, the counterfeiting of 1,000 public assistance checks. Principals of seven steel drum recycling companies were referred for prosecution for unlawful possession and disposal of toxic waste.

¹⁴⁰ *Village Voice*, "Video Visions," March 22, 1983, p. 84.

¹⁴¹ The arrests included thirty-two electrical inspectors, supervisors and private electrical contractors on extortion charges in "Operation Ampscam;" ten water and sewer inspectors on extortion charges in "Operation Norton;" 30 Fire Department fire prevention inspectors and private contractors for bribery and bribe receiving; 10 Housing Authority paint inspectors and a Borough Supervisor who took bribes from private paint contractors in return for authorizing payment for work not performed.

A Scandal and a Resignation

In the third term of the Koch administration, a major scandal befell the administration. In the first months of 1986, came the exposure of a major scandal involving contract bids worth many millions of dollars for the purchase of proposed hand-held computerized summons devices for use in the Parking Violations Bureau (PVB) of the Department of Transportation (DOT).¹⁴² The award went to an unknown small company, Citisource, Inc. whose counsel, chief promoter, board director, and largest stockholder was Stanley Friedman, Democratic Party chief of the Bronx.¹⁴³ Grave suspicions were aroused by this, and by the sudden mysterious disappearance and subsequent suicide of Donald Manes, Queens Borough President and Democratic Party chief.

Federal and DOI investigations led to the unraveling of widespread and large scale bribery, fraud and misuse of political influence within PVB activities, dating back several years. Charges included massive shredding of documents to cover-up the influence of such party figures as the Bronx's Stanley Friedman, and Brooklyn's Meade Esposito, DOT's Commissioner and Deputy, and PVB's Director and Deputy. All were subsequently convicted.

The investigation of Citisource led to a review by a mayoral task force, that included DOI managers, of another multi-million dollar part of PVB activities, namely, the awarding and monitoring of contracts for private firms collecting delinquent fines and penalties for parking violations.¹⁴⁴ As a result, all collection agency contracts were canceled throughout the City and new contracts negotiated under close monitoring by the task force.

A series of published allegations charged that DOI and the PVB Inspector General had known of allegations, some dating back to 1980, relating to the improper award and monitoring of collection agency contracts, and ticket fixing, but did not adequately investigate the charges. The PVB Inspector General was removed from his position.

¹⁴² Exposure of this scandal began in Tennessee when an ex-convict from Florida was found by the police to be carrying weapons in a van. To avoid prison, the man agreed to offer bribes to city officials under investigation in Chicago. Tapes resulting from that investigation mentioned bribe payments similar to those in Chicago being made at PVB in New York.

¹⁴³ Friedman had served as Deputy Mayor and patronage chief under Beame. Reportedly, a sign in his City Hall office read, "Crime doesn't pay as well as politics." Supposedly, Friedman became the Bronx Democratic leader with Koch's help. (*The New York Times*, January 4, 1987, Section 4, p. 6.)

¹⁴⁴ Huge sums were involved. According to audits conducted by the State's Special Deputy Comptroller for New York City, in fiscal year 1985, PVB had contracts with ten agencies with \$48.8 million in revenue collections and which received \$16.8 million in commissions at an average rate of 36.7 percent. The audit found severe shortcomings in PVB's internal controls and operating procedures in monitoring revenue collections.

The Mayor appointed John S. Martin, Jr., a former U.S. Attorney for the Southern District of New York, to conduct an inquiry into these allegations. Mr. Martin's final report was issued in September 1986. It contained restrained, but severe criticisms of DOI management for its failure to properly investigate substantial allegations of high-level, pervasive corruption that originated early in 1982. The report concluded:

DOI did not adequately pursue the information and leads relating to alleged corruption While we are convinced that this was not attributable to any lack of integrity on the part of any DOI official or any lack of desire to root out corruption . . . [it is] attributable to mismanagement, poor judgment, administrative errors, improper or inadequate recordkeeping and a lack of adequate communication within DOI itself.

Amidst rising controversy over the integrity of key members of the Koch administration, the initiation of several major political corruption investigations and questions about the competence of DOI to conduct its own affairs and direct the Inspectors General, a second major blow fell upon DOI. In January 1986, Commissioner McGinley resigned under pressure resulting from having permitted, three years earlier, a DOI staff person to install in the Commissioner's apartment an air conditioner, purchased by the Commissioner, during what the Commissioner asserted was an emergency situation.¹⁴⁵ Some media reports also asserted that the Commissioner was being used as a scapegoat by the Mayor who was deflecting public criticism from himself over the PVB scandals by punishing McGinley and, indirectly, the Department.

Mayor Koch accepted the resignation of Commissioner McGinley on January 31, 1986, and appointed Kenneth Conboy to replace him.

Kenneth Conboy and Executive Order No. 105

Commissioner Conboy came to DOI known as an experienced law enforcement professional. Immediately prior to his appointment, he had served as Criminal Justice Coordinator. Prior to that, he had been a deputy commissioner and general counsel at the Police Department, after 11 years in the Manhattan District Attorney's office, during which he served as Chief of the Rackets Bureau and

¹⁴⁵ The Commissioner improperly permitted a City employee to install an air conditioner in his apartment to relieve a severe health condition his wife was suffering.

Executive Assistant DA. Mr. Conboy was sworn in on February 24, 1986.¹⁴⁶

Mayor Koch had been elected, in part, because of his strong and often stated opposition to political patronage and the corruption that patronage often breeds. No one questioned the personal integrity of the Mayor as his last term in office was marked by major scandals. While DOI reported that in the first two terms of the Koch era 1,629 (mostly low-level) City employees "had been charged with corruption,"¹⁴⁷ Commissioner Conboy reported to the Mayor that,

During the first ten months of 1986, state and federal grand juries sitting in New York City have returned indictments alleging corrupt behavior by public officials in five municipal agencies: the Parking Violations Bureau, the Health and Hospitals Corporation, the Taxi and Limousine Commission, the New York City Housing Authority, and the New York City Board of Education. Actions in at least seven other Departments or Agencies of the government are the subject of publicly confirmed investigations by prosecutors.

Three of the City's five Democratic county leaders during this period have been the subject of investigations by federal and state prosecutors, two have been named in indictments, and one is currently on trial, together with former officials of the Department of Transportation. More than a dozen senior officials in the City Administration have tendered resignations under public charges of criminal conduct, unethical behavior, improper activities, or incompetence. The Department of Investigation has itself been sharply criticized for the negligent handling of allegations of

¹⁴⁶ Subsequently, after the Manhattan District Attorney halted the investigation of McGinley, the former Commissioner demanded his job be returned. When the Mayor refused (Commissioner Conboy was serving in the position), there were published accusations that the Mayor, since 1982, had criticized McGinley for being "too aggressive in corruption inquiries." The Mayor denied the accusations, and counter-charges arose that as DOI Commissioner, McGinley had not followed-up allegations related to the Commissioners of the Department of Transportation and the Taxi and Limousine Commission. (*Newsday*, August 8, 1986, p. 9; August 28, 1986, p. 5; and October 14, 1986, p. 5.)

¹⁴⁷ According to DOI Assistant Commissioner Rachel Gordon, *The New York Times*, January 25, 1986, p. 30.

corruption in the Parking Violations
Bureau.¹⁴⁸

The Mayor, with his new Commissioner, was to move to strengthen DOI.

A radical change in the DOI organization, perhaps the most significant since the Charter revisions of 1938, was initiated in December 1986 with the issuance of Executive Order No. 105.

Prior to the September 1986 issuance of the Martin Commission report, the Mayor had directed Commissioner Conboy to conduct an assessment of the Inspector General program. In December 1986, Commissioner Conboy forwarded his report to the Mayor -- "An Assessment of the New York City Inspector General System as an Instrument for the Identification and Reduction of Corruption in Municipal Government."

The report described the dissonance and consequences of an Inspector General answering to two agency heads. Although the IG program had more than twice the funding of DOI, and three times the staff, there was no overall plan or direction, no established priorities, and little accountability for failures to achieve results. It blamed the structure of the program for the serious, widespread deficiencies,¹⁴⁹ rather than the lack of capabilities of any person, or the deliberate suppression of investigative matters. The report argued for a mandated alternative that placed control, organization, and reporting exclusively under the Commissioner of Investigation while ordering consultation and planning with agency heads. The report concluded:

. . . the Inspector General system must be the linchpin of a proactive, strategically planned, and professionally sound anti-corruption program, structured on a decentralized field basis with decisive control of resources, priorities, and standards with a single statutory officer principally accountable for the maintenance of the integrity in New York City's government, as indeed the present Mayoral Executive Order appears to require. To have less is to invite

¹⁴⁸ "An Assessment of the New York City Inspector General System as an Instrument for the Identification and Reduction of Corruption in Municipal Government," issued December 1986, p. 1.

¹⁴⁹ Among the most serious deficiencies the report described were: disciplinary functions performed by the IGs frequently "surpassed the time and effort devoted to criminal investigations," without contributing to either identifying or reducing corruption; criminal investigations were often not adequate -- of 160 allegations of serious criminal conduct selected at random for review, 46 percent of the investigations were rated as "poor", or "very poor," only 4 percent were considered to be "outstanding".

Meanwhile, during this period of heavy concentration on strengthening the investigative arm of the Department, the productivity of the Corruption Prevention and Management Review Bureau had greatly increased with the appointment of a new director of the Bureau. More than a dozen major analytical studies were completed in 1986, including significant analytical contributions to Commissioner Conboy's "Assessment of the New York City Inspector General System as an Instrument for the Identification and Reduction of Corruption in Municipal Government." A corruption prevention "specialist" was installed within each Inspector General office to identify systemic weaknesses that allowed dishonest activities to occur and to develop controls to block opportunities for continued dishonesty.

DOI assisted federal and State prosecutors in the investigations of a number of significant cases: the Parking Violations Bureau and the Taxi and Limousine Commission investigations led to indictments of 12 City employees and persons doing business with the City; the arrests and convictions for conspiracy and tax fraud of the owner and manager of a supplier of water and sewer pipe for the theft of \$1 million of City-owned pipe, and for creating false invoices; the arrest of the City's Dockmaster on federal charges of extortion and mail fraud; the arrests and prosecutions of 12 superintendents of City-owned *in rem* buildings, for grand larceny, and two agency managers for collecting rents illegally; and the arrests of 42 Housing Authority superintendents on kickback charges and 16 vendors on bribery charges.

Commissioner Conboy was appointed a federal judge in the Southern District of New York and resigned in January 1988 to assume his new position.

Kevin B. Frawley

On February 5, 1988, Kevin B. Frawley succeeded Commissioner Conboy. Frawley had served as Criminal Justice Coordinator, a position held by Conboy prior to his appointment, and previous to that as special counsel to the First Deputy Mayor and as an assistant district attorney in Brooklyn.

Commissioner Frawley moved ahead with structural and management changes necessary to fully implement the requirements of Executive Order No. 105. The agency's budget had grown to \$27.7 million in fiscal year 1989, and the number of employees, including police officers, had increased to 710.

In May 1988, the Committee on Municipal Affairs of the Association of the Bar of the City of New York issued a report on

DOI. The study analyzed DOI's structure, policies, operations, procedures and staffing. The report's first conclusion was,

DOI is not an independent prosecutorial agency but a mayoral agency that enhances government's accountability to the public. Thus, while DOI must remain committed to apprehension as its principal activity and goal, the renewed emphasis on the identification and elimination of corruption hazards should be reaffirmed as the Department's unique contribution to municipal government. . . . At the same time, however, DOI must not lose its focus on investigation of low-level corruption. This has real importance for fostering public confidence in local government.¹⁵⁴

During Commissioner Frawley's tenure, a number of significant investigations were pursued, often in cooperation with federal, State and local forces, and meaningful corruption prevention work was undertaken. Some 36 employees of a contractor hired to collect parking meter revenues were arrested for conspiracy and larceny in the theft of \$5 million a year. A joint investigation conducted by DOI and three federal agencies resulted in the conviction of a former deputy director of the City Minority Business Development Office for using his office to extort bribes from.

In a joint "sting" operation with the police, DOI arrested 22 drivers of taxis and limousines who used concealed devices to accelerate meters and overcharge passengers. A former deputy director of the Accounts Payable section in the Department of General Services was arrested for stealing one million dollars that should have been retained by the City as a discount on contracts, and diverting the funds into accounts in Manhattan, Florida, and Panama. A Deputy Commissioner who headed the Department of Finance's Real Property Assessment Bureau was forced from his position for granting, without benefit of oversight or record-keeping, multi-million dollar tax reductions for 14 properties owned by five major property owners.

A joint investigation with the U.S. Attorney's Office resulted in the arrest of 46 Department of Health restaurant inspectors and consultants. Another investigation resulted in the arrest of 18

¹⁵⁴ "Report on the New York City Department of Investigation," issued May 3, 1988, p. 4. The report recommended a fixed term for the Commissioner, concurrent with that of the Mayor, and affirmed that "the Department is a less-than-ideal choice for certain kinds of investigations, especially those of high-level mayoral appointees or important political leaders. Some of these concerns would be met by compelling the referral, at some fairly early threshold, of any such matter to either a federal or state prosecutor with local jurisdiction." (p. 5). It also recommended that DOI's jurisdiction be extended to non-mayoral agencies such as the Board of Education, Health and Hospitals, etc.

restaurant owners and managers on bribery charges. Several other investigations of corrupt inspectors led to the determination by the Mayor that inspectional corruption had to be better controlled.¹⁵⁵

DOI issued inspection standards, prepared by its Corruption Prevention and Management Review Bureau, to the ten agencies conducting inspections. The standards ordered the strengthening or installation of a number of management, supervisory and operating controls. On September 16, 1988, the Mayor, Commissioner of Investigation, and the Inspectors General of the ten agencies conducting inspections met with 3,000 inspectors to stress the City's stance against corruption. They were greeted with jeers and shouts that impressed all with the enormity of the problems faced in controlling corrupt inspectional activities.

Standards were also issued to assist in controlling corruption problems in other major functions within municipal operations: inventory control; monitoring collection firms employed by City agencies; and sole-source and request-for-proposal contracting.

As a result of Executive Order No. 105, requirements relating to the City-wide anti-corruption program, the Inspectors General and Commissioners of all mayoral agencies reported, for 1988, 74 newly identified corruption risks and 130 strategies (investigations, audits, studies, changes in procedures) to combat the risks. They also related that 18 corruption risks reported the previous year had been adequately controlled.

Continuing Corruption Scandals

Scandal continued to plague the Koch administration. As the PVB scandals and the McGinley resignation faded from public concerns, a new exposé, stirring since initial press reports in October 1983, hit with full force.

In May 1986, published reports stated that in May 1984, an anonymous letter was received by DOI charging the Mayor's Cultural Affairs Commissioner, Bess Myerson, a former Miss America and close personal friend of the Mayor, with impropriety in trying to influence a judge.¹⁵⁶ Commissioner McGinley reportedly forwarded

¹⁵⁵ Seven sanitation workers were indicted for demanding bribe payments to remove bulk refuse at residential buildings. Arrests were made of ten code enforcement inspectors and three supervisors in the Department of Housing Preservation and Development and eight landlords for accepting or paying bribes to overlook housing code violations in Manhattan, Queens, and Brooklyn.

¹⁵⁶ Commissioner Myerson denied that the position of special assistant to the Cultural Affairs Commissioner was given to a judge's daughter as an act of bribery intended to influence the judge's rulings in the Commissioner's lover's divorce case.

the letter to the Inspector General for Parks and Cultural Affairs who took no action. The letter was returned to McGinley in July, and apparently was filed without further action.

That same year, the U.S. Attorney's Office initiated an investigation that led to the indictment of Commissioner Myerson. Again, questions were raised about the competence and impartiality of the Inspectors General and DOI. DOI was also criticized for failing to perform an adequate background check on Myerson in 1983, when she was appointed to her position. Although the Mayor, his office staff and the Police Commissioner were aware of reports of "bizarre" behavior by Myerson in 1980, DOI was never informed.¹⁵⁷ This scandal, according to some observers, perhaps because it mixed "betrayal, greed, lust, violence and revenge . . . entwined with government business and public payrolls," was said to have "done more to erode Koch's popularity and credibility than any preceding event."¹⁵⁸

In mid-1987, the Director of the City's Bureau of Franchises, Morris Tarshis, abruptly resigned the position he had held for 21 years as City, State and federal investigators targeted him. The investigations were hindered, and public disgust aroused, when it was disclosed that Tarshis, a "legend," who nominally "reported" to the Board of Estimate, had kept no records, not even visitors' and telephone logs during the time he conducted his business.¹⁵⁹ Although not a Koch appointee, the investigation during Koch's tenure only added to the public's perception of widespread corruption under the Mayor.

Early in what was to be Koch's last year in office, while he prepared his re-election campaign, a final scandal arose. After the many mayoral declarations about his freedom from traditional club-house political patronage, the special assistant to the Mayor, Joseph DeVincenzo, who oversaw the Mayor's "Talent Bank," was reported to have used a color-coded system to identify the party bosses who recommended job applicants and to have pressured agency heads into hiring the favored persons. Stories surfaced in the media of alleged massive document shredding in the basement of City Hall to prevent the revelation of the extent of the patronage operation and erasures of data stored in automated files. Disclosures of political patronage resulted from hearings held by

¹⁵⁷ The Police Department had gathered intelligence on Myerson behaving erratically and filing false complaints that she was the victim of harassment when in fact she had committed the acts. (Jack Newfield & Wayne Barrett, *City For Sale*, New York, 1988, pp. 394-395.)

¹⁵⁸ *City for Sale*, p. 396, and p. 433.

¹⁵⁹ The Bureau of Franchises was responsible for awarding private bus routes, bus stop shelters, sidewalk cafes and cable television franchises; and the administration of more than \$200 million in subsidies over an eight year period, and the collection of \$45 million in fees within eight years.

the New York State Commission on Government Integrity, chaired by John D. Feerick, Dean of the Fordham University School of Law. They led to the February 1989 resignation of DeVincenzo, amidst a popular uproar as he was allowed, through machinations, to retain his full, \$52,000 pension.¹⁶⁰

The voters of the City were not ready to support the Mayor in his bid for an unprecedented fourth term. Edward I. Koch was to be replaced by the first African-American to hold the office. David N. Dinkins, the Manhattan Borough President and former City Clerk, would strive to achieve a politics of inclusion within the New York "mosaic."

¹⁶⁰ Subsequently, in April 1991, DeVincenzo, only days before he was scheduled to stand trial on eight counts of perjury, pled guilty to one count of perjury related to his testimony before the Feerick Commission. He admitted lying when asked if the Talent Bank had screened job applicants for their political connections, whether he knew of it, and whether he had ordered evidence of it destroyed. He was sentenced to five years probation.