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Department of Investigation

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**Presentation with Corrupt Practices Investigation Bureau Director Wong Hung Kuan  
Columbia University, School of International and Public Affairs  
Monday, April 2, 2018, 4 p.m.  
*The Benefits of a Centralized Inspector General System***

I want to thank Professor Paul Lagunes for arranging this timely and important event. It is so critical that we discuss corruption in a way that engages everyone on solutions, shares best practices and pursues innovation. Today's event is a step in that direction.

The Department of Investigation, or DOI, is one of the oldest Inspectors General Offices in the world. We oversee more than 300,000 City employees, 45-plus City agencies, dozens of boards and commissions, thousands of City-funded vendors and nonprofits, essentially anything and anyone touching the more than \$84 billion that New York City spends every year.

DOI's structure rests on a centralized Inspector General model, meaning there is a single, uniform agency within City government that oversees all investigations into corruption, waste, fraud and abuse. That agency, DOI, is empowered by a compendium of strong statutes and investigative tools, such as direct access to City records and documents; taking testimony under oath, issuing subpoenas, and a must-report law that requires City employees report corruption when they witness it.

These laws enable DOI to get at the facts accurately and quickly. But DOI was not always structured this way.

This modern version came into being in 1986, in the wake of a series of corruption scandals in New York City. At that time, Inspectors General were internal to the City agencies, reporting both to the agency head they oversaw and the DOI Commissioner. A report on DOI during that time criticized the agency management, finding that it had failed to properly investigate substantial allegations of high-level, pervasive corruption that had originated in the early 1980s. This recognition ultimately led to the strengthening of DOI's independence, through a series of mayoral executive orders that brought all City Inspectors General fully under DOI's control, with sole reporting to the DOI Commissioner. The mayoral executive orders brought these disparate Inspector General offices together in a, "single aggregate of personnel and resources within the Department of Investigation."

The importance of this single, uniformed and independent Inspector General, and the benefits it could provide to other jurisdictions, including the federal government, are the subject of my remarks today. As a centralized IG, DOI can truly see and act systemically across agencies, tackling common problems, employing investigative techniques developed in one part of the City to other places where needed, and sharing knowledge and expertise about City government and processes. Most importantly, this centralized structure ensures that there is one investigative entity looking to root out corruption, fraud, waste, mismanagement and financial abuse, speaking with a single voice and acting with a unified purpose – a very powerful approach to this kind of law enforcement work.

The executive orders that unified DOI are in addition to other powers that reinforce DOI's independence. DOI is established in the City Charter, so it cannot be suddenly abolished. The appointment of the DOI Commissioner must be confirmed by the City Council, a unique feature to DOI; and the DOI Commissioner cannot be summarily removed by the Mayor. Instead, the Mayor must file cause and there would be a public airing of the facts. All of these laws are established to underscore DOI's independence, allowing it to follow the facts no matter where they lead.

DOI's independent model has inspired other jurisdictions, recently Canada and Chicago, as they established their own anti-corruption entities. Indeed, the past 30 years have shown the strength of this model to rooting out corruption and fraud – uncovering and stopping criminal activity through systemic, thorough investigations that lead to arrests; preventing the continuation of the corruption vulnerabilities we find through our investigations by recommending reforms; and providing outreach to the public, fellow law enforcement, and City agencies to educate them about our work. Transparency is a key characteristic of the agency and I have worked hard to ensure that the public both has access to and understands the investigations we do. To that end, since becoming DOI Commissioner in 2014, I have issued more than 50 reports on the investigations we have done, all available on DOI's website. This lends not just transparency, but accountability and credibility to what DOI does. Both the public and the relevant government stakeholders can see not only our conclusions and recommendations, but the detailed and painstakingly collected evidence that supports these conclusions and recommendations.

I came to this position with experience as a former prosecutor at the state Attorney General's Office, who understood firsthand the complexities of investigating and prosecuting corruption cases. Four years into this role, I have gained an even deeper understanding of corruption investigations and the benefit of having one, centralized Inspector General system, like DOI, that can see and act broadly, effecting important change that reforms government and instills confidence in the way the City is run.

My tenure as DOI Commissioner has informed my view on what is happening nationally in the United States regarding oversight. And it has led me to come to this important conclusion -- that the United States is in need of a similar centralized approach to that of DOI, a national Inspector General: one with the ability to act independently, see across federal agencies, and act in a non-partisan way on issues of waste, fraud, misconduct and corruption. This type of model on the federal level would maintain consistent standards, harmonize investigations, and by providing a single, centralized and permanent voice, help the United States tackle the scourge of corruption through a unified, comprehensive approach.

A national Inspector General, with robust staffing, status and profile would be better positioned to counter efforts by a particular agency leadership who may want to bury or water down findings of investigations and would be better able to have an impact across a broad range of jurisdictions. To provide just one example, last year, the United States Secretary of Health was forced to resign amid questions about improper travel expenses. We now know that this improper conduct has infected multiple other cabinet agencies, as well as, potentially, the White House itself. A unified, and fully independent inspector general would have had the resources, jurisdiction and political gravitas to tackle this issue in a systemic way that would have increased the chances of excising this abuse from the government as a whole.

With this in mind, let me show you the tangible effects that a centralized structure like DOI's has had on New York City:

#### Wrongdoing by Elected Officials

DOI was founded, in part, on the critical need to hold elected officials and public servants accountable. During the latter part of the 19th century, public officials had manipulated New York City government, using the City coffers like their personal piggybanks, stealing more than \$200 million in City funds and ultimately leading to DOI's creation.

Wrongdoing by elected officials and other public servants remains a core area for DOI and includes the following:

- Recently, DOI uncovered a case that led to the indictment of a Brooklyn Assemblywoman who was charged with defrauding an array of government agencies in separate schemes, including the theft of tens of thousands of dollars in government allocated funds by falsely claiming the nonprofit she led would use the funds to rent a studio space. Instead, she stole the money for her own personal use. This case started not as an examination of a public

official, but as part of DOI's review of City-funded non-profits. Our unified structure allowed us to handle all aspects of the matter.

- In another case, we arrested a candidate for a New York City Council seat for an alleged straw donor scheme, in which false records were filed with the New York City Campaign Finance Board to gain matching campaign funds to which the candidate was not entitled. Again, this investigation began as an investigation of a different target, but DOI's centralized structure allowed us to expand the investigation to effectively tackle all aspects of this corrupt activity.

New York City's public campaign finance system is a model for the country so these types of schemes undermine integrity and confidence in the City's financing of campaigns.

#### Exploitation by government employees of their insider access

DOI has seen an array of scenarios in the area of City employees who exploit their insider access – from City Buildings inspectors who have accepted bribes to overlook safety violations on construction sites, to City Correction Officers who – for a price -- willingly traffic drugs and weapons into the City jails; as well as public benefits workers who use their access to agency databases to steal public funds. Here are several examples:

- Contraband smuggling within the City jails is an ongoing problem that correlates with gang activity both inside and outside the facility, and exacerbates safety and security issues. That focus has led to multiple investigations and the arrests of 27 DOC employees, 33 inmates, and 16 civilians for the smuggling of weapons and narcotics into the jails, including arrests and undercover operations that have exposed problems with DOC's front-gate screening.

In 2014, DOI conducted an undercover operation in which a DOI investigator posed as a Correction Officer and was able to get through screening at six facilities, despite concealing an array of contraband on his uniform, including drugs and weapons. At that time, DOI issued recommendations to strengthen the screening process of Correction Officers as they entered jail facilities. Three years later, we conducted another undercover operation to see whether security breaches still existed. This time, we focused on detention centers in Manhattan and Brooklyn, where a DOI investigator posing as a Correction Officer easily walked through front-gate screening, while concealing narcotics and weapons. He was never searched, despite three times alerting the magnetometer – the machine that identifies metal. We determined that if DOC had made some of the recommendations we issued back in 2014, they would have prevented DOI's undercover investigator from entering the facilities with contraband.

I am pleased to report that as a result of that most recent investigation, the Correction Department has now agreed to adopt DOI's recommendations to strengthen its screening protocols and establish a dedicated, independent unit of specially trained officers to provide screening at DOC's front gates. DOI's role doesn't end here. Because we are a permanent entity, we will continue to monitor implementation by DOC.

- In another example, we found an employee of the City Human Resources Administration ("HRA") stealing tens of thousands of dollars in benefits that had been earmarked for the Supplemental Nutrition Assistance Program, what we formerly called the food stamp program. DOI's investigation found that the employee, who had unlawfully accessed more than 130 public benefit recipient accounts, passed on personal, confidential information to her boyfriend and co-conspirator who then used the stolen identities to change the PIN numbers on the victims' public assistance accounts, ultimately opening the door for these defendants to divert funds from New Yorkers who desperately need it for food. Indeed, one victim was left to stand on a soup kitchen line while her benefits were diverted to feed these defendants' crooked scheme. The HRA worker, and her boyfriend were indicted by a federal grand jury and await prosecution. This type of benefit fraud can occur at many agencies and the investigative techniques developed in our HRA cases are allowing us to investigate this type of criminal activity in other areas as well.

## Government-funded contractors who seek to steal from taxpayer funds

Looking at the integrity of vendors who receive government funding is an important part of DOI's work. Investigations on this front include City-funded nonprofit executives who steal public funds rather than using them for the benefit of the individuals they serve; and construction contractors working on government projects who steal from their employees by pocketing worker wages. DOI investigations have returned hundreds of thousands of dollars to workers who became victims of these prevailing wage schemes. For example:

- Acting on a tip, DOI's Inspector General over the School Construction Authority paid a visit to a construction site, ultimately uncovering a scheme in which several labor brokers were shaking down employees for kickbacks from the employees' paychecks. When that IG discovered that those brokers were taking their illegal ruse -- literally on the road to a public housing development in Queens -- DOI was able to quickly mobilize its Inspector General for public housing. These investigators then worked that case to get the facts and stop the fraud at the second site. This is a case-in-point of why it is so important for such a centralized IG system like DOI, where our managers see broadly and can connect the dots, pulling Inspector General offices together on common problems and seeking comprehensive solutions.

That investigation successfully shut down the ongoing theft and DOI was able to pursue criminal charges against the perpetrators, all of whom pleaded guilty, and ultimately returned more than \$100,000 to the workers.

## The indelible link between integrity and safety

DOI's investigations have exposed the powerful link between integrity and public safety. This is not just rhetoric but a proven connection again and again through our investigations in construction fraud and the operation and management of public housing, among others.

- DOI has taken an in-depth and comprehensive approach to investigating the City's public housing operations and found a morass of bad management and legal violations that reach the highest levels; poor internal controls; and an inattentive approach to safeguarding residents from serious criminals. We wrote reports that exposed these issues, were the subject of legislative hearings and have forced multiple resignations of senior staff. We have made multiple arrests. Our work is continuing.

We found that the New York City Public Housing Authority, known as NYCHA, continued in its failure to fully enforce its policies to remove violent criminal offenders, despite a 2015 DOI report that alerted NYCHA to these failures and recommended improvements. Earlier this year, we arrested more than one dozen gang members, NYCHA staff and tenants in a case that demonstrated NYCHA's continued disregard for this rule, which if enforced would have led to the eviction of tenants who harbor these serious criminals.

And DOI exposed NYCHA's failure to conduct mandatory lead paint safety inspections for four years, and their submission of false documentation to the federal government stating that the Authority was in compliance with federal laws. This was a colossal breakdown with a direct impact on the ability to monitor safety within public housing, and one that we continue to probe.

Construction fraud is another area where DOI has frequently seen this link between integrity and safety. Our investigators have vast expertise in the City's building codes and, most importantly, how corruption insinuates itself onto construction sites and undermines safety.

- DOI has partnered with the City's District Attorneys to hold accountable those construction companies and owners who circumvent safety regulations and create dangerous work situations. In one case, in Brooklyn, a construction owner was indicted on manslaughter and other charges in connection with the death of one of his workers during an excavation. According to the charges, the construction owner refused to provide any material for shoring or underpinning at an excavation site and ordered several of his employees to excavate an area that was not approved by the City Department of Buildings. The wall collapsed and masonry and other debris fell on three workers, killing one and injuring two others.

## Mismanagement by government entities

DOI's work is not just about exposing criminal conduct but also extends to identifying incompetence, abuse and mismanagement, because these create fertile ground for corruption to take root. It also means that a foundation of our mandate is to hold accountable those in City government who do wrong and ensure that when abuses or wrongdoing occur, DOI sheds light on it.

We have done that with the Department of Homeless Services, where, after a year-long investigation of 25 shelters housing homeless families and children, we demonstrated how they exposed thousands of homeless families and children to serious health and safety violations such as extensive vermin infestations and blocked or obstructed means of egress. The failures extended across multiple agencies including Fire, Health, Buildings and Homeless Services. Because of DOI's centralized system, we could deal with all of these issues in a single investigation. We issued recommendations the agencies adopted. And just as important, our Report prompted the Mayor to form a Shelter Repair Squad that brought together the relevant agencies to ensure that violations were both identified and fixed.

At the Department of Correction, we uncovered how high-level officials at the agency, including the then Commissioner, had misused their City vehicles for unauthorized travel, including trips to Maine, the Hamptons, amusement parks and local airports. Using City-owned vehicles for these purposes is expressly prohibited by City policy, DOC's own policy, and the City's Conflicts of Interest laws. Our investigation revealed 21 senior-level employees who routinely abused take-home vehicle privileges and cost City taxpayers thousands of dollars in wasted money spent on gas and tolls to cover personal trips. Shortly after our report was issued, the Correction Commissioner left the agency, and DOI issued Citywide its recommendations regarding best practices around the use of take-home vehicles. A centralized IG system thus allowed us to take steps to prevent these abuses across the City.

This type of global approach to corruption fighting -- one that not only focuses on arrests, but includes issuing reforms, educating the public and the City about corruption, and writing public reports on DOI investigations -- has been a fundamental part of DOI over its history.

These examples show the benefit of an empowered, centralized Inspector General system. The permanent nature of the agency means we can do the year-after-year follow ups ensuring that proper reforms are not only promised but actually implemented. And when implementation does not occur, we can act, as we have in numerous cases, including with the public housing authority and the correction department.

DOI's experience shows the benefit that a national Inspector General could bring to the federal government -- strong, broad oversight and action, the power of a unified agency's knowledge and experience, and a unified voice to highlight and demand accountability across government -- all for the ultimate result: more honest, efficient and effective government; government that instills public confidence and respect.

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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