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## **DOI ISSUES ANNUAL ANTI-CORRUPTION REPORT FOR 2024 FOCUSED ON CORRUPTION RISKS ARISING FROM COMPLEX AND BURDENSOME REGULATIONS**

Today, Jocelyn E. Strauber, Commissioner of the New York City Department of Investigation ("DOI"), issued the 2024 Annual Anti-Corruption Report on the potential for increased corruption risks posed by complex, burdensome regulatory rules, and the enforcement of such rules. The goal of the Report is to highlight regulatory and enforcement schemes that may increase the risk for corrupt or noncompliant behavior due to the design, complexity, stringency, burdens, and costs of related rules and practices. While government regulation provides vital public benefits, including protecting the environment, public health, safety, civil rights, and consumers, overcomplicated and burdensome regulations and practices can create unintended incentives for individuals or entities to avoid compliance with regulations, including through corrupt and illegal means.

DOI Commissioner Jocelyn E. Strauber said, "As the City's anticorruption agency, DOI well knows the value of City rules and regulations intended to protect the public, and their consistent enforcement. We also recognize that complex and burdensome regulatory schemes that are costly to comply with pose their own corruption and non-compliance risks. DOI encourages agencies to conduct regular reviews of such processes, identify potential corruption vulnerabilities, and implement appropriate risk mitigation measures. I want to thank all the City agencies that responded to our questionnaire for their commitment to compliance and to ensuring an effective regulatory framework."

DOI's Annual Anti-Corruption Report is mandated by [Executive Order 105 \("EO 105"\)](#), which consolidated the Inspector General function within DOI and established the DOI Commissioner as the City's independent Inspector General. EO105 also gave agency heads primary responsibility for maintaining corruption-free agencies, and called upon DOI to assist in their efforts by preparing this annual Report, which summarizes agency-identified corruption vulnerabilities and agencies' remedial strategies. Since 2020, these annual reports have focused on City agencies' responses to a corruption-related issue. Unlike other DOI Reports, these annual reports rely primarily on information and analysis supplied to DOI by City agencies, rather than DOI's own investigative work.

For this Report, DOI analyzed questionnaire responses from 51 agencies. The Report covers the period of October 1, 2023, to September 30, 2024. A copy of the Report is attached to this release and can be found on DOI's Reports page [by clicking here](#).

This Report relies on City agencies' own assessments to provide a broad overview of the approach agencies are taking to address risks of corruption, misconduct, or other criminal activity. In order to promote candid responses by the participating agencies, the individual responses have been aggregated or

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anonymized, as appropriate. For this 2024 Report, DOI developed a questionnaire to explore agencies' perspectives on potential corruption risks posed by their regulatory and enforcement processes. The questionnaire asked about the application processes for licenses, permits, certifications, grants, registrations, or public benefits or services reviewed by the agencies, if applicable; the compliance and enforcement activities of the agency; and the agency's assessments of the risks posed by those processes and activities and any anti-corruption tools already in place. It also asked agencies about application fees, the length of time to receive a determination, and details of the determination process.

Nearly half of the responding agencies reported that they review applications for licenses, permits, certifications, grants, and/or registrations, or other similar types of programs, while many fewer do so for public benefits. About two-thirds of respondents conduct inspections, issue violations, or perform other activities to ensure compliance with and enforce regulations. Average determination times for the applications varied based on the complexity of the application or the nature of the service being applied for, and most agencies reported that delays in determinations were due to incomplete submissions or missing documentation.

Sixteen agencies offered suggestions for reform including resources for additional staffing; proposed changes in burdensome, confusing, or unnecessary laws, rules, or regulations; and technology changes, including moving applications to an online platform. At least one agency suggested leveraging data matching opportunities across databases and agencies to verify information provided by applicants. Several agencies said that additional staff would increase their capacities for monitoring and enforcement and that additional staff is needed for oversight, audit, and fraud detection and prevention duties.

Regulations and enforcement can protect workers and consumers, ensure that our buildings and infrastructure are safe, protect limited public resources designated for vulnerable recipients, and ensure fairness by applying the same rules in the same manner across industries and professions. But regulations can have the unintended consequence of creating additional corruption risks of their own, when compliance is or is perceived to impose undue costs and burdens on members of the public. City agencies should evaluate the regulations they are responsible for implementing and enforcing with these challenges in mind. And when it is determined that a regulatory or enforcement process, even a cumbersome one, is necessary, it is the responsibility of the City agency involved to remain aware of corruption risks and to review the processes on a regular basis and to take steps to reduce any risks identified. DOI encourages agencies to remain aware and vigilant about potential corruption and fraud risks inherent in any municipal process, and to conduct regular reviews of processes to implement risk mitigation measures.

This Report was prepared by Director of Intergovernmental Affairs and Special Counsel Rebecca Chasan and former DOI Investigative Attorney Alix Hirsch, and was supervised by Deputy Commissioner of Legal Affairs and General Counsel Andrew Brunsdn.

*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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New York City  
Department of Investigation



# 2024 Annual Anti-Corruption Report

Jocelyn E. Strauber  
Commissioner

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## **I. Introduction**

The Commissioner of the Department of Investigation (“DOI”) serves as the City’s independent inspector general, supervising a staff of Inspectors General, investigators, attorneys, forensic auditors, computer forensic specialists, and administrative personnel. Mayoral Executive Order No. 105 (“E.O. 105”) established this structure in 1986, consolidating the Inspector General functions of various City agencies within DOI.

E.O. 105 also made clear that agency heads “remain principally responsible for maintaining corruption-free agencies through this formal collaborative arrangement by developing procedures and systems to protect against corrupt and other criminal activity affecting their agency, by hiring employees of integrity and competence, by careful managerial oversight and high-quality supervision of agency employees, and by adequate review and monitoring of fiscal commitments and processes within their respective agency.” This mandate is also reflected in New York City Charter § 389(a), which assigns agency heads the responsibility for maintaining “an internal control environment and system which is intended to maximize the effectiveness and integrity of agency operations and to reduce the vulnerability of the agency to fraud, waste, abuse, error, conflict of interest, and corruption.”

E.O. 105 calls upon DOI to assist agencies in their efforts by preparing this Annual Anti-Corruption Report. The Annual Anti-Corruption Report is intended to describe corruption risks identified at City agencies and the strategies identified by agencies, in consultation with the various Inspectors General at DOI, to address those hazards. Although E.O. 105s mandate applies only to Mayoral agencies, DOI invited non-mayoral agencies to participate in this report and 10 non-mayoral agencies contributed as well as 41 mayoral agencies.

DOI’s Anti-Corruption Report, unlike DOI’s other reports, is not the product of DOI’s investigative work, but rather provides a broad overview of approaches taken by City agencies to address risks of corruption, misconduct, or other criminal activity. DOI generally obtains this information by submitting questions to other city agencies and analyzing their responses. The public release of this report is intended to promote information-sharing and transparency around corruption hazards and the measures that are being used by City agencies to combat corruption. In order to promote candid responses by the agencies participating in this and future questionnaires, the individual responses have either been aggregated or anonymized, as appropriate.

## **II. Background**

The focus of the 2024 Anti-Corruption Report (the “Report”), which covers the period of October 1, 2023, to September 30, 2024, is the potential for increased corruption risks posed by complex, burdensome regulatory rules, and the enforcement of such rules. The goal is to highlight regulatory and enforcement programs that have

rules and practices that may increase the risk for corrupt or noncompliant behavior due to their design, complexity, stringency, burdens, costs, or other reasons. While government regulation provides vital public benefits including protecting the environment, public health, safety, civil rights, and consumers, overcomplicated and burdensome regulations and practices can create unintended incentives for individuals or entities to avoid compliance with regulations, including through corrupt and illegal means.

The “fraud triangle” is a theory used to understand why some people commit fraud..<sup>1</sup> According to the fraud triangle model, there are three factors that must be present to induce people to commit fraud.<sup>2</sup> These factors are motivation (or perceived pressure), opportunity, and rationalization.<sup>3</sup> These three elements are utilized by the American Institute of Certified Public Accountants in the current U.S. auditing standards as a model to categorize risk factors for fraud.<sup>4</sup>

Motivation refers to the incentive to engage in corrupt behavior.<sup>5</sup> In the context of this Report, motivation may increase if regulatory compliance is deemed too difficult or if regulatory enforcement is deemed overly punitive or harsh. For example, the lengthier or more burdensome an application, the greater the motivation may be to avoid it.

Opportunity is the circumstance that may prompt a person to believe they can engage in fraud or corruption undetected.<sup>6</sup> Opportunity can arise from, among other things, weak internal controls, lack of segregation of duties, or certain economic conditions.<sup>7</sup> In the context of regulations, opportunity may present when there are insufficient staff at the agency to process applications or properly enforce rules. Opportunity may arise from insufficient supervision, backlogged processing times, or outdated payment systems. Even when motivation and opportunity exist, most people choose not to engage in corrupt or fraudulent behavior. Therefore, the model posits that rationalization is necessary as well, that is, a person is able to justify his or her behavior.<sup>8</sup> Rationalization may include the perception that “everyone is doing it” or

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<sup>1</sup> Leandra Lederman, “The Fraud Triangle and Tax Evasion,” *Iowa Law Review* 106 (March 2021): 1153–56.

<sup>2</sup> Michael J. Molder, “Why Honest People Commit Fraud,” *Pennsylvania Lawyer* 40 (November–December 2018): 34–36.

<sup>3</sup> “The Fraud Triangle,” National Whistleblower Center, <https://www.whistleblowers.org/fraud-triangle/>, accessed August 27, 2025.

<sup>4</sup> Codification of Accounting Standards and Procedures, Clarified Statements on Auditing Standards, AU-C § 240.11. The standards define fraud risk factors as “[e]vents or conditions that indicate an incentive or pressure to perpetrate fraud, provide an opportunity to commit fraud, or indicate attitudes or rationalizations to justify a fraudulent action.”

<sup>5</sup> National Whistleblower Center, “The Fraud Triangle.”

<sup>6</sup> *Id.*

<sup>7</sup> Molder, “Why Honest People Commit Fraud,” *supra* fn. 2.

<sup>8</sup> *Id.*

that the benefit of avoiding the burden of the regulation or its enforcement outweighs the risks of detection and other costs of violating the law.

New York City has a sprawling regulatory and enforcement system that protects the benefits and services administered by government agencies, and various fields that require government permits and licenses. The areas subject to regulation are vast, ranging from public assistance, public safety, business licensing, infrastructure, arts and culture, to economic development and more. The City administers building permits, pedicab licenses, cash assistance, sound and event permits, tax expenditures, short-term rental registrations, and film permits, and also conducts plumbing, health, business license, and housing inspections, among myriad of others. For the public to access needed licenses, registrations, permits, and benefits, the applicant must typically fill out an application to the administering agency. The complexity of each application varies based on the applicable laws and regulations, the permission or benefit sought, and any public health and safety impact. Applications that require the completion of multiple tasks, the submission of multiple documents, lengthy instructions, frequent denials requiring resubmission, or a consultation with experts or other third parties prior to submission are particularly burdensome. An application process that is overly complicated, or perceived as such, may increase both the motive to find a work-around — including through fraud or other corrupt and illegal means — and the ability to rationalize that misconduct.

DOI has investigated many cases where City officials and/or members of the public engaged in fraudulent conduct in order to avoid the burden of a regulatory process, avoid the consequences of enforcement, or simply to take advantage of a regulatory or enforcement scheme to enrich themselves. For example, in September 2024, a DOI investigation led to the arrest, and subsequent convictions, of two high-ranking Fire Department chiefs who exploited a backlog in their Fire Code compliance unit to expedite inspections of fire safety and inspection systems for a price, benefitting the property owners who agreed to pay bribes.<sup>9</sup> In July 2024, a pedicab driver pled guilty to bribing a City inspector in exchange for obtaining authentic pedicab registration plates outside of the registration plate lottery to shortcut the City's licensing process.<sup>10</sup> Similarly, in December 2023, DOI issued a report detailing ongoing corruption vulnerabilities in the joint Department of Buildings and Department of Environmental Protection process for asbestos

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<sup>9</sup> United States Attorney's Office, Southern District of New York, "Two Former High-Ranking FDN Y Officials Charged with Bribery, Corruption, and False Statements Offenses," press release, September 16, 2024, available at: [https://www.nyc.gov/assets/doi/press-releases/2024/September/Saccavino\\_and\\_Cordasco\\_Indictment\\_PR.pdf](https://www.nyc.gov/assets/doi/press-releases/2024/September/Saccavino_and_Cordasco_Indictment_PR.pdf), accessed August 27, 2025.

<sup>10</sup> New York City Department of Investigation, "Pedicab Driver Pleads Guilty to Bribing a City Inspector to Obtain Pedicab Registration Plates," press release, July 17, 2024, available at: <https://www.nyc.gov/assets/doi/press-releases/2024/July/32Alimov07.17.2024.pdf>, accessed August 27, 2025.

inspections required prior to the issuance of construction permits.<sup>11</sup> In connection with that report, DOI found that certain agency regulatory processes and procedures created an opportunity for certified asbestos inspectors to submit false documentation of asbestos inspections undetected, allowing them to avoid an expensive regulatory requirement and potentially speed up the permitting process.

Accordingly, for this year's Report, DOI developed a questionnaire (the "Questionnaire" or "DOI's 2024 Anti-Corruption Questionnaire") to explore agencies' perspectives on the impact of their regulatory and enforcement processes on corruption risk. The Questionnaire asked about the application processes for licenses, permits, certifications, grants, registrations, or public benefits or services reviewed by the agencies, if applicable; the compliance and enforcement activities of the agency; and the agency's assessments of the risks posed by those processes and activities and any anti-corruption tools already in place. The Questionnaire also asked agencies about application fees, the length of time to receive a determination, and details about the determination process. To assess the public perception of each agency's processes, the Questionnaire asked agencies if they track complaints from the public about programs and, if so, which program receives the greatest number of complaints. The Questionnaire asked agencies about their compliance and enforcement practices relating to the program regulations they administer: specifically, whether the agencies conduct inspections, issue violations, or engage in other enforcement actions, and whether these enforcement actions might unintentionally incentivize corruption.

The Questionnaire asked agencies to self-evaluate the level of complexity and risk associated with the applications and related processes for determinations made in connection with their programs. Agencies provided details about their applications for complex programs that may contribute to corruption risks, such as long application instructions, the need to submit multiple documents from different sources or agencies, a high rate of incorrect or improperly submitted applications, and/or a need to consult with a third-party in order to comply with requirements or complete application tasks. Finally, the Questionnaire asked agencies to propose suggestions for reform to address corruption or noncompliance risks posed by complex, burdensome, or costly regulations and processes at the agency.

Nearly half of the responding agencies reported that they review applications for licenses, permits, certifications, grants, and/or registrations, or other similar types of programs, while many fewer do so for public benefits. About two-thirds of respondents conduct inspections, issue violations, or perform other activities to ensure compliance with and enforce regulations. Average determination times for the

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<sup>11</sup> New York City Department of Investigation, "DOI's Investigation into Asbestos Safety Regulation Governing Certified Asbestos Investigators," December 2023, available at: <https://www.nyc.gov/assets/doi/press-releases/2023/December/40CAIRpt.Release.12.14.2023.pdf>, accessed August 27, 2025.

applications varied based on the complexity of the application or the nature of the service being applied for, and most agencies reported that delays in determinations were due to incomplete submissions or missing documentation.

Overall, agencies demonstrated a knowledge or understanding of potential risks in their application, determination, compliance, and enforcement processes. However, there were several agencies that denied any risk of corruption or fraud existed, a claim that seems implausible based on DOI's experience. With respect to application and determination processes, agencies overwhelmingly pointed to the submission of fraudulent documents or misrepresentation of information as the primary fraud and corruption risk. As it relates to compliance and enforcement, the most frequently cited risk was bribery of inspectors or other enforcement staff. Agencies offered a range of suggestions, from increased staffing to regulatory and technological reforms, to further mitigate the identified risks. Agencies report that they currently employ a variety of integrity controls to prevent fraud and corruption in applications and enforcement including anti-corruption training, multi-level reviews, and audits.

As the City's anticorruption agency, DOI strongly supports efforts to ensure compliance with City rules and regulations and to take appropriate investigative and enforcement action with respect to conduct that poses a risk to public health or safety, jeopardizes public resources, or involves corrupt or criminal conduct. However, it is also important to consider the unintended impacts of regulatory and enforcement actions, and to achieve the appropriate balance between the critical interests served by regulation and enforcement and the burdens, complexities, and costs of particular regulatory programs and rules. As such, DOI encourages agencies to remain aware and vigilant about potential corruption and fraud risks inherent in any municipal process, and to conduct regular reviews of processes to implement risk mitigation measures. Studies have found a positive correlation between increased regulatory burden or complication and corruption.<sup>12</sup> In assessing regulatory and enforcement processes, agencies must balance the corruption risk against the utility or necessity of the government process. Regulations and enforcement can protect workers and consumers, ensure that our buildings and infrastructure are safe, confirm that limited public resources go to the intended recipients, and ensure fairness by applying the same rules in the same manner across industries and professions. And when it is determined that a regulatory or enforcement process, even a cumbersome one, is necessary, it is the responsibility of the City agency involved to remain aware of corruption risks by reviewing the processes on a regular basis and taking steps to reduce any risks identified.

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<sup>12</sup> Mohammad Amin and Yew Chong Soh, Does Greater Regulatory Burden Lead to More Corruption? Evidence Using Firm-Level Survey Data for Developing Countries, Policy Research Working Paper 9149 (Washington, DC: World Bank Group, February 2020), <https://openknowledge.worldbank.org/server/api/core/bitstreams/ef43fa2a-84c5-5ba8-9813-21a199961451/content>, accessed August 27, 2025.

### III. The Questionnaire Results

#### A. Respondents

There were 51 respondents to DOI's 2024 Anti-Corruption Questionnaire. Forty-one were mayoral agencies and ten were non-mayoral agencies. Table 1 below lists the agencies and offices that submitted a response.

**Table 1. Respondents to DOI's 2024 Anti-Corruption Questionnaire**

Administration for Children's Services	Department of Veteran's Service
Board of Elections	Department of Youth and Community Development
Business Integrity Commission	Economic Development Corporation
Campaign Finance Board	Financial Information Services Agency
Civilian Complaint Review Board	Fire Department
Commission on Human Rights	Health and Hospitals
Department for the Aging	Human Resources Administration
Department of Buildings	Landmarks Preservation Commission
Department of City Planning	Law Department
Department of Citywide Administrative Services	Mayor's Office
Department of Consumer and Worker Protection	Mayor's Office of Contract Services
Department of Correction	Mayor's Office of Criminal Justice
Department of Cultural Affairs	Mayor's Office of Media and Entertainment
Department of Design and Construction	New York City Emergency Management
Department of Environmental Protection	New York City Employee Retirement System
Department of Finance	New York City Housing Authority
Department of Health and Mental Hygiene	New York City Housing Development Corporation (HDC)
Department of Homeless Services	Office of Administrative Trials and Hearings
Department of Housing Preservation and Development	Office of the Chief Medical Examiner
Department of Investigation	Office of Labor Relations
Department of Parks and Recreation	Office of Management and Budget
Department of Probation	Office of Tax Administrative Appeals
Department of Records and Information Services	Office of Technology and Innovation
Department of Sanitation	Police Department
Department of Small Business Services	School Construction Authority
Department of Transportation	Taxi and Limousine Commission

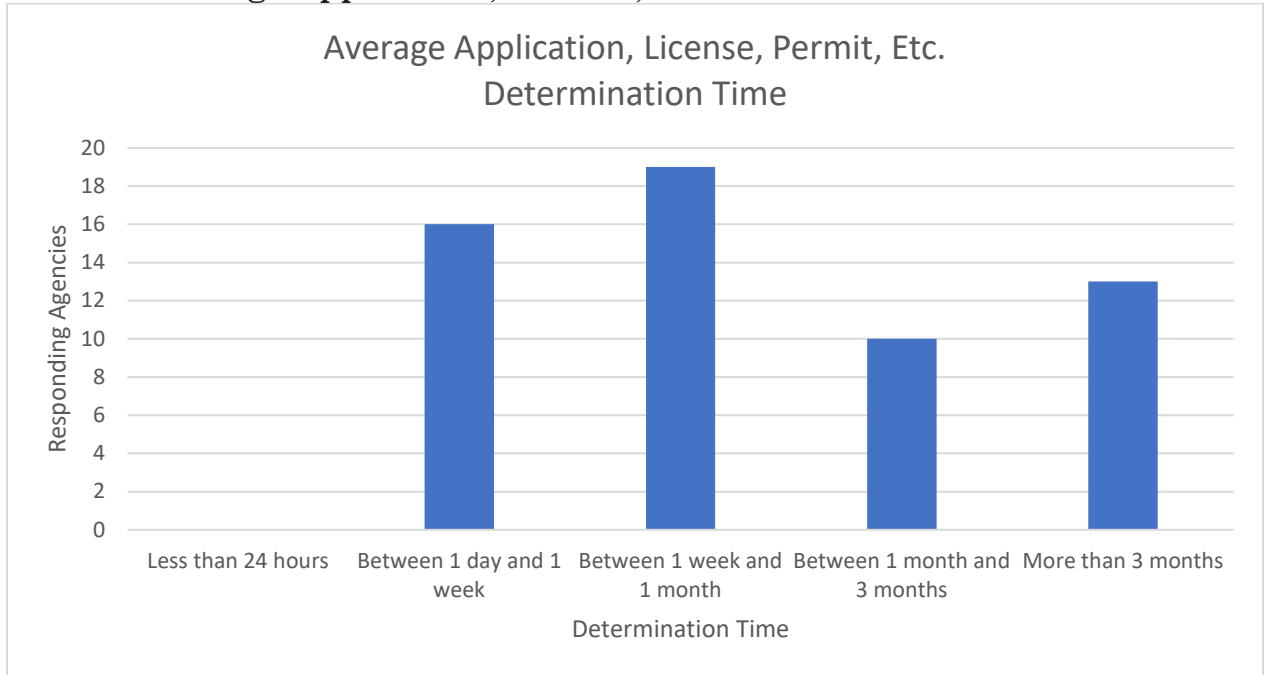
## **B. Application Processes and Agency Determinations**

Out of the 51 respondents, 24 (47.1%) reported they review applications for licenses, permits, certifications, grants, and/or registrations, or other similar types of programs. Some agencies administer several programs that require an application process and listed their top three most frequently applied-for licenses, permits, certifications, grants, and/or registrations. These services include for example, grant applications, licenses to operate taxicabs, and land use permits. The application processes varied in scope and style, details of which will be discussed below. Only seven (13.7%) of the 51 respondents said they review applications for public benefits or services such as food stamps, childcare vouchers, and/or cash assistance. Just one agency reported reviewing applications for both categories.

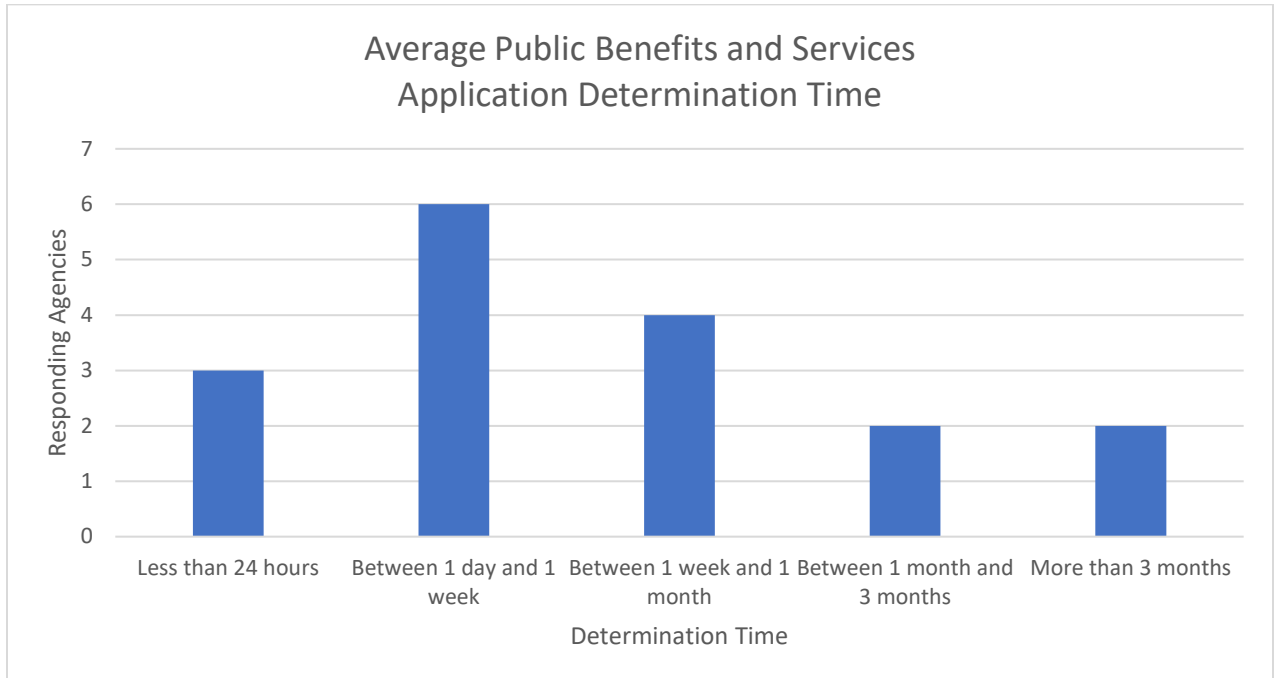
### *1. Application Determination Times*

Determination times for the agencies' applications varied depending on agency and program. This data point is relevant to a corruption risk analysis because an excessively lengthy determination time, or one perceived as such, could increase a potential applicant's motivation or opportunity to avoid the regulatory process or to engage in corrupt behavior to shortcut it. **Chart 1** shows the average length of time for applications, licenses, and permit determinations as reported by the agencies that responded to this question. **Chart 2** depicts the average length of time for public benefits and services application determinations as reported by the agencies that responded to this question. Some of the agencies reported target determination times that were shorter than the actual determination times and identified several reasons for these variances. The most common explanation for an actual determination time exceeding a target determination time was incomplete applications or missing supporting documentation. Other explanations included delays in the applicant responding to questions or requests for additional information, agency staffing shortages, a high volume of applications for particular programs, and/or the requirement of that an agency obtain third-party approval before making a final determination.

**Chart 1. Average Application, License, and Permit Determination Time**



**Chart 2. Average Public Benefits and Services Application Determination Time**



## 2. *Application Fees*

Twenty-two agencies (73.3%) reported that the applications they process required a fee, while eight (26.7%) reported that no fee is required. Reported fees ranged from \$25 per application to thousands of dollars per application depending on the subject of the application.

## 3. *Determination Process*

To reach a determination on an application, agencies use multi-layered review processes and/or designate particular employees to handle review. Many agencies reported that they will not review applications until they are fully complete. Agencies also reported that they have specific teams designated to review applications for their programs. Many said that after the specially designated team reviews the application, an attorney conducts a secondary review, and then submits the application to an executive for final approval. Some agencies said they review applications for compliance with regulations that dictate the requirements of the applications and if an application is denied, some agencies give applicants the option to have a hearing to discuss the reasons. At least one agency reported that it has a peer-review panel that awards the benefit through a scoring system and others reported that they process the applications, but actual determinations are made by third-parties. In order to reduce the motivation, opportunity and rationalization to engage in corrupt behavior to avoid a lengthy and burdensome determination process, agencies should strive to streamline these processes where possible while still collecting necessary information and obtaining required approvals.

## **C. Compliance and Enforcement Activities**

### 1. *Inspections Violations and Enforcement*

Thirty-two (62.7%) of the responding agencies reported that they conduct inspections, issue violations, or perform other activities to ensure compliance with or enforce regulations. Of the agencies that said they do engage in enforcement actions, the types of enforcement varied. Several reported that they issue violations, summons, and directives, while other agencies reported that they prevent licensees from performing functions if they are not in compliance with the regulations. At least one agency said that violations could lead to investigations and revocation of licensees. Others said that they issue warnings and give applicants a chance to rectify the noncompliance before more serious measures are taken such as issuing summons. One agency reported that it requires a security deposit prior to issuing the applied-for permit to help protect against noncompliance. At least one agency requires applicants to submit annual proof of compliance. Many agencies expressed a desire to work with the applicants accused of noncompliance to remedy the situation rather than issue violations.

In terms of identifying noncompliance for potential enforcement action, several agencies stated that they rely on the City's 311 reporting system or public complaints to address allegations of noncompliance, while others reported engaging in proactive monitoring. At least two agencies reported that they have special investigation units tasked with ensuring compliance and others reported that they conduct audits or audit-type reviews of applications to identify instances of noncompliance. Several agencies reported making site visits to monitor compliance and issue violation letters upon finding noncompliance. One agency reported that it issues a quarterly newsletter alerting the agency of fraud risks, and others utilize data analytics to identify instances of noncompliance or risk.

#### **D. Agency Self-Assessment of Complexity, Risk, and Integrity Controls**

##### *1. Application Complexities*

The Questionnaire asked agencies to self-evaluate potential complexities inherent in the applications for their programs and services. Some factors that may contribute to or be indicative of complexity are a large number of requirements or tasks that the applicant must comply with or complete; long instructions preceding the application; required submission of multiple documents; the need to utilize technical systems, application portals, or websites to complete or submit applications; a high number of applications submitted improperly or incompletely; and/or the need for an applicant to consult with a third-party in order to comply with requirements or complete application tasks.

Thirty agencies provided a response to this question. Of those, seven agencies specifically stated that they have complicated application processes. The most frequently cited reasons for complexity were the involvement of multiple agencies or departments in reviewing or approving applications or in providing the necessary documentation to complete an application, the lack of an online submission option or a confusing online portal, the quantity of supporting documentation required, confusion caused by the underlying laws and regulations that govern the application, and individual circumstances of the applicant (i.e. literacy or language barriers, unstable housing or family situations, criminal history, or outstanding municipal debt).

Many agencies pointed to the highly technical nature of the approval or benefit being sought as a reason for the difficulty of the application or the need for significant amounts of supporting documentation. At least two agencies reported that the application process was so complicated and technical as to require the assistance of a third-party subject matter expert to guide the applicant through the process. Numerous agencies reported that incomplete or incorrect applications are frequently submitted.

The Questionnaire asked whether agencies track complaints from the public about their regulatory processes or programs, because those complaints may reveal burdens or complexities within the process. Only 17 (33.3%) of the agencies that responded to the questionnaire answered in the affirmative. In terms of complaint volume reported by the agencies, the number of complaints received by individual agencies about a particular application process ranged from the single digits to the thousands.

Some agencies informed DOI that they have taken measures to clarify aspects of the application process and reduce its complexity or that they have implemented safeguards to prevent the submission of incomplete applications. Several agencies reported that they have a function that prevents applicants from submitting an application if any required documentation is missing. Others said they publish extensive tutorials and guidance on how to complete the application or train their employees to help applicants with the process. At least one agency reported that the use of new technology has alleviated some of the complexity and difficulties associated with submitting applications.

## *2. Risks of Corruption in Application and Determination Processes*

DOI asked the agencies to discuss risks that individuals or entities may engage in corrupt or criminal activity (e.g. bribes, falsification of documents, etc.) or noncompliance with rules in an effort to avoid burdens, costs, or complexities of application or determination processes. Twenty-four agencies identified and discussed a risk, while seven reported that there was little to no risk or reason to believe that corruption might occur during their application or determination processes.

The vast majority of respondents identified the risk of document falsification or alteration as a potential corruption issue. Many agencies also suggested that applicants might misrepresent their circumstances (i.e. under-report income or crowd size of an event) in order to meet eligibility criteria for the approval sought. Some agencies expressed that these risks could be heightened because they had insufficient staff to conduct the fraud screening or inspections that they would like to do in order to detect these issues. One agency stated that their inability to conduct automatic income verification from other agencies that may possess verified information made it more challenging to detect fraud or misrepresentation of reported income levels.

Other risks identified were the potential for bribery during the inspection or application review process. Agencies also expressed a concern that individuals may engage in activity without required licenses or permits to avoid a difficult application process or due to the risk that they might not receive the necessary permission due to caps on license or permit numbers. At least one agency said that the reliance on an application expeditor (a third-party who works to facilitate quicker processing of an application for an applicant) could be a potential risk because the expeditor could be

motivated to commit fraud in order to obtain a shorter processing time than would be possible using legitimate means. According to some agencies, if the applicant faces burdensome application process with significant requirements, or is flagged for regulatory violations at a business that might negatively impact customer perceptions, the applicant may seek to avoid the application process and/or to evade regulation or enforcement.

Several agencies pointed to systems that they have in place to prevent these risks. For example, some reported that they have extensive quality assurance systems to detect fraudulent responses on applications or forge documents. One agency noted that laws permitting applicants to re-apply for public services following a rejected application, without disclosing the basis for the rejection, make it more difficult to disincentivize fraud in the application process.

### 3. *Risks of Corruption in Compliance and Enforcement*

In addition to risks of corruption in the application and determination process, DOI asked about risks in the compliance and enforcement sphere. Twenty agencies responded in the affirmative when asked if, in the agency's opinion and experience, any of their compliance or enforcement programs or activities pose a risk that individuals or entities may engage in corrupt or criminal activity (e.g. bribery, falsification of documents, etc.) or noncompliance with rules, in an effort to avoid potential compliance or enforcement actions (e.g. an individual who is faced with an enforcement action seeks to pay a bribe in exchange for an inspector or other agency official forgoing an enforcement action.) In other words, DOI sought to understand whether agencies' compliance or enforcement programs could increase the motivation to commit fraud.

With respect to compliance and enforcement, the primary risk identified by the agencies was the risk of bribery, for example, of an inspector, to avoid a fine or citation. Like in the application and determination process, the submission of fraudulent documents or testimony to falsely demonstrate compliance was highlighted as a potential risk. Some agencies reported steps that they had implemented to mitigate these risks. Examples include training specifically for inspection staff, the rotation of inspectors to prevent over-familiarity between inspectors and inspected, the use of internal audits to review inspection results, and other integrity controls.

### 4. *Training, Integrity Controls, and Other Anti-Corruption Tools*

The Questionnaire asked agencies to describe any relevant training, integrity controls, or other anti-corruption tools put in place to prevent opportunities for fraud or corruption with respect to the application and determination processes, and compliance and enforcement activities identified in the Questionnaire. Thirty agencies responded to this question. Among them, employee training was the means

most commonly used to prevent fraud and corruption. Seventeen agencies said they rely on various trainings, such as from the New York Conflicts of Interest Board and internal sources, while 11 agencies reported they rely on DOI's anti-corruption trainings. Most agencies said their trainings were mandated; at least one agency reported training was voluntary.

For non-training related integrity controls, eight agencies reported that they use a multi-layered review process to make determinations on applications as a way to prevent and detect fraud or corruption. Specifically, the agencies said that they require a supervisor or multiple supervisors to approve determinations with respect to the application. At least two agencies said that technological advances, such as online application portals, assisted with their efforts in preventing fraud and corruption. Two agencies said they have internal investigation teams that are meant to assist with preventing corruption and fraud, and two other agencies specifically said they work very closely with DOI to help prevent fraud and corruption. Other reported tools include not allowing inspectors to do follow-up inspections at the same inspection location, random assignment of inspectors and inspections, notices posted in the workplace about the penalties of committing fraud, quality control and validations built into workflows, field inspections, and subpoenas to third-parties for original documents (i.e. electric bills) to detect fraudulent submissions.

## 5. *Reform Recommendations*

DOI asked agencies to suggest possible reforms – operational, regulatory, legislative, and shifts in resources or priorities – to address corruption or noncompliance risks posed by potentially complex, burdensome, or costly regulations and processes. The Questionnaire also asked if increased or different staffing for any of the programs associated with the applications listed in the agencies' responses to the Questionnaire could mitigate corruption or noncompliance risks.

Sixteen agencies offered suggestions for reform including resources for additional staffing; proposed changes in burdensome, confusing, or unnecessary laws, rules, or regulations; and technology changes, including moving applications to an online platform. At least one agency suggested leveraging data matching opportunities across databases and agencies to verify information provided by applicants.

Of the agencies that process applications for licenses, permits, certifications, grants, and/or registrations, or other similar types of programs, or public benefits, the responses were evenly split as to whether staffing increases or changes would help mitigate corruption risks. Of the agencies that said that staffing changes would help, seven reported that increased staffing would help with the timeliness of their application reviews, to the extent timeliness of review could impact potential corruption, or allow for more robust customer service to assist with submission and

completion of applications. Several agencies said that additional staff would increase their capacities for monitoring and enforcement and that additional staff is needed for oversight, audit, and fraud detection and prevention duties.

#### **IV. Conclusion**

Municipal regulations serve critical purposes such as protecting public health and safety, promoting fairness, and ensuring conservation of the City's limited resources and the appropriate use of those resources to serve those in greatest need. However, the systems and processes designed to implement these regulations must be carefully calibrated. When mechanisms intended to ensure compliance are overly complex, burdensome, or opaque, they can inadvertently create conditions that increase the risk of fraud. Excessively rigid or inefficient regulatory frameworks may motivate members of the public to engage in fraudulent behavior to avoid delays or laborious processes, to seek to circumvent the regulatory process entirely, and to rationalize corrupt and illegal behavior as a necessary means to an end. Therefore, in designing and administering regulatory programs and application and enforcement processes, the City's agencies should ensure that the rules are robust enough to achieve their intended purposes without imposing such disproportionate burdens that they inadvertently increase the risk of fraud. Ongoing evaluation and thoughtful design of application and compliance processes are key to mitigating these risks while maintaining the integrity and effectiveness of the regulations.