



Best Practice: DOI's Inspector General Program

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CITY: NEW YORK CITY

POLICY AREAS: PUBLIC INTEGRITY

BEST PRACTICE

The New York City Department of Investigation ("DOI") is the City's investigative agency, with independent oversight of City government including each mayoral agency, City vendors and an array of boards and commissions. Under DOI's **Inspector General Program**, City agencies can and must report corruption-related issues to DOI. The program establishes an Inspector General (IG) and squad of investigators, auditors and lawyers that develop expertise in the function, practices, and procedures of each City agency they oversee. The IG is appointed by and reports directly to the DOI Commissioner, making that IG a knowledgeable asset in probing and identifying corruption vulnerabilities.

ISSUE

To be most effective, an anti-corruption agency must have direct and exclusive supervision of the investigative staff charged with carrying out corruption investigations in the various agencies it oversees, control over its resources, and the ability to conduct confidential investigations. Establishing a system of IGs within the City's integrity agency and under the sole direction of the integrity agency's Commissioner allows the agency to act independently and be an effective watchdog.

GOALS AND OBJECTIVES

The goal of DOI's "Inspector General Program" is to establish a central, independent team that roots out corruption throughout the City's agencies and across agency lines.

IMPLEMENTATION

Prior to the establishment of the Inspector General Program, some City agencies had their own internal Inspectors General. In 1986, a Mayoral Executive Order ("EO") removed those internal Inspectors General and their staff from these City agencies and transferred them to DOI's supervision. The internal IGs had been part of their respective City agencies, and their investigative docket was known to the agency commissioner who also set the IGs' budget. In the 1980s, a series of municipal corruption scandals at several City agencies was thought to have flourished unchecked in part, because of these internal arrangements, prompting Mayor Edward I. Koch to sign the EO that established DOI as the sole, external Inspector General for New York City government. The EO also reiterates that DOI's Commissioner has the power to conduct investigations in a confidential matter.

In December 1986, pursuant to EO 105, the City's internal Inspectors General were placed under DOI's supervision, accompanied by the transfer of budget and personnel. Over the years, the IG program has evolved with the needs of the City. For instance, in the past 10 years, DOI has created new IG units to respond to corruption-related issues exposed by DOI investigations, and obtained funding for these new IG units. One such IG unit is for a non-mayoral agency created after the investigation by DOI and prosecution of that agency's president on fraud charges, and another newly formed IG unit was organized to oversee significant City funding given to nonprofits that provide a variety of services to thousands of beneficiaries, enabling that IG to identify and address common problems. (A copy of DOI's organizational chart follows this report).

In 2003, after DOI's investigation into corruption allegations at the Housing Development Corporation (HDC) resulted in its then president being sentenced to prison for defrauding the agency of hundreds of thousands of dollars, DOI established an IG office and oversight of HDC with funding from the agency.



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In 2006, after DOI uncovered several significant embezzlement cases at City-funded non-profits, DOI recognized the need for increased scrutiny of these organizations that receive millions of City taxpayer dollars. Accordingly, DOI created a special Non-for-Profit/Vendor Fraud unit, appointed an IG for that unit. The results have been prolific: investigators have made nearly 40 arrests by deploying forensic auditors to follow the money and expose the frauds of unscrupulous insiders, City employees and others. Of those arrests, most have resulted in convictions and restitution to the City. One investigation resulted in the guilty plea and 20-month prison sentence of a former program director at a nonprofit home attendant program servicing the elderly who stole over \$800,000 from the nonprofit. In another case, the chief of staff to a New York State Assemblywoman who was also an executive at a nonprofit pleaded guilty and was sentenced to a year in prison for embezzling \$115,000 from that nonprofit and spending it on clothing, restaurants, travel, and other personal expenses. DOI's non-profit fraud unit also uncovered and stopped two long-running embezzlement schemes within the City's child welfare agency that were siphoning off hundreds of thousands of tax dollars through a non-profit agency that was supposed to be spending the money on needy families. In all of these cases, DOI made recommendations for strengthening governance procedures and internal fiscal controls. Those cases prompted the IG unit to be deployed to examine the discretionary funding of nonprofits by the City Council. That proactive review spawned four criminal investigations that resulted in federal criminal cases and significant reforms by the Council to its process. That effort spread to a larger effort undertaken by the Mayor's Office of Contract Services, the New York City Council and the Conflicts of Interest Board to train non-profits on compliance and best practices, a program in which DOI provides training each year.

In 2004, DOI expanded its role overseeing the Buildings Department (DOB) by forming a unique partnership, the Buildings Special Investigations Unit ("BSIU"), a specialized unit at DOI staffed with several DOB technical experts that targets serious regulatory violations by construction professionals subject to DOB oversight. This unit was created under and is overseen by the IG with oversight of the DOB. Since 2004, BSIU has investigated and administratively prosecuted more than 437 cases resulting in more than 226 revocations and suspensions of licenses of architects and engineers, among others, and fines totaling nearly \$1.5 million. This includes the license revocation of a tower crane rigger involved in a fatal 2008 tower crane collapse that led to the deaths of seven people.

All of these units created in the past 10 years are part of the IG Program and show the adaptability and effectiveness of the program.

COST

DOI's annual budget for FY 2012 is \$22.5 million, which includes salary, equipment, supplies, and training.

RESULTS AND EVALUATION

The IG Program has been a resounding success, cracking numerous corruption-related cases from large-scale bribery and kickback schemes to theft of taxpayer funds. In the past 22 years, DOI has arrested nearly 8,400 individuals on corruption-related offenses, with 65 percent of those arrests occurring during this Administration since 2002. DOI closed out Calendar Year 2011 with 735 arrests, which surpassed the previous year's arrest count and was more than double the 341 arrests made in 2002. DOI's calendar and fiscal yearend releases can be found at the following link:
<http://www.nyc.gov/html/doi/html/pr/annual-reports.shtml>.

The impact goes far beyond the numbers and is exemplified by DOI's investigations, which have bolstered New Yorkers' safety, stopped benefit fraud, protected City property and funds, curtailed contraband in the City's jails, rooted out housing fraud, and recovered funds owed to the City's taxpayers, just to name a few areas of DOI's concentration.

DOI's investigation of CityTime, the City's automated timekeeping system, led to the City recouping the largest recovery as a result of a criminal investigation; earlier this year, the prime contractor in the CityTime case agreed to repay the City nearly a half-billion dollars for the fraud that was perpetrated in the project. This nearly half-billion dollar recovery is in addition to



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the ongoing criminal probe that has resulted so far in the charging of 11 individuals and one corporation, two guilty pleas with cooperation agreements, and the seizure of an additional \$50 million in assets connected to the defendants.

DOI has also issued more than 20 public reports since 2002 on an array of issues investigated by the various IGs, including massive fraud at a City-funded non-profit, wrongdoing by a City vendor contracted to offer employment services, an examination of investigative practices of the City's child welfare agency, and allegations of a work slowdown by City employees during a blizzard. These written reports are a powerful and effective tool for exposing problems in any given sector of City government and for mandating reform, and can be found at the following link:

<http://www.nyc.gov/html/doi/html/pr/public.shtml>.

LEGISLATION

Chapter 34 of the City Charter establishes DOI as an independent, integrity watchdog for the City, outlining, among other powers, DOI's broad jurisdiction to investigate anything City-related and its authority to issue subpoenas. City officers and employees are also prohibited from interfering with a DOI investigation and are required to afford full cooperation to DOI under City Charter § 1128. Executive Order 105, an amendment to Executive Order 16, creates the "Inspector General system," bringing the City's IGs under the direction of DOI. Copies of those legal authorities are available upon request.

LESSONS LEARNED

The advantage of the centrally-directed IG Program is that it gives the integrity agency a presence, through the IGs, throughout City government and the flexibility to develop and refine a structure and allocate resources in the way its chief executive determines most effectively attacks corruption. The IG Program demonstrates both statistically and through DOI's public reports and its investigations that IGs supervised by DOI and within DOI's management structure are extremely successful at rooting out corruption and making an impact.

TRANSFERABILITY

This kind of IG program is best established through legislation that creates a municipality's anti-corruption agency, outlining its government-wide jurisdiction, mandate, and powers, which should include the authority to issue subpoenas for witnesses and documents, access to City records and whistleblower protection. DOI has succeeded in large part due to the legislation that establishes it as the City's investigative agency and empowers it to act accordingly without political or other interference.

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Facts and figures in this report were provided by the NYC Department of Investigation to New York City Global Partners.

New York City Department of Investigation Agency Organization Chart

