



**NEW YORK CITY COUNCIL  
COMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

**TESTIMONY OF MARK G. PETERS  
COMMISSIONER, NEW YORK CITY DEPARTMENT OF INVESTIGATION**

**CONCERNING THE FISCAL YEAR 2016 PRELIMINARY BUDGET,  
MAYOR'S FISCAL YEAR 2015 PRELIMINARY MANAGEMENT REPORT  
AND AGENCY OVERSIGHT HEARINGS**

**MARCH 16, 2015**

Good afternoon Chair Gentile and members of the Committee on Oversight and Investigations. I am Mark Peters, Commissioner of the Department of Investigation (“DOI”), and I thank you for the opportunity to address the Committee concerning DOI’s Preliminary Budget for Fiscal Year 2016.

Just over a year ago, during my confirmation hearing before this body, I described my vision for DOI. I pledged that we would vigorously root out corruption where it exists, and that we would also work to put in place internal controls to prevent the opportunities for corruption at the outset. As we move into the second year of this Administration, I am pleased to report that the realization of that vision is well underway. We have undertaken complex investigations that span from unsafe daycare centers to corruption at Rikers Island, from large-scale IT projects to a widespread bribery scheme involving buildings and housing inspectors. And just last week, we released the results of our year-long review of the City’s shelter system for homeless families. I therefore welcome this opportunity to further present DOI’s comprehensive strategy of high-impact arrests, front-end prevention, and systemic reform in greater detail and highlight examples of the work completed over the past year.

DOI’s authority as the City’s anti-corruption agency, as found under Chapter 34 of the New York City Charter, is extremely broad and includes the investigation “of the affairs, functions, accounts, methods, personnel or efficiency of any agency.” As of 2014, the City Charter further specifically directs DOI to investigate, on an ongoing basis, the policies and procedures of the New York City Police Department, “with the goal of enhancing the effectiveness of the department, increasing public safety, protecting civil liberties and civil rights, and increasing the public’s confidence in the police force, thus building stronger police-community relations.”

DOI is empowered to issue subpoenas, take testimony under oath, and issue reports of our investigative findings. We forward our findings to federal and state prosecutors, which can result in arrests; and to relevant City agencies both for appropriate disciplinary action and broader institutional reforms. Under the City Charter, we also serve as the confidential investigative arm of the City’s Conflicts of Interest Board.

Put simply, DOI’s mission is this: we protect the City taxpayer by ensuring that public funds are spent honestly, and that City services are delivered in an equitable, efficient, and effective manner.

In pursuit of our mission, we rely on three key tactics:

**One:** Our investigations are designed to lead to high-impact arrests. These are arrests that not only punish wrongdoers, but command attention and reform from the broader government community.

**Two:** We work with agency heads to establish integrity controls that make illegal activity harder to commit and easier to detect. Preventing corruption, waste, fraud, and abuse on the front-end, while less visible than arrests, is every bit as important; and

**Three:** We go even deeper by undertaking large-scale investigations, with a view towards systemic change, both through arrests and reform recommendations, leveraging our unique position to provide insight into, and a broad view across, individual agencies. Further, these broad investigations provide important transparency into government operations, which is an absolute prerequisite for public confidence in City programs.

These three tactics fuel an aggressive strategy and emphasize investigations that target the root causes of corruption, fraud, abuse, and malfeasance. I believe this emphasis will have far greater, long-term impact – including preventing brazen financial fraud, ensuring integrity in the delivery of City services, and protecting the health and safety of the City’s most vulnerable.

In 2014, DOI conducted a number of large-scale investigations based on these three principals. These investigations have already resulted in tangible reforms, and we expect they will yield benefits for years to come. I’d like to highlight some of these systemic investigations and their results:

- Just last week, we released a report on our investigation that found serious deficiencies in the City’s shelters for homeless families. Working with inspectors from the Fire Department, Department of Buildings and the Department of Housing, Preservation and Development, DOI inspected 25 shelters for families, finding many of their conditions unsafe and unhealthy for the families living there. We identified the need for immediate reform within the City’s family shelter system. Working with the Department of Homeless Services, some of those reforms have already been adopted, including the need to bring vendors under contract so the City has leverage when vendors do not adequately take care of their properties or ignore safety violations.
  - This investigation is part of a broader set of investigations that are examining problems – both criminal and non-criminal – in how the City delivers social services. These investigations have already found and stopped active fraud. In one case, our investigation resulted in the arrest of an HRA employee who was charged with manipulating the system to have hundreds of thousands of dollars’ worth of checks issued to his friends and criminal associates and to get a portion kicked back to him. In another case, we arrested an individual charged with stealing approximately \$121,000 in adoption subsidy payments.

A second example of DOI’s systemic approach involves our work exposing and stopping conduct that jeopardizes public health and safety. Over this past year, several of our investigations have led to both targeted and systemic approaches to this problem:

- As an example, just a few weeks ago, DOI, in partnership with the Manhattan District Attorney’s office, indicted 50 defendants, including senior employees of the City Buildings and Housing, Preservation and Development agencies, who took bribes to overlook building safety violations. This far-reaching investigation began when a City employee reported a bribe attempt to DOI. We could have closed the

case a year ago with arrests of several low-level employees. Instead, by using labor intensive techniques such as wire taps, we were able to establish that a series of bribery-and-kickback schemes were at play – schemes involving senior level employees and serious threats to public safety.

- Another investigation led to the indictment of seven individuals and two companies on charges of falsifying numerous site safety inspection reports at multiple active construction sites in Manhattan.
- In another investigation, DOI arrested four child care operators on charges of submitting an array of false documents to the City that included whether children received services, and whether teachers and other child care professionals had appropriate credentials, training, or vetting. Two City employees were also charged with receiving cash in return for aiding one of the operator’s schemes.
- And, finally, more than a dozen DOI investigators are working on the effort to vet vendors for the Universal Pre-Kindergarten program. Because of DOI’s seat at the table, with other relevant agencies, the City has and continues to ensure that vendors with integrity and safety issues can be identified and rejected before the program starts. Investigators have worked hundreds of hours to stop bad actors from obtaining City funds and protecting children from building, health and safety violations.

A third example of DOI’s emphasis on systemic investigations is our ongoing probe into corruption and violence on Rikers Island. Through the use of both covert and overt operations – including wire taps, undercover investigators and confidential informants – DOI identified serious vulnerabilities including insufficient screening for contraband and incomplete vetting of personnel. These deficiencies put the lives of both correction officers and inmates at risk. DOI has issued two reports that have resulted in reforms on Rikers, specifically an expansion of drug-sniffing dogs, an effort that is currently underway; and improved recruitment measures.

- In addition, and simultaneous to these reports, DOI arrested 11 Correction Officers and supervisors who were charged with various illegal conduct, such as contraband smuggling and submitting false reports to cover up inmate assaults.
- We did not stop there. With the assistance of the City Correction Department, we conducted sweeps of jail facilities to find contraband within the jails and worked with correction officials to arrest more than 30 inmates for a variety of crimes including the promotion of contraband.
- And going forward, we have agreed with DOC on a protocol in which we can recommend expeditious discipline of correction officers who have committed bad acts even while criminal cases are ongoing.

Let me provide a fourth and final example. Last month, I testified before this body regarding our final report on delays and overruns of the City’s Emergency Communications Transformation Program (“ECTP”). Our investigation uncovered a

lack of project oversight and accountability, resulting in the waste of hundreds of millions of taxpayer dollars. The 105-page report documents in detail how we arrived at our findings: DOI reviewed tens of thousands of documents, including copies of contracts, bids, progress reports, invoices, budget documents, and electronic communications. DOI also conducted more than 50 interviews with individuals involved with ECTP, conducted site visits and analyzed financial records related to the project's budget. We found significant mismanagement, internal control weaknesses, and contractor performance deficiencies that created the conditions for the substantial delays and rising costs which have plagued the program. We then made a series of recommendations, many of which have already been adopted, including arranging the placement of an integrity monitor, to ensure better oversight moving forward.

That report is an outgrowth of a larger look at problems in implementing large technology projects and the best practices that should be used. If DOI does not share what it has learned through its investigations, then the City is destined to commit the same mistakes.

These and other long-term investigations resulted in a broad view of problems and, therefore, more systemic reform. For example, the introduction of integrity monitors is an important forward-looking recommendation aimed to prevent financial fraud and waste of the kind seen in CityTime, as well as non-criminal runaway cost overruns as found in ECTP. Our report on the City's family homeless shelters recommends numerous short and long-term reform efforts, including improved inspection practices, immediate redress for outstanding violations, and better contracting practices. And by patiently building cases against senior buildings employees, we have better leveraged change in that industry. Each of the cases I just described means, going forward, there are stronger, improved City practices in place.

While some of this may seem obvious, I would point out that no one has actually tried it until now.

So far, in the first eight months of Fiscal Year 2015, DOI has made 248 corruption-related arrests and closed 508 investigations. As I stated in my testimony before this committee in March of 2014, we should not attach too much importance to these numbers. Indeed, back in March I asserted that some of these numbers were likely to diminish as we planned to focus on cases that have broader impacts and undertake comprehensive reviews of internal controls that lead to enhanced procedures.

In addition to our pro-active, anti-corruption investigations, DOI also performs critical direct services for other City agencies, including conducting checks on companies and their principals that do business with the City to help agencies determine if they are vendors of integrity that can be awarded City contracts. So far, in Fiscal Year 2015, DOI conducted more than 24,000 of these vendor checks.

DOI also conducts background investigations of individuals selected to work for the City in decision-making or sensitive positions. In Fiscal Year 2014, we conducted more than 2,600 background investigations. In addition, the agency fingerprinted more than 10,000 individuals who work with children, seniors and at shelters, as required by

law. This total was higher than normal due to the change in Administration. For FY 2015, we currently have more than 1,500 background investigations closed and are on target to close approximately 2,000 cases this fiscal year.

Finally, our Integrity Monitor program assists City agencies managing large projects, or vendors with integrity issues, to ensure red flags are raised early and corruption vulnerabilities caught sooner rather than later. They act as DOI's eyes and ears and report to DOI. Integrity monitors are more often than not paid for by the vendor, if they have an integrity issue and are contracting with the City. In proactive cases, such as with ECTP, and NYCHA's Bond B, the City will pay for a monitor due to the complexities of a project and the need to monitor it on a daily basis. In the case of proactive monitorship programs, while there may be additional costs to the City on the front-end, they almost invariably will pay for themselves by creating more cost efficiencies in the long run. We currently have 16 active Integrity Monitors reporting to us, with several additional new ones in the pipeline.

Given the breadth and depth of our work, DOI is grateful for the support shown through this preliminary budget, which recognizes that additional resources are necessary to support the larger scale investigations we are undertaking, as well as ongoing improvements in investigative technique, particularly in the digital and technical realm.

For context, our staff is a network of investigators, auditors, attorneys, digital forensic specialists, analysts, and administrative personnel. And we have a Squad of NYPD Detectives assigned to us. Each of our investigations involves multiple units within the agency. Our focus on complex investigations in particular requires an intense dedication of agency resources. For example, our work on the buildings-and-housing bribery scheme involved 40 staff members from four DOI investigative squads, and 3 investigative support units including Digital Forensics, Financial Audits and Tech Services. We utilized an array of investigative techniques, both undercover and overt, each of which involved hundreds of hours of person-power to execute.

DOI's preliminary expense budget for Fiscal Year 2016 is \$29.96 million consisting of \$23.4 million that supports approximately 305 full-time staff positions, and \$6.5 million for Other Than Personal Services, such as supplies, equipment and space. Included in the \$23.4 million for Personal Services is \$4.4 million Intra-City funding, such as the funding for Memoranda of Understanding with eight City agencies that support 66 positions. There are about 171 other staff members who work for us through various arrangements with other City agencies, including at the Office of the Special Commissioner of Investigation for Schools and the Office of the Inspector General for NYCHA. Many of these City agencies have experienced particular corruption issues over the years and have given DOI funding for staff positions to assist in our integrity efforts. We are grateful for this essential support. The wide-ranging work that DOI does, and that I have reported to you today, could not be accomplished without this assistance.

Let me also explain how forfeiture funds play a role in what DOI is able to do. DOI works with prosecutors to ensure that stolen City funds are returned to the City. Federal criminal law also allows the proceeds of criminal activity to be forfeited to the federal government and shared with investigating agencies to support law enforcement activities.

DOI is a beneficiary of some of those federally-regulated funds and has shared some of them with other City agencies. In Fiscal Year 2015, DOI dedicated funds to support the framework for a data-matching program, which will leverage the vast amount of data available to DOI through the City's databases that will allow us to target our investigative efforts in a more efficient manner while greatly enhancing our ability to identify actual fraud. While this is of enormous technical and legal complexity and will take some time to get off the ground, we are currently working with our law enforcement partners to develop the framework for the project.

These forfeiture funds, however, are temporary and finite and can only be used for certain law enforcement-related purposes. They are strictly governed by federal guidelines and cannot be used to fund salaries for permanent staff positions, or otherwise substitute for items the City must fund. These funds have been instrumental in helping DOI improve a number of essential functions not provided for in its budget, specifically updating its digital infrastructure, investigative resources, providing training for DOI investigators and training for lawyers at DOI and other City agencies, and supporting DOI's public outreach efforts to educate City employees and the public about its anti-corruption mission.

I would also like to update you on progress the Office of the Inspector General for the NYPD ("OIG-NYPD") has made. We embraced the Council's passage of Local Law 70 and after consultation with many stakeholders, I was pleased to introduce Phil Eure as DOI's first Inspector General for the NYPD. As of the first of this month, OIG-NYPD has hired more than 22 professionals reflecting a wide-range of experiences, including former police detectives, investigators, oversight specialists, attorneys, and civil rights and community advocates. Under Inspector General Eure's expert guidance, the office has completed over 30 outreach meetings held with community groups, advocates, and civil rights organizations in 2014. OIG-NYPD – divided into Investigations and Analysis and Evaluations units – has jumped head-first into the important and substantive work of providing external oversight of the NYPD, having issued their first analysis of accountability and transparency in Chokehold cases, and initiating other focused studies of policies, practices and procedures to be released in the coming months. As noted in our letter to the City Council in January, by year's end we expect reports on at least the following: Discipline of excessive use of force; statistical analysis of quality of life arrests; and surveillance of political and religious groups. All three of these reviews are ongoing and we will be available to discuss them upon completion.

Let me also update this Committee on the Office of the Special Commissioner of Investigation for the New York City School District ("SCI"). The unit was created in June of 1990, with a mandate to investigate criminal activity and other wrongdoing occurring within the City school system. The Special Commissioner is a Deputy to the DOI Commissioner. Independent of the City Department of Education ("DOE") and the Chancellor, SCI is authorized to investigate and make recommendations concerning any issue which impacts the integrity of the City's schools. Richard J. Condon, a former New York City Police Commissioner and former New York State Commissioner of the Division of Criminal Justice, has held the position of Special Commissioner of Investigation since July 2002. He has done a superb job in this role and I have asked him to stay on in the new Administration.

In 2014, SCI received more than 5,200 complaints – a record high number for the agency – and opened 784 investigations, including 231 involving an allegation of sexual misconduct. SCI also monitored matters being handled by other agencies, usually the New York City Police Department (“NYPD”), and opened investigations into 179 of those cases that had been closed by the NYPD and other entities without arrest or disciplinary action. In Fiscal Year 2015, SCI publicly released six reports detailing SCI’s investigations, including one which found that a male school aide employed by an after school program sexually abused two eight-year-old female students and touched a seven-year-old female student. Significantly, the NYPD and the District Attorney’s Office had closed the investigation, but as a result of SCI’s continued work, the subject confessed and was arrested. Other SCI reports of note include one describing an investigation into allegations, raised by media accounts, that school personnel failed to address bullying which led to the fatal stabbing of a student by a student. Additional reports detailed the events leading up to the suicide of a student who had been cheating on an exam, the process followed to hire a teacher who now stands accused of committing various crimes against students, and the circumstances surrounding a 15-year-old female Special Needs student who walked out of a school building and was missing for three days.

DOI’s approach is comprehensive. It emphasizes high-impact arrests, front-end prevention, internal controls, monitoring and systemic investigations. DOI is committed to taking the best practices, lessons learned and expertise developed over decades to inform a strategy that now focuses on longer term, complex investigations. We must endeavor to efficiently root out corruption as close to the source as possible — that is, the senior officials, those in sensitive positions, and those who would use their position to influence dozens of others to do the same. We must work to identify and change the practices that open the City to corruption. In this way, we protect the greatest amount of taxpayer dollars, and ensure City services are delivered in the most efficient manner possible. DOI’s strategy will achieve this.

At this time, I would be happy to take your questions.