



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

**TESTIMONY OF MARGARET GARNETT
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**CONCERNING THE FISCAL YEAR 2021 PRELIMINARY BUDGET,
THE PRELIMINARY CAPITAL BUDGET FOR FISCAL YEARS 2021-2024,
THE PRELIMINARY CAPITAL COMMITMENT PLAN FOR
FISCAL YEARS 2020-2024 AND THE
FISCAL YEAR 2020 PRELIMINARY MAYOR'S MANAGEMENT REPORT**

MARCH 25, 2020

Greetings, Chair Torres and members of the Committee on Oversight and Investigations. On behalf of the New York City Department of Investigation (“DOI”), I am pleased to submit this written testimony regarding DOI’s Preliminary Budget for Fiscal Year 2021, in light of the cancellation of all scheduled Council budget hearings due to the current COVID-19 crisis. This testimony is submitted at a time of great uncertainty for New York City and the nation, as we work to respond to COVID-19. I respectfully request the opportunity to supplement this testimony at a later date, as changed circumstances may warrant.

Over this past year, my team and I have worked to strengthen DOI’s reputation as a premier investigative agency, one with an expertise in how the City operates and how corruption, fraud, misconduct, and other wrongdoing damages City government and undercuts the effectiveness of City services. The operational reforms that I will discuss shortly have helped to refocus and enhance the agency’s investigative depth, in service of that mission.

My testimony today will discuss (i) the impact of the reforms we have made and are making; (ii) DOI’s effort to further transparency by providing significant additional information to the public about our investigations and work; and (iii) how the new needs requests we have made support the vision that my team and I have for the agency and for DOI’s anti-corruption mission. The additional resources we have requested will enable DOI to meet our obligations under the new criminal discovery laws, permit full compliance with City Council legislation requesting system-wide analyses and reports from DOI’s Inspector General for the Department of Correction (DOC), and support essential additions to our financial auditing team.

To start, I would like to provide the Committee with some preliminary budget and staffing figures for DOI:

DOI's preliminary expense budget for Fiscal Year 2021 is \$60.1 million, consisting of \$31.7 million in Personal Services for approximately 391 full-time staff positions, and \$28.2 million for Other Than Personal Services, such as supplies, equipment and space. Included in the \$31.7 million for Personal Services is \$3.41 million in Intra-City funding, such as the funding for Memoranda of Understanding with thirteen City agencies, which supports 63 of the approximately 391 positions. An additional approximately 180 staff positions are funded through various arrangements with other City agencies, including staff working at DOI's Inspector General for the New York City Housing Authority ("NYCHA"), Inspector General for Health + Hospitals, and Inspector General for the School Construction Authority ("SCA").

Thus, the total staff headcount who report through DOI's chain of command is approximately 571. Approximately half of DOI's staff is funded through financial arrangements with other City agencies or public authorities.

As the Council is aware, one of the largest administrative undertakings for DOI in 2019 was moving the agency from its former offices in lower Manhattan to our new space at 180 Maiden Lane. This move not only allows DOI to operate from more modern and efficient space, but also enabled the consolidation of DOI's workforce from seven separate locations to now just four, with the overwhelming majority of our workforce now operating out of our headquarters at 180 Maiden Lane.¹ DOI greatly appreciates the support we received from the City Council and the City, in particular the Department of Citywide Administrative Services, in making this

¹ We continue to have three "satellite" locations: a Bronx office for the Inspector General for the School Construction Authority, a small on-site team in Rosedale, NY monitoring DEP's water project known as BT2, and a small team operating out of DOI's facility on Rikers Island.

relocation possible and successful. I also want to commend the staff at DOI for their perseverance throughout the process. This was no small feat, and I am happy to report that the move went as smoothly as possible and that we have been in our new offices since the late summer and early fall.

Vision for DOI and Supporting its Investigative Legacy

DOI's role within City government is distinctive. We are the City's investigators and Inspectors General, a role that includes (i) uncovering corruption, fraud, and other integrity issues through investigations that lead to both criminal and administrative referrals; (ii) issuing recommendations that seek to prevent the same corruption-related issues from occurring; and (iii) educating City employees and the public about DOI's work and how to report corruption when they see it.

There is no other agency quite like DOI, with as broad a mandate. Our unique mission has driven the reforms I have made at DOI over the past 15 months – refocusing DOI on its historical foundation as an investigative powerhouse, targeting corruption, fraud, and waste wherever it is found, in matters both large and small. My executive team and I have made it a priority to enhance and strengthen the investigative work of the agency and identify innovative ways to address our full range of investigations.

There is no better way to describe DOI's work and impact than to highlight a few of the investigations that came to fruition in 2019. They include:

- The indictment of two Board members and a management company employee at a Mitchell-Lama co-op development in Coney Island for taking nearly \$1 million in bribes to assist ineligible applicants obtain sought-after apartments in the

complex. DOI remains committed to protecting affordable housing and fair access to housing stock for low- and middle-income New Yorkers.

- The indictment and conviction of a former DOC Captain and four Correction Officers for performing unlawful searches of visitors to the Manhattan Detention Complex and falsifying paperwork to conceal their illegal conduct. A DOI report, issued in conjunction with the criminal case, outlined our broader findings on visitor search practices across all DOC facilities and issued a number of recommendations for reforms, most of which have been adopted and implemented by DOC. Our work with DOC continues to focus on protecting the safety and dignity of everyone who interacts with the corrections system: staff, inmates, and visitors.
- A focus on identifying and arresting those individuals who steal public funds via City-funded nonprofits. One investigation in this area led to the indictment of three individuals in schemes that involved kickbacks, the use of shell entities to conceal and spend stolen funds, and the request for personal reimbursements falsely claimed as business expenses. As the City increasingly relies on non-government entities to provide a range of social services, DOI remains committed to targeting fraud and corruption in this sector, as well as advising agencies about the need for proper oversight and accountability on these contracts.
- A report examining the Human Resources Administration's Special One-Time Assistance (SOTA) program, a rental program designed to provide permanent, stable housing to qualified Department of Homeless Services (DHS) clients, finding several deficiencies in processes and practices related to the SOTA

program's placements outside of New York City. Sometimes, these practices led to DHS clients' placement in units without valid occupancy certifications, without heat, and with insect and vermin infestations. In addition, a lack of attention to fraud vulnerabilities meant that corrupt landlords and brokers in the program could not be held accountable. DOI's work in this area is ongoing.

- The arrest and prosecution of a former Fire Department Inspector for issuing violations and falsifying documentation on inspections that never occurred.
- A comprehensive report by DOI's NYPD IG on the effectiveness of current mental health resources and need for additional resources and approaches for NYPD officers, which led to an unprecedented joint announcement by DOI and NYPD of program and policy improvements in this area.

These investigations exemplify the broad range of matters that DOI investigates and the range of results we achieve: from criminal arrests to systemic recommendations that change the way the City operates.

I will turn now to outlining some of the changes we have made and are hoping to make to support DOI's core mission and work.

Background Investigations

At a hearing last month, I updated this Committee about our progress in reducing our backlog of background investigations. The restructuring of that unit is a part of the reforms my team and I put in place to accelerate our response to the backlog and to diminish it as quickly as we are able to with the resources we have. In the early summer of 2019, we restructured the

Background Investigation Unit to better target and reduce the enormous backlog that I inherited. We divided the Background Investigation Unit into two teams: One team represents a fresh start on our background investigation role -- ensuring that, going forward, we are meeting our obligations to City agencies in a timely manner and not adding to the existing backlog. That team operates with the goal of completing all new background investigations in less than six months, with an average time to completion of less than 120 days. A second team is focused solely on eliminating the backlog. We are meeting our goals and I am very pleased to say that we have further reduced the backlog since my testimony last month, now down from approximately 6,400 at its peak to approximately 4,968. In addition, our current Background Investigation Unit has completed 944 background investigations since July 1, 2019, in an average time of 78 days.

Training Resources

I testified before this Committee last year about changes we were making to the Peace Officer Program. Since that time, we have fully re-evaluated the program and re-organized our training resources to better align with DOI's overall investigative mission. We have transformed the former Peace Officer Program into a Training Division that is responsible for using our training resources to benefit all DOI employees, whether they are peace officers or not. This change has enabled us to expand training on widely applicable investigative techniques and other skills, while still ensuring that our employees who are certified peace officers can maintain the necessary qualifications for that role. We have eliminated or reduced unnecessary training that is not applicable to DOI's investigative work. I expect we will continue to provide a path to peace officer certification in the future, but will do so in a more tailored and fiscally responsible way.

Ensuring that DOI is a top-notch investigative agency, performing at the highest levels of professionalism, effectiveness, and ethics, on every case whether big or small, remains central to my vision. The next stage in our improved deployment of DOI's training resources is a new initiative to have all newly-hired investigators begin their career at DOI in a specialized "New Investigator" squad, which will combine intensive training on investigative techniques with close supervision on introductory casework. Our goal is that, after six months in this program, we will deliver investigators to our established investigative squads who are well-trained in investigative best practices, knowledgeable about the specifics of integrity and corruption investigations, and prepared to meet the high professional standards that DOI expects. Interviewing techniques, effective database searches, proper surveillance methods, and professional documentation of casework are just some of the training modules that will provide a common foundation for new investigators, allowing them to bring these critical abilities to whichever squad or unit they eventually staff. My team and I believe this is an important step to standardizing DOI's investigative skills and ensuring that every investigator has the tools and training they need to perform at a high level. It is an investment that I believe will pay long-term benefits agency-wide and Citywide, and we are excited to begin this new effort.

Agency Culture

In addition to re-orienting our investigative training resources to benefit all DOI investigators, I have focused on streamlining the command structure of DOI and have worked hard to create an open-door culture among DOI's executive leadership team, so questions can be responded to expeditiously and investigative issues do not languish. My goal is that Inspectors General and their staff should always feel comfortable approaching me or anyone on my

executive staff with questions, concerns, or problems. We have encouraged that culture both through regular meetings with DOI's Inspectors General and with case teams on specific investigations, as well as by eliminating intermediate layers from the agency's managerial structure.

These changes are also in service of my view that DOI's expertise must be applied at the same level of professionalism and excellence to addressing corruption in all its forms – large and small, and in investigations ranging from the more routine to the systemic -- and that we be able to balance this range of investigations deftly. Maintaining faith and confidence in honest government, with equal treatment for all, is at the heart of DOI's mission. In New York City, many instances of public corruption might be considered “small” cases --- in other words, they may involve only a single inspector soliciting a bribe, or a single agency clerk embezzling a relatively small amount of public funds. But these “small” instances of corruption occur in the places where most New Yorkers experience government in their lives, and can have an outsized influence on public confidence in their government. Because of that they deserve to be addressed with the same diligence as larger-scale corruption or fraud. Finally, long investigative experience teaches that large-scale or systemic cases of wrongdoing often initially present in the form of a seemingly “small” case or minor complaint. Doing efficient and excellent work on all cases is what makes “big” cases possible. I believe that the organizational changes we have made over the past year are working, and are helping to make this vision a reality.

As just one example of this vision in action, when a City Buildings Inspector alerted us one morning this fall that he had been offered a bribe to evade certain construction and safety requirements, DOI hopped on the case immediately, working covertly with the Inspector and making an arrest of two contractors on charges of bribery by the afternoon. At the same time,

that same squad of investigators was working on a more complex investigation involving the death of a laborer in a Brooklyn wall collapse, a matter that resulted in the indictment of a construction company operator, foreperson, and engineer on manslaughter and other charges. DOI must be adept at both types of investigations because corruption happens at all levels.

Investigative Resources

As part of ensuring that our investigative efforts are top-notch and that our resources are deployed most effectively, in the summer of 2019 we created a new investigative squad, Squad 10, which now oversees the City agencies responsible for the majority of the major capital projects and other vital infrastructure: Department of Transportation, Department of Environmental Protection, Department of Design and Construction, and the Parks Department. These agencies together are responsible for billions of dollars in capital spending. They previously had been in the portfolio of investigative squads with other major oversight responsibilities for the City's construction industry and for the City's financial agencies, among other things. Similarly, we leveraged the integrity monitoring expertise of our existing Vendor Integrity Unit by expanding their responsibilities to include supervision of our on-site monitoring team at DEP's major watershed project known as BT2, and supervision of our Vendex Unit, which conducts vendor investigations for all City contracts over \$250,000. Both of these organizational changes were intended to ensure that every case gets the attention it deserves, and that we are maximizing the effectiveness of existing expertise within DOI.

Improving Vital Relationships

Another area of focus over the last year has been to re-establish and further the relationships that DOI has with other law enforcement agencies and prosecuting authorities; as well as with the City agencies we oversee. DOI's work benefits from strong relationships with these entities, in particular because DOI's impact goes beyond the investigation and beyond the arrest. DOI's involvement in an investigation concerning corruption in any part of City government is important and means we advocate and protect the City's interests, whether that be in protecting the public fisc or ensuring the continued delivery of essential services. One example of that is financial recoveries that are part of criminal prosecutions. So far in Fiscal Year 2020, DOI has collected more than \$1.3 million on behalf of the City, which includes more than a half-million dollars in restitution and forfeiture resulting from DOI criminal investigations.

In addition, DOI must reach out to the City agencies we oversee to promote an ongoing dialogue with them, so they understand the corruption vulnerabilities we uncover and can work with us to remedy them. Since 2014, DOI has made over 4,500 of these recommendations to City agencies and entities, with approximately 67% of them accepted, of which the vast majority, approximately 85%, have been implemented.

One of our major initiatives in the past year resulted in the unveiling of our public portal for DOI's Policy and Procedure Recommendations earlier this month. The Portal includes all of DOI's recommendations since 2014. For the past two years, DOI has worked to improve and enhance its internal tracking of these Policy and Procedure Recommendations, which we commonly refer to as PPRs, and to develop a portal that is publicly accessible on our website. Over the last year we have refined this database to ensure that the data in it is accurate and fair,

and that it could be presented to the public in a usable and substantive way. This has been a massive task. We notified all City agencies of the PPRs issued to them since 2014, coordinated with them to verify that the recorded status of the PPRs was up-to-date, and implemented new protocols at DOI to maintain our internal database and regularly update the public portal. These efforts also enabled DOI to fully comply with legislation sponsored by Chair Torres, approximately four months ahead of the deadline set in that legislation. This public PPR Portal is an opportunity to expand public knowledge of the range and breadth of DOI's oversight work, and to allow elected officials, advocates, other City agencies, the media, and the general public to have the benefit of DOI's insights into how City government can stem corruption, function more effectively, and better serve New Yorkers. This project is an extension of DOI's core commitments to following facts wherever they lead, and to ensuring transparent and honest government.

When I became Commissioner 15 months ago, I began meeting with many of the agencies that DOI oversees, with the goal of strengthening DOI's relationships with them. I hoped to gain wider acceptance of our proposed reforms and enable DOI and our fellow City agencies to, wherever possible, present a unified front in terms of fighting corruption, fraud and other integrity issues. I believe these goals are being realized, and are evidenced by the interactions DOI has had, and continues to have, with the agencies to which it has issued PPRs. That is not to say that there is no longer work to be done, but I can report that establishing stronger relationships has helped government work more effectively even as aggressive investigations into corruption and fraud are ongoing. For example, in one recent investigation, DOI was able to leverage our improved relationships with key City agencies to ensure that

crucial public services did not lapse, without jeopardizing the effectiveness of DOI's investigative steps.

DOI often has a difficult message to deliver. No one likes to be criticized, and harsh criticism is, at times, an integral part of DOI's oversight role. But I believe we can be most effective in that role by maintaining a professional and respectful dialogue with the agencies we oversee, and I have worked hard to re-open those lines of communication. These relationships allow us to foster a greater understanding and acceptance of our recommendations to strengthen internal controls and remedy corruption-related vulnerabilities. DOI cannot do its job alone – maintaining an open line of communication to other City agencies is a force multiplier that helps us fight corruption.

All of these efforts that I have outlined: reorganizing the Background Investigation Unit, reorienting our training resources, fostering a positive and professional agency culture, focusing our investigative resources, and improving vital relationships, have all been in service of strengthening DOI's unique and important anti-corruption mission.

New Needs Requests

In this next section, I will discuss the New Needs Requests that DOI has previously made as part of the FY21 Budget process. While we recognize that the fiscal environment as of the date this testimony is submitted may not allow for any new needs in the coming year, I discuss them below for the insight they provide the Council into DOI's priorities and challenges for this upcoming fiscal year. DOI's existing requests for additional resources were made to support the vision that my team and I are putting into practice, specifically furthering DOI as a highly

professional investigative agency, and ensuring it promotes integrity in government and fidelity to the law.

Three specific requests for additional resources were made over the last several months:

- Approximately \$1.4 million to provide essential resources necessary to comply with the new criminal discovery process as set out in the recent New York State Criminal Justice Reform legislation. The new law, which went into effect on January 1, 2020, creates new discovery obligations that substantially increase the volume of information subject to disclosure and moves the timeline for disclosure much earlier in the cycle of a criminal case. These obligations have significantly increased DOI's workload in this area. The additional funds we requested would support three personnel (a coordinator for discovery materials and two information technology administrators), an effective document management platform to electronically track and manage the documents and information that DOI will ultimately need to produce to prosecutors for disclosure, and an enhanced email system that will enable DOI to more efficiently search for discoverable emails and provide those emails in usable form to prosecutors.
- Approximately \$230,000 to satisfy requirements for City Council Local Law 165, which requires DOI to conduct certain system-wide studies of DOC and is intended to be in addition to DOI's present investigative work. To date, DOI has been able to satisfy the complaint bureau mandate, which calls for DOI to have a complaint bureau that receives complaints about DOC-related issues. However, due to a lack of resources, DOI has not been able to meet the requirement of

issuing an annual report that summarizes DOC-related investigations, findings, and recommendations and the status of those recommendations during a given calendar year. Nor has DOI been able to fully meet the requirement for in-depth, programmatic oversight of DOC-related operations, although of course some of our current DOC work does involve policy recommendations. As a result, we have requested funding for two expert staff positions – one in data analysis and a second in correctional policy – to support the production of an annual report and provide ongoing expertise in corrections policy.

- Approximately \$375,000 to attract and retain three experienced financial auditors for the growing caseload of financial investigations conducted by DOI that include forensic financial investigations of complex, multi-billion and multi-million dollar projects, as well as assisting in the financial aspects of investigations involving City agencies, contractors, and other vendors. This specialized financial expertise will greatly assist in investigations of corruption, fraud, and gross mismanagement in connection with the work of agencies that spend hundreds of millions of taxpayer dollars in contracts with private entities annually.

As part of these requests for resources, I want to advise the Council that DOI is also looking for ways to better use the agency's resources and think creatively in how it is fighting corruption, fraud, financial crimes and other integrity issues. To that end, DOI is developing a Data Analysis Unit to act as a resource for all the Inspector General units and to review data that crosses over units to identify red flags of potential fraud or corruption. DOI already employs several of these data analysts who are assigned to specific Inspector General units. We plan on

moving these data analysts into a single stand-alone unit and making their skills available across the agency. We believe this will have an exponential return, making the unit a centralized resource for expert data review and analysis and provide critical expertise in an area where DOI believes it can make an even greater impact. We are currently recruiting for an expert leader who can shape and guide that unit to become fully operational.

2019 has been an exciting year for DOI. I am very proud of the agency's accomplishments over this past year, the investigations we have done and are doing, our initiatives involving transparency to give New Yorkers a better understanding of the important anti-corruption work we do, and our commitment to keeping DOI at the forefront of top-notch integrity investigations.

Thank you for the opportunity to address the Committee and the Council. I and my staff are available to answer any questions the Councilmembers have for me.