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CITY'S CORRUPTION WATCHDOG CLOSES OUT 2012 WITH HIGH-IMPACT RESULTS AND 834 ARRESTS

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation ("DOI"), released today its 2012 annual report, highlighting a prolific year of significant investigations, financial recoveries, and arrests for the City's anti-corruption agency. In 2012, DOI's investigations reflected the agency's unique and integral role within City government: protecting taxpayer funds, strengthening City procedures, and exposing and stopping corruption. The agency's investigations also led to noteworthy convictions and sentences that delivered a definitive message of deterrence.

In Calendar Year ("CY") 2012, the agency:

- Arrested 834 individuals on an array of corruption charges, including evading City regulations through bribery, filing false information that weakens important City data, and diverting City funds for personal benefit. This year's arrests surpassed last year's 731 arrests, a 14% increase; and is more than double the number of arrests in 2002.
- Recovered \$500 million from the prime vendor on the CityTime project to repay the City for overcharges resulting from vendor fraud on the project, an unprecedented result.
- Received more than 12,200 complaints, 29% more than the approximately 9,470 received in CY 2002.
- Closed out more than 1,370 cases, 61% more than the approximately 850 cases closed in CY 2002.
- Issued 342 policy and procedure recommendations to City agencies, 15% more than the 297 issued in 2011. These recommendations are part of the more than 2,960 issued since 2002, most of which have been adopted.
- Conducted more than 350 corruption prevention lectures, which establish a direct link to DOI and put a face to the agency. Since 2002, DOI has presented nearly 5,000 of these lectures.
- Conducted more than 43,000 vendor vets in CY 2012, which provide facts to City agencies awarding contracts, so they can determine whether the vendors are responsible to receive City contracts. By virtue of these DOI vets, the City can also require changes or corrective action plans from the vendor as it relates to governance and fiscal controls.

DOI Commissioner Rose Gill Hearn said, "As DOI prepares to mark its 140th anniversary in 2013, it continues to play a vital role in the good governance of this City. In the past decade, DOI has broken new ground in corruption fighting, exposing fraud involving City-funded nonprofits, improving City operations by remedying vulnerabilities found during investigations, and recovering millions of dollars for the City's taxpayers. There is no other integrity agency with DOI's broad jurisdiction or knowledge of City operations. I thank our City, state, and federal partners for assisting us in our important mission, and I commend DOI's staff for their vigilance and commitment to safeguarding the public trust."

DOI's CY 2012 investigations include:

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- **Providing Integrity Support to Rapid Repairs Program in the Wake of Hurricane Sandy**
 DOI is actively monitoring the City's Rapid Repairs Program, an innovative effort to restore power, heat, and hot water to damaged residences. DOI helped the City protect the program's integrity by vetting the credentials of the licensed professionals involved, conducting emergency reviews of the six prime vendors and dozens of subcontractors, and choosing integrity monitors – who report to DOI -- to oversee the contractors' work and prevent fraud, waste, and abuse. In addition, DOI published a hot line specifically for fraud complaints involving City-related Hurricane Sandy recovery efforts.
- **Driving Home a Message of Deterrence**
 A DOI investigation conducted jointly with the Bronx District Attorney's Office into misconduct on the part of former NYPD Commissioner Bernard Kerik ended this month with the conviction of Peter DiTommaso. DiTommaso was convicted on First Degree Perjury charges for lying to the grand jury investigating Kerik regarding whether DiTommaso's company, Interstate, or a subsidiary, improperly paid for substantial renovations to Kerik's home. The jury's verdict, which concludes a lengthy investigation into failed efforts to conceal Mr. Kerik's corrupt behavior, reflects DOI's continuing commitment to pursue corruption wherever it exists in, or affects, City government.
- **Stopping the Illicit Trade of Construction Safety Cards**
 DOI investigators conducted undercover investigations, and a two-week sweep of construction sites, which resulted in the confiscation of more than 70 fraudulent safety cards and more than 40 arrests. The joint sweep was conducted with the City Department of Buildings ("DOB") and led to partial and full stop work orders issued at more than a dozen sites for a variety of violations.
- **Identifying Corruption Gaps and Finding Solutions**
 Among recommendations adopted by City agencies as a result of DOI investigations were:

 - To minimize the risk of restaurants' obtaining and using fraudulent letter grade cards, the City Health Department adopted DOI's recommendations to conduct regular reconciliation of these cards assigned to their employees; formalize the process of destroying outdated restaurant letter grade cards; and closely monitor restaurants to ensure correct letter grade cards are posted.
 - DOI recommended the City Department of Transportation ("DOT") enforce more stringent controls of Muni Meter parking receipts after DOI stopped the sale of a roll of Muni Meter parking receipts on Ebay and Craigslist. DOT established a monitoring protocol, in which supervisors account for the rolls of receipts at the beginning and end of each shift.
 - After DOI identified accounting and managerial weaknesses at two City-funded nonprofit vendors, the City Departments for the Aging and Homeless Services adopted DOI's recommendations to require the nonprofits to tighten fiscal controls, including for the use of corporate credit cards, and to hold and document regular corporate board meetings.
 - DOI advised the City Sanitation Department to strengthen controls over the creation and issuance of Sanitation police identification cards.
 - DOI's review of the practices of City Parks Enforcement Patrol officers resulted in the arrest of a PEP officer charged with stealing cash from a wallet turned over to him as lost property in an integrity test and several recommendations adopted by the City Department of Parks and Recreation ("DPR"), to secure lost property, train PEP officers on lost property procedures, discipline employees for noncompliance, and inform park patrons of the process for claiming lost property.
- **Exposing Fraudulent Filings that Undermine City Operations**
 DOI has focused on uncovering and stopping false information from penetrating City records, since it weakens the City's ability to render informed decisions, many which affect the public's safety. To that end, in 2012, DOI investigators:

 - Shut down a forgery operation and arrested the creator of bogus government-issued documents that included fake City Fire Department Certificates of Fitness and state drivers' licenses. The creator of the cards was arrested and charged.
 - Worked with the City Health Department to uncover an unlicensed day care operator who impersonated a licensee after her own license was revoked when two children in her care were injured. The accused impersonator was arrested and her fraudulent day care program was closed.

- Arrested eight individuals who submitted false social security numbers and other personal information to obtain licenses illegally from the City and avoid paying substantial fines.
 - Conducted investigations that led to the arrests of three former Child Protective Specialists with the City Administration for Children's Services ("ACS") who were charged with filing false reports in connection with child welfare investigations.
- **Shutting Down Bribery Schemes that Undermine City Operations**
 DOI has remained vigilant in this area of concern, arresting not only the City employee who accepts a bribe, but the individual who offers it to evade City rules. In 2012, DOI's bribery cases included:
 - A former project manager for DPR convicted of accepting bribes in a bid-rigging scheme for a Bronx playground contract. The defendant's sentence included jail time and a \$30,000 forfeiture order.
 - A Correction Officer charged with receiving \$1,200 in bribes to smuggle illegal drugs and purported drugs into a Rikers Island jail. In a separate case, a former Correction Officer was sentenced to six months in jail for receiving bribes to allow contraband into a Correction facility and other job-related offenses.
 - Undercover operations that led to more than a dozen arrests of individuals who attempted to corrupt City officials through bribes in unsuccessful efforts to evade buildings, health, and other City regulations.
- **Curtailing Housing Fraud**
 A core initiative at DOI has been to protect limited public housing dollars and preserve public housing apartments for eligible tenants. This sustained effort has led to nearly 700 housing fraud arrests associated with approximately \$15 million in theft of government funds since 2002. In CY 2012, DOI's housing fraud cases included:
 - Three cases in which former Section 8 participants received between two and six months in jail for concealing income and, in one case, ownership of the Section 8 apartment where the defendant resided. In these three cases, DOI's investigations stopped ongoing crimes after the New York City Housing Authority ("NYCHA") was defrauded of more than \$150,000.
 - A Section 8 participant who was charged with collecting simultaneous subsidies from NYCHA and the United States Department of Housing and Urban Development for nearly four years, defrauding the City and federal housing agencies of nearly \$137,000.
 - An individual who pleaded guilty to stealing public housing funds by posing as the tenant of record and illegally subletting a NYCHA apartment in Manhattan, which he advertised on Craigslist.
 - Former Correction Department Chaplain Leib Glanz and his brother Menashe Glanz who pleaded guilty in federal court to participating in a scheme to fraudulently obtain nearly \$223,000 in federal housing subsidies administered through two City housing agencies.
 - DOI arrested the former treasurer of a tenants' association ("TA") of a City-owned building in Upper Manhattan charged with stealing more than \$50,000 that she falsely claimed to have used for her building's expenses. DOI investigated after the City's Department of Housing Preservation and Development ("HPD") reported a theft from the TA's bank account within HPD's Tenant Interim Lease ("TIL") program. DOI's interviews and examination of bank records revealed that the defendant stole the TA's money by writing checks to herself and using an ATM card, while filing false financial reports with HPD stating the money had been paid to others for building expenses such as tenant relocations and legal and management fees, according to the criminal complaint.
- **High-Impact Results on DOI Investigations**
 DOI investigations led to a series of dispositions that delivered powerful messages of deterrence including:
 - The jury conviction of City Councilman Larry Seabrook on wire fraud, mail fraud and conspiracy charges for fraudulently steering more than \$1 million in City Council discretionary funds to nonprofits he controlled that employed his friends and family.
 - The two-year prison sentence for former New York State Senator and City Council member Hiram Monserrate for mail fraud and conspiracy relating to the misuse of more than \$100,000 in City Council discretionary funds that went to finance his failed state Senate campaign.
 - The 30-month prison sentence for City Fire Department Supervising inspector Carlos Montoya on a federal bribery charge for his role in a massive scheme to defraud a City-administered

program that subsidizes day care costs for low-income parents who work. DOI's investigation so far has resulted in convictions of six City employees and eight day care operators.

- DOI's investigation that uncovered fraud by the consultants implementing the City's computerized timekeeping system (CityTime) led to an unprecedented recovery of \$466 million from Science Applications International Corporation ("SAIC"), the prime contractor, which also waived \$40 million still owed by the City. The half-billion dollar recovery repaid the City for losses resulting from fraud in the project and is in addition to the ongoing criminal case that has resulted in charges against one company and 11 individuals, two of whom have entered guilty pleas.
- The two-year federal prison sentence for John O'Shea, the owner of Start Elevator, Inc., for mail fraud and false filing charges in connection with underpaying his employees approximately \$1 million when he contracted with NYCHA for repair, maintenance, and modernization of its elevators. O'Shea paid \$1 million in restitution, which was distributed to the 63 workers who were victims of his fraud.

Criminal complaints and indictments are accusations. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. 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 press releases can also be found at twitter.com/doinews
Get the worms out of the Big Apple. To report someone ripping off the City, call DOI at (212) 825-5959.