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DOI CLOSES FISCAL YEAR 2012 WITH 806 ARRESTS, MARKING ANOTHER RECORD YEAR

-The array of cases shows DOI's broad impact - from stopping corruption and fraud to protecting the City coffers-

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation ("DOI"), released today a fiscal year-end report capping another productive 12-month period for the City's integrity watchdog. DOI arrested 806 individuals on corruption-related matters in the Fiscal Year ("FY") ending June 30, 2012, an increase from last FY, exposed and stopped large-scale theft and bribery schemes, improved public safety by arresting individuals who refused to address fire and building code violations, and saw the largest recovery from a DOI investigation in the City's history. In addition, DOI improved City operations by recommending changes that strengthened the City's ability to combat corruption, and disseminated its findings through public reports. DOI's staff of fewer than 300 investigators, lawyers, and auditors has independent oversight of City government including approximately 45 mayoral agencies, City vendors, an array of boards and commissions, and the New York City Housing Authority, the nation's largest public housing authority. In FY 2012, DOI:

- **Arrested** 806 individuals, surpassing last year's 790 arrests. The number of arrests this FY represents a 195% increase from FY 2002, when DOI made 273 arrests. For the past four fiscal years, DOI has made record-high numbers of arrests. In an era of limited resources, DOI achieved these results and has had an enduring, positive impact on the City. (see attached graph).
- **Financial recoveries** from DOI investigations included a record half-billion dollars from CityTime's prime contractor, SAIC, which paid the City \$466 million and waived \$40 million still owed by the City to compensate the City for its losses resulting from fraud in connection with the project. In addition, DOI received a \$6 million civil forfeiture award as part of an agreement with the Schiavone Construction Company for DOI's work on the multi-agency investigative team that uncovered fraud on numerous City and other public works contracts. In each case it investigates, DOI identifies and aggressively pursues as restitution any monies owed to the City.
- **Received more than 12,500 complaints**, the majority from City employees, members of the public, and other law enforcement agencies, who reported allegations of corruption to DOI. The number of complaints received this FY represents a 41% increase from FY 2002, when DOI received about 8,840 complaints. It reflects DOI's continued outreach to City employees, vendors, and the public at large through a variety of efforts, including publicizing investigative results on its website and in press releases. Most people who contact DOI do not do so anonymously, but instead wish to discuss matters with an investigator, which provides greater information and enhances an investigation.
- **Closed approximately 1,340 cases**, which is about 140 more than in FY 2011 and a 58% increase from FY 2002, when the agency closed out about 850 cases. As part of an agency-wide initiative to promptly complete investigations, since FY 2011, DOI has also reduced the average time to complete an investigation by 16%.
- **New York City's Global Partners Summit** this year featured DOI's best practices for fighting corruption. The June 2012 summit entitled "Public Integrity: Anti-Corruption Strategies, Economic Development and Good Governance," included representatives from 26 integrity agencies and cities from around the world that shared their experiences and knowledge on corruption fighting. The two-day conference was

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developed in cooperation with DOI, featured Mayor Michael R. Bloomberg, Mayor Edward I. Koch, U.S. Attorney Preet Bharara and Ambassador Stuart E. Eizenstat, and was attended by delegations that included Caracas, Dubai, Hamburg, Quebec and South Africa.

Significant achievements in corruption prevention:

- **479 corruption prevention lectures were conducted in FY12.** This is the lecture program DOI initiated in 2002 to educate City employees and City vendors about DOI and the City's anti-corruption laws. In fact, since that time, DOI Inspectors General have presented more than 4,700 of these lectures to tens of thousands of City employees and vendors. These lectures put a face to the City's anti-corruption agency and educate City employees about the unique and important Executive Order that affirmatively mandates them to report wrongdoing and corruption to DOI, and about the Whistleblower Protection law that protects them when they do so.
- **DOI has issued more than 2,800 policy and procedure recommendations** since 2002 throughout City agencies in order to correct corruption vulnerabilities identified by DOI investigations of a wide variety of areas. In FY 2012, DOI issued 356 policy and procedure recommendations, 15% more than in FY 2011, including recommendations that were implemented by the City's Health Department to insure that the restaurant letter grade signs that are on display, are not re-used or transferred in a way that leaves the public with fraudulent information. The City's Department of Small Business Services ("SBS") is implementing new accountability procedures for its vendors in the wake of a DOI report about numerous false job placements made by one of SBS's job placement vendors.
- **DOI conducted approximately 4,400 vendor vets in FY 2012.** DOI is the City's fact finder when it comes to vetting vendors awarded contracts of \$100,000 or more so that City agencies can determine whether the vendors are responsible for the receipt of City funds. DOI issues thousands of these vets annually, which outline the facts and identify any weaknesses these vendors may have so that City agencies can make informed choices. By virtue of those DOI vets, the City can also require changes or corrective action plans from the vendor as it relates to governance and fiscal controls.

DOI's cases cover a broad range of issues, including fiscal mismanagement and lack of oversight by officials at City-funded nonprofits, members of the public making bribe offers to City inspectors, theft of City funds, and the cover-up of inmate assaults, among others.

Notable DOI cases and initiatives during FY 2012:

➤ **Identified Dangers Involving Large Sidewalk and Highway Sign Installations**

Arrested one dozen licensed sign hangers along with their companies and employees who allowed their City permit status to be used by unlicensed and unqualified companies and individuals in exchange for a fee, creating enormous risk to City pedestrians and drivers.

➤ **Uncovered \$2.6 Million Fraud in Public Administrator's Office**

DOI's investigation resulted in indictments handed down by a grand jury charging a Kings County Public Administrator's Office employee and co-conspirators with embezzling millions of dollars from the estates of deceased New Yorkers through an elaborate three-year scheme involving forged checks and false bookkeeping entries.

➤ **Arrested Violators for Evading \$700,000 in Fines Due City**

Arrested mobile food vendors in connection with false filings to illegally obtain licenses from the City and avoid paying fines of approximating \$700,000.

➤ **Exposed Attempts to Bribe City Officials Through Covert Operations**

DOI conducted undercover operations leading to the arrest of a dozen individuals in the food services and construction industries who attempted to corrupt City officials through bribes in connection with trying to evade buildings, health, and other City regulations.

➤ **Charged City-Funded Nonprofits For Gross Mismanagement**

DOI's investigations revealed a lack of board oversight and weak internal controls within a number of not-for-profit organizations, among which were the East New York Urban Youth Corporation, Bronx Community Pride, and Alianza Dominicana. Regarding Bronx Community Pride, for example, charges were filed against its former executive director for stealing tens of thousands of dollars from the organization for personal items such as a trip to Africa, pet care and veterinary services, and clothing.

➤ **Caused Expulsion of High Ranking DOC Officials For Excessive Force Incidents**

In FY 2012, as a result of multiple DOI investigations two high-ranking Department of Corrections officers – an assistant deputy warden and a former captain – and six correction officers were charged in five separate incidents. In addition, in May 2012 a jury convicted two senior-level correction supervisors for covering up a use of force incident in which one of the defendants also instructed 14 new recruits to file false reports about the incident.

➤ **Curtailed Public Housing and Benefits Fraud**

In FY 2012, DOI's investigations led to arrests in a number of cases including a NYCHA tenant who obtained an illegal subsidy of \$80,000 by failing to report her ownership of both an Upper Westside condominium and a nearly million dollar East Hampton home; a tenant who illegally sublet a NYCHA apartment which was advertised on Craigslist; and a Queens woman who illegally obtained \$123,029 in Section 8 benefits for an apartment in Brooklyn in which she did not reside.

In FY 2012, DOI also arrested four City employees for fraudulently obtaining a total of in excess of \$45,000 in food stamps and other public assistance by failing accurately to report City income.

➤ **Confiscated Fake and Unauthorized Parking Permits**

DOI uncovered the use of more than 20 fake New York City parking permits in NYCHA parking lots, confiscated them and arrested more than one dozen individuals associated with the fraud.

➤ **DOI's Public Reports**

DOI published reports on an array of issues that documented: wrongdoing by Seedco, a job-placement vendor that had contracted with the City to offer employment services to the public; pension fraud perpetrated upon the New York City Employees' Retirement System, the country's largest municipal pension system; and DOI's findings of its investigation into the fatal elevator accident that crushed a woman at 285 Madison Avenue. Copies of those reports can be found at the following link on DOI's website: <http://www.nyc.gov/html/doi/html/pr/public.shtml>.

➤ **Safeguarding the Public**

DOI's initiative to address outstanding and unanswered City fire and building code violations continued in FY 2012. Since its inception in 2007, DOI's ongoing enforcement effort with the City Fire Marshals has led to more than 1,000 arrests in connection with fire violations. This FY, DOI expanded this initiative to include outstanding warrants associated with buildings violations, which has resulted in more than 40 arrests to date and the addressing of such violations as illegal building conversions and stop work orders.

DOI's Investigations Result in Significant Convictions:

- **HPD Assistant Commissioner** pleaded guilty to \$2.5 million racketeering and bribery charges. DOI worked with its federal partners to expose the conspiracies in which nine HPD developers and contractors were also charged. DOI conducted a methodical analysis of complex financial records that unearthed financial connections among the co-conspirators and uncovered a shell company and bogus transactions that generated large amounts of cash for the defendants as charged in the indictment.
- **Former New York State Senator and City Council member Hiram Monserrate** pleaded guilty to federal corruption charges in a case investigated by DOI that revealed he misused more than \$100,000 in City Council discretionary funds. This case is one of more than 40 arrests – most resulting in convictions – conducted by DOI's highly successful Not-for-Profit/ Vendor Fraud Unit that have exposed

and stopped the misappropriation of discretionary funds, fiscal mismanagement in City-funded nonprofits, and the theft of City funds by nonprofit executives and employees.

- **Owner of an elevator company** with NYCHA contracts pleaded guilty and was sentenced to two-years in prison for underpaying his employees by approximately \$1 million.
- **Two Correction Officers and eight inmates** were convicted in a case investigated by DOI with the Bronx District Attorney's Office stemming from violence that resulted in the October 2008 homicide of an 18-year-old inmate on Rikers Island. The two Correction Officers were sentenced to prison terms for their involvement.

DOI Commissioner Rose Gill Hearn said, "This fiscal year DOI closed more cases, made more arrests, and recovered more funds than last fiscal year, all of which is a testament to the tenacious work of DOI's team of investigators rooting out fraud, protecting taxpayer funds, and ensuring corruption is exposed and stopped. The agency's deep knowledge of City operations and its innovative approaches distinguish it as a premier integrity watchdog. Its people make it a success. I am proud that the results of DOI's work during the fiscal year included helping close a budget gap and standing as a global model for other integrity agencies."

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.**

DOI Arrests from FY 2002-2012

