



The City of New York
Department of Investigation

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DOI's YEAR IN REVIEW

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation, released today statistics highlighting the agency's successful efforts in 2006 and its accomplishments overall since 2002. In 2006, DOI made a record high number of arrests in a wide variety of cases. In 2006 the agency also carried its largest investigative caseload since 2002. DOI made 422 arrests in 2006, representing a 24% increase since 2002. The agency's caseload, about 1,900 cases, has increased 16% since 2002. Much of this success can be attributed to DOI's pro-active outreach efforts to raise the profile of the agency, educate the City's workforce about its obligations to report corruption to DOI, protecting employees when they do so, and taking action in every variety of case impacting the citizens of the City from taxi drivers for over-billing foreign visitors to elected officials charged with taking taxpayer money and property. In doing these investigations, DOI uses its unique understanding of City government and law enforcement to make policy and procedure recommendations to improve operations of agencies in the wake of issues that our cases expose.

DOI Commissioner Rose Gill Hearn said, "I am extremely pleased with DOI's considerable accomplishments this year and over the past five years. We at DOI have instilled confidence in the public and amongst City employees that DOI is effective and independent in carrying out its oversight role. I commend Mayor Bloomberg for his commitment to integrity in City government."

- The number of complaints DOI receives is up 15% since 2002. DOI received 10,318 complaints in 2002 and received more than 11,924 complaints in 2006. This increase is the tangible result of a sweeping corruption prevention outreach effort by DOI begun in 2002, to educate the City's workforce about its obligations to report corruption and wrongdoing to DOI, and their rights to be protected under the whistleblower law for doing so. Since 2002, DOI has conducted at least 1,635 corruption prevention lectures throughout the City agencies. In 2006, DOI delivered more than 300 such lectures to employees of all agencies from the Fire Department to the Department of Consumer Affairs to the City Council. Those 300 lectures were reached while DOI was handling the largest caseload the agency has had since 2002. While it is difficult to sustain the number of corruption prevention lectures given to employees due to their drain on DOI's resources, DOI plans to redouble its efforts in this area in 2007 so that City employees are reminded of DOI's role and accessibility, and so employees do not become complacent.
- DOI's Caseload: From 2002 to 2006, DOI's overall caseload from complaints and DOI initiatives increased 16%, from 1,623 cases in 2002 to 1,889 in 2006. The number of cases for 2006 increased slightly from 2005, up 3%.
- Since 2002, the number of arrests in DOI cases is up 24%, from 340 in 2002 to 422 in 2006.
- The number of City employees arrested is down 19% from 2002. Of note is that in 2006, DOI investigations led to the arrest of 294 non-City employees, up 76% from 2005 and 52% from 2002. Again, this increase is due to the increased number of complaints from City employees thanks to DOI's corruption prevention lectures, and DOI's focus on targeting not just City employees who may take a bribe, but those who would offer those bribes. Moreover, the lower number of City employee arrests is also attributable to the absence of double-digit arrests in City agencies such as the 2002 arrest of 21 City employees in the DOF tax assessors and 18 DOB plumbing inspectors.

- Over the past five years, DOI has concentrated efforts on corruption vulnerabilities at several agencies that had been experiencing corruption issues: the Department of Buildings, the Housing Development Corporation and the School Construction Authority. The result of those efforts has been what can now be seen as a sustained reduction in corruption cases, and improvements in the internal controls and governance procedures in those agencies.

Significant DOI cases that became public in 2006:

- In 2005, DOI investigated several complicated, high-profile public corruption cases demanding the work of many DOI investigators and auditors, which resulted in arrests in 2006: New York State Senator Efrain Gonzalez, Assemblyman Brian McLaughlin and Assemblywoman Diane Gordon, and former New York City Correction Commissioner Bernard Kerik:
 - **New York State Senator Efrain Gonzalez:** A lengthy DOI investigation led to two indictments in August and December that, in sum, charged the State Senator with a scheme that involved directing \$423,000 in member item funds to a not-for-profit, which, in turn, funneled the money to another not-for-profit that paid Gonzalez's personal expenses.
 - **New York State Assemblyman Brian McLaughlin:** Another lengthy investigation led to an indictment of McLaughlin for receiving more than \$2 million in proceeds from a variety of criminal schemes that involved fraud, embezzlement, and money laundering, as well as the receipt of payments and other things of value from companies that employed union members represented by McLaughlin.
 - **New York State Assemblywoman Diane Gordon:** In the course of a DOI undercover operation, Gordon allegedly sought a \$500,000 single-family home as a bribe from a Brooklyn contractor. In exchange for the home and the free installation of doors in her Assembly offices, Gordon allegedly told the contractor she would use her influence to have a \$2 million city-owned vacant lot turned over to him for development.
 - **Former NYC Correction Commissioner Bernard Kerik** pled guilty in June to the misdemeanor crime of violating a New York City law prohibiting conflicts of interest by public employees. Kerik also pled guilty to the crime of failing to disclose loans obtained from a real estate developer.
- **Medicaid Fraud/Public Assistance Fraud:** DOI works continually on Medicaid fraud investigations given HRA's role in administering the program. Working with our law enforcement partners, DOI cases resulted in the arrest of 17 people for Medicaid fraud, 8 of who were HRA employees for selling valuable Medicaid cards to people for \$300-\$400 cash. The illegally sold Medicaid cards have no dollar limit for medical and prescription services. The charges state that the unauthorized buyers of the Medicaid cards used them to incur over a million dollars in medical bills, which were passed on to the city, state, and federal government. This case exposed a serious problem with internal control procedures pertaining to Medicaid cards. DOI is working with HRA to revise many of the procedures at HRA regarding access and the production of these cards so that these types of schemes that siphon off scarce government funds for the needy are thwarted. We currently have 13 open investigations involving multiple targets in which we are investigating allegations of Medicaid fraud. Another 18 individuals were arrested in 2006 in separate cases for other types of programmatic fraud.
- **Gloria Wise:** In October 2006, DOI issued public findings concerning fraud and mismanagement at the City-funded Gloria Wise Boys & Girls Club. DOI found that Gloria Wise executives (1) fraudulently siphoned more than \$290,000; 2) gave \$875,000, most without informing their Board, to one executive's private business venture; and (3) routinely falsified records such as how public funds were spent to medical records of preschool children including whether the children in the Gloria Wise nursery schools were actually vaccinated. Executives also attempted to conceal their misconduct and obstruct DOI's investigation by fabricating documents and misrepresenting the facts when questioned under oath. As a result of this investigation, DOI issued a series of recommendations demonstrating ways that City agencies and not-for-profits themselves can help protect themselves against fraud and abuse. Two of the executives, Charles Rosen and Jeff Aulenbach, pled guilty to Grand Larceny in the third degree and Obstructing Government Administration in the second degree. Rosen also pled guilty to Forgery in the second degree. Both are awaiting sentencing.
- **Department of Correction smuggling cases:** 6 City employees were arrested on charges of smuggling narcotics, tobacco and other contraband into Riker's Island facilities. These were the first arrests of DOC personnel involving the

illegal smuggling of tobacco into Riker's Island since the smoking ban went into effect on the Island in 2003. Two defendants pled guilty and began serving jail sentences in the very jails where they used to work.

Significant initiatives:

- **Proactive Construction Integrity Program:** DOI is dedicated to not only rooting out corruption - but also to preventing fraud, waste and malfeasance from occurring in City funded programs that are particularly susceptible to such problems. In furtherance of this aim, DOI and DEP have created a program to specially audit two of the largest DEP Capital Construction Projects - the Croton Water Treatment Plant and the Newtown Creek WPCP Upgrade Project. DOI chose these two sites for proactive integrity audits based on their sheer size and scope, the large sums of public funds involved in both projects, which is where corruption and waste have occurred in the past. This novel approach to proactive oversight is intended to deter waste and fraud and provide assurances that these projects are being done efficiently as they move forward.
- **Lobby Law Unit:** After Mayor Bloomberg and City Council Speaker Christine Quinn worked together on ground-breaking legislation reforming the City's Lobbying Law so that lobbyists are prohibited from giving gifts to any public servant, DOI began taking steps to establish a unit that will be responsible for training staff of the City Clerk's office in matters related to ensuring that lobbying reports are not just filed but that they are accurate and complete, and establishing procedures for investigating any possible violations of the Lobbying Law.
- **Policy & Procedure Recommendations:** For the past 5 years, DOI has focused on the fact that it is an agency within City government with the dual role of making arrests when we find cases of corruption, but also, unlike any other law enforcement agency, fixing operational problems and corruption vulnerabilities within City agencies that are exposed by our investigations. We do this to correct and prevent future cases of waste and corruption. The way in which we accomplish that task is to, after each investigation, provide the agency with a Policy & Procedure Recommendation (PPR) that discusses the operational vulnerability that caused the waste or corruption, and to recommend necessary changes. In 2007, we want to make sure that problems already identified over the past 5 years have been fixed throughout City agencies so that repeat cases involving these same issues do not take place. To that end, we have appointed someone at our agency who will collect and review all of the PPRs to analyze whether the necessary remedial measures have been implemented. To the extent that we determine that an agency has still not fixed an operational vulnerability, we will notify them again regarding the need to do so and monitor accordingly.
- **Inspector General Program from the City of Chicago:** In October 2006, executives from the Chicago Inspector General's (IG) Office spent two days at DOI learning about the agency's statutory authority that imbues DOI with independence, and its investigative powers that make DOI's oversight effective. The Chicago IG spent time with DOI executives and IGs discussing how DOI carries out its mandate on a day-to-day basis. DOB Commissioner Patricia Lancaster also spent time with the Chicago visitors, describing from a City agency's perspective, the relationship with DOI, and the great strides that have been made toward turning around corruption issues in that agency. The result of the visit was that the Chicago visitors were quite impressed with the statutory authority and operation of DOI, and they will look to replicate much of it to address corruption issues in Chicago.

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.

***Get the worms out of the Big Apple.
To report someone ripping off the city, call DOI directly at (212) 825-5959.***