



**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 2019 PRELIMINARY BUDGET,  
MAYOR'S FISCAL YEAR 2018 PRELIMINARY MANAGEMENT REPORT  
AND AGENCY OVERSIGHT HEARINGS**

**MARCH 26, 2018**

Good afternoon Chair Torres and members of the Committee on Oversight and Investigations. I am Mark G. Peters, Commissioner of the Department of Investigation (“DOI”), and I am joined by Deputy Commissioner and Chief of Investigations Susan Lambiase and Deputy Commissioner and Chief of Operations Ganesh Ramratan. I thank you for the opportunity to address the Committee concerning DOI’s Preliminary Budget for Fiscal Year 2019. I also welcome this opportunity to update the Committee on DOI’s recent work and our vision for the coming budget year.

DOI’s preliminary expense budget for Fiscal Year 2019 is **\$41.2** million, consisting of **\$30.8** million that supports approximately **395** full-time staff positions, and **\$10.4** million for Other Than Personal Services, such as supplies, equipment and space. Included in the **\$30.8** million for Personal Services is **\$4.7** million Intra-City funding, such as the funding for Memoranda of Understanding with **thirteen** City agencies that support **76** of the approximately **395** positions. In addition to the staff comprised in the agency’s budget, there are an additional **306** headcount staff members who work for us through various arrangements with other City agencies, including staff working for the Inspector General for the Department of Education, also known as the Special Commissioner of Investigation for Schools (“SCI”), and the Inspector General for the New York City Housing Authority (“NYCHA”). This brings the total staff headcount who report through DOI’s chain of command to slightly more than 700.

In 2017, DOI investigations exposed and stopped the theft of public funds, strengthened fairness and integrity in City operations, arrested City employees for exploiting their insider access and protected the safety of all New Yorkers. Additionally,

our oversight work goes beyond City agencies and includes nonprofits who are the beneficiaries of City contracts and employees of private companies doing business with the City. Specifically, in 2017, DOI investigations led to arrests and the issuance of policy and procedure recommendations including:

- The arrests of five individuals for defrauding disaster relief associated with the Build it Back program, and an associated report documenting the findings of an interim investigation examining contractor invoices and field audits, that so far has saved approximately \$40 million in taxpayer funds;
- Uncovering a \$3 million fraud scheme in partnership with the United States Attorney's Office for the Eastern District, involving the submission of reimbursement claims for school meals that were never served;
- Exposing an illegal gas meter installation scheme that led to the arrests of National Grid employees and others on charges of enterprise corruption, for engaging in dangerous practices similar to those in the 2015 lower east side gas explosion that killed two people;
- The arrests of one dozen City Department of Correction ("DOC") staff, and multiple jail sentencings of others, all the result of ongoing investigations into contraband smuggling and inmate assault by DOC staff;
- In partnership with the Brooklyn District Attorney's Office, the investigation into the death of a worker at a construction site resulting in the indictment of a construction company owner on manslaughter and other charges;
- Multiple investigations into safety issues at NYCHA, including a report that exposed NYCHA's failure to conduct mandatory lead paint safety inspections and

related falsifications of documents submitted to federal regulators. Other NYCHA investigations revealed in excess of \$8 million in contractor and tenant fraud; and

- The arrest of 13 individuals, including medical professionals, who trafficked opiates through their pain management clinics and a former state legislator who owned a medical testing laboratory affiliated with those clinics, for a large-scale insurance fraud scheme that resulted in payments of over \$13 million from MetroPlus, NYC Health + Hospitals' insurance company.

In addition, DOI issued 16 reports in 2017, and issued 969 policy and procedure reform recommendations, a 42% increase from 2016. Our reports shined a light on needed operational improvements within the New York City Police Department ("NYPD"), including the way in which officers handle situations involving people in mental health crisis; training for interactions with members of the LGBTQ community; and the need to better assist undocumented immigrants who are the victims of serious crimes and who have been helpful with NYPD investigations, with obtaining federal immigration relief. Other reports detailed the misuse of City resources, such as city-owned cars, by high-level managers at DOC, including that agency's Commissioner. We also presented our findings in prevailing wage investigations that included the recovery and reimbursement of wages to workers on school construction sites of more than \$1.2 million dollars. Ultimately, our reports hold agencies accountable by giving the public a greater understanding of City operations and empowering City leadership, including this Council, with the facts and actionable recommendations necessary for lasting reforms.

In terms of numbers and metrics overall, I can report that in Calendar Year 2017, DOI had **726** arrests stemming from approximately **2,700** investigations, and over **883** referrals for criminal prosecution.

In addition, I would like to specifically address the needs of our Background Investigation Unit. The Background Investigation Unit is responsible for conducting background investigations of Mayoral and non-Mayoral employees, working in decision-making or sensitive City positions. Our work helps determine whether candidates are suited to serve the public trust.

In 2017, the unit closed **2,782** background investigations. This represents over **185** cases per Investigator at current staffing levels. Over 21% of the background investigations closed in 2017 had potentially adverse information that may have impacted hiring or retention. Due to the ever increasing number of background requests received, and static staffing levels, the unit ended the year with a backlog of **6,050** background investigations. To maintain the accuracy, thoroughness and fairness which characterize DOI background investigations, the only way to reduce this backlog is to increase staffing in the unit. DOI has asked for funding for new lines in this area for the past several budget cycles. I would like to emphasize that our Background Unit provides a direct, essential service to the entire City. Furthermore, the vulnerability to the City inherent in not completing background investigations in a timely manner is acute.

As always, DOI's goal is to leverage our expertise across the agency's 11 investigative squads to develop highly complex cases in line with our strategy of attacking corruption comprehensively, through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms. With that in mind, I note that we have recently made changes to our organizational structure with a view toward both ensuring consistency of investigations and maximizing DOI's ability to see across agencies to City functions as a whole. Previously, certain investigative squads, including those overseeing the NYPD and Department of Education, operated separately from DOI's main organizational structure. Four years of experience has demonstrated to me that this does not allow DOI to maximize the impact of this work or to take full advantage of DOI's institutional knowledge and strengths. As such, we have taken steps to fully integrate this work within our reporting structure, a change that will result in even greater impact and ability to tackle issues going forward. Under this structure, we now have a full complement of Inspectors General overseeing all City agencies, including Inspectors General overseeing DOC, the NYPD, DOE, the School Construction Authority, NYCHA and NYC Health + Hospitals. All eleven of our oversight units, each led by one or more Inspectors General, will work both within their respective unit, and across units, to maximize the effectiveness of our operations.

Finally, in addition to arrests and the issuance of reports, we plan to turn additional focus to monitoring agency adoption of previous recommendations long after our initial investigations have come to a close. Such follow-up is essential and part of the virtue of having a permanent IG function within the City.

Through our public reports, we empower the general public, and governing bodies such as this Council and City Hall, by enhancing transparency and prompting reforms that strengthen public policy. And our high impact arrests and emphasis on complex investigations means we can shut down the most costly and damaging fraud schemes by attacking corruption vulnerabilities at their roots. Through this strategy, we continue to see success in enforcement areas across the board.

I thank the Committee and the Council for its support, and I welcome any questions you may have at this time.