



The City of New York
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Release #14-2021
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**FOR IMMEDIATE RELEASE
MONDAY, SEPTEMBER 20, 2021**

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REMARKS OF DOI COMMISSIONER MARGARET GARNETT ON ANNOUNCEMENT OF INDICTMENT OF CONTRACTORS FOR ALLEGEDLY BRIBING CITY HOUSING AUTHORITY EMPLOYEES FOR SMALL PROCUREMENT CONTRACTS

Thank you DA Gonzalez and thank you to your team of dedicated prosecutors who worked with us on this investigation.

Throughout my law enforcement career, first as a prosecutor and now as the Commissioner of DOI, among the investigations that stand out for me are the ones that reflect the power of one person doing the right thing. This is one of those investigations.

The City employees who chose to call DOI when they saw wrongdoing helped to kick off a broad look at the integrity of micro-contracting at NYCHA housing developments in Brooklyn and spurred DOI's undercover operations where investigators posed as NYCHA managers and were ultimately offered cash, liquor and gift cards to provide the defendant vendors with unfettered access to small contracts at NYCHA.

Particularly in public corruption investigations, there is just no substitute for people standing up for what is right and reporting wrongdoing when they see it. And I want to commend the NYCHA employees who rejected attempts to bribe them and then promptly reported that conduct to DOI.

New York City law requires every City employee to report corruption, fraud and wrongdoing to DOI. A New York City employee cannot just stand by silently while corruption unfolds around them. It is also not enough to just refuse to participate in the conduct. They must report it. This investigation shows the power of that mandate; and how City employees are among our first and best defense in rooting out corruption.

This investigation focused on the pernicious influence of bribery on NYCHA's small procurement contracting system. This program has a laudable goal – to give development superintendents the flexibility to get small repairs made quickly, without a complex bidding and procurement process. The intent is to improve NYCHA residents' quality of life, and give them the same responsive and speedy service that a tenant in a privately owned building would expect. However, the program as it was operating was also highly vulnerable to fraud and corruption, as this investigation shows.

In addition to this criminal investigation, working with NYCHA to reform the small procurement contracting process has been a long-term priority for DOI. For example, in conjunction with this specific investigation, we have issued policy and procedure recommendations to NYCHA, which we expect NYCHA will implement, to address the vulnerabilities we found during this investigation, including:

- Removing NYCHA superintendents and property managers as the point-of-contact to request and approve small procurement contracts and moving that function to NYCHA's development staff in conjunction with its centralized Procurement Department, where these micro-purchases can be awarded on a rotating basis;
- Strengthening pre-checks of potential vendors for small procurement contracts; and

- Adopting a fixed price list for the most common micro-purchase jobs, to prevent vendors from charging at or close to the micro-purchasing limit of \$10,000 for a range of jobs regardless of the true cost or value of the work.

DOI has also taken other steps to protect taxpayer dollars and the City's contracting process, making City agencies aware of the charged conduct by these defendant vendors by posting "Cautions" associated with their companies in the City's PASSPort contracting database, which every City Agency's Contracting Officer has access to. We know these Cautions are having an impact because our Office of Inspector General for NYCHA has already fielded questions from contracting officers around the City.

Combatting corruption in New York City requires a comprehensive approach, that encourages honest employees to report misconduct, and then combines outstanding investigations with systemic reforms. This case is a great example of that.

I want to thank DA Gonzalez and his hard-working team, in particular Senior Assistant District Attorney and Deputy Chief of the District Attorney's Public Integrity Bureau Adam Libove and Senior Assistant District Attorney Sara Walshe of the Public Integrity Bureau.

I'd also like to thank the leadership of NYCHA for their assistance, particularly Chairman Gregory Russ and General Manager Vito Mustaciuolo, who have been tireless supporters of DOI's anti-corruption work at NYCHA. And I want to thank the investigators at DOI who relentlessly worked every angle of this investigation despite the challenges presented by the COVID-19 pandemic, especially Confidential Investigator Delcine Doscher, Chief Investigators Enio Bencosme and Louis Vega, and Assistant Inspector General Robin Jacknow, Deputy Inspector General Gregory DeBoer, and Inspector General Ralph Iannuzzi.

An indictment is an accusation. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country and New York City's corruption watchdog. 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 strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

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