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**DOI ARRESTS 877 IN 2009, CONTINUING THE AGENCY'S RECORD-HIGH TREND OF ARRESTS**

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation ("DOI"), announced today the agency's notable accomplishments in Calendar Year 2009 ("CY 2009"), which include arrests of 877 individuals — 96 City employees and 781 individuals not employed by the City — an achievement that breaks last year's Department record high of 848 arrests and reflects the agency's productivity and broad investigative docket. Also in CY 2009, DOI recommended 462 policy and procedure changes in City agencies, received more than 13,700 complaints, conducted 545 corruption prevention lectures and closed more than 1,400 cases. DOI continues to be a robust watchdog, doing more with less.

The Department's setting of a new record number of arrests demonstrates DOI's effectiveness at uncovering and rooting out corruption. While the reductions the City is experiencing in various crime categories, such as the drop in the homicide rate, is a tremendous trend, the continued increase in DOI's arrests is the correct direction our numbers should be going in and a positive indicator for our Department. That is because the nature of our work involves uncovering schemes that are most often perpetrated surreptitiously, draining precious tax dollars. The numbers are a testament to DOI's tenacity and its thorough anti-corruption efforts, including an outreach program that has blanketed the City and yielded numerous tips, and the agency's strategy of also arresting the individuals from outside City government who try to corrupt the City's employees and processes.

DOI Commissioner Rose Gill Hearn said, "This year marks another record-setting number of arrests for DOI and another direct blow to corruption in New York City. In 2009, DOI investigators exposed wrongdoing, stopped fraudsters in their tracks and protected taxpayer funds. DOI also improved practices within City agencies through corruption-prevention recommendations. I commend DOI investigators for their tireless work and I thank the City employees and members of the public who helped us root out corruption and guard the City's integrity."

The following are DOI's chief accomplishments in 2009:

**EXPOSING PROBLEMS, RECOMMENDING SOLUTIONS, MAKING AN IMPACT**

DOI has taken a comprehensive approach to its investigations, not only making arrests, but examining and offering ways to cure vulnerabilities exposed by DOI's investigations. That responsibility is so significant that DOI tracks its written recommendations made to City agencies. From 2002 to date, DOI's Inspectors General have issued more than 2,000 policy and procedure recommendations — 462 in CY 2009 — to City agencies. Several notable recommendations have taken root at City agencies including, the Administration for Children's Services ("ACS"), the Department of Health and Mental Hygiene ("DOHMH") and the Department of Buildings ("DOB"):

- Following the deaths of 11 children in ACS's care, DOI issued a 2007 report making recommendations on how ACS could better investigate child abuse cases and prevent tragedies. In the two years since DOI recommended ACS hire experienced law enforcement investigators, ACS has implemented that suggestion and it has taken root. This experienced cadre of ACS "Investigative Consultants," as they are known, has been responsible for helping scores of children by locating parents and children and uncovering vital information about facts and circumstances transpiring in households where a child was in danger or there was a need for services. These successes illustrate the progress that can be made when City agencies work together to address seemingly intractable problems.
- Two years ago, when the media captured rats scurrying around the dining area of a fast-food restaurant in Manhattan just one day after a DOHMH inspector gave it a supposed passing grade, DOI investigated not only the wrongdoing of the inspector, but exposed difficulties with the inspection process. In a published report, DOI recommended that

more

DOHMH simplify its inspectors' grading system for violations and notify the public when a restaurant fails an inspection. DOI was gratified that a December 2009 proposal to change the Health Code, which is currently before the City Board of Health, reflects DOI's recommendations.

- DOI has taken strong measures as it relates to corruption at the DOB and within the construction industry where bribes to DOB have traditionally been offered. Since 2002, DOI has arrested 38 DOB employees and 231 members of the construction trades on charges relating to DOB matters. Working with DOB we are also responsible for the revocation of more than 150 licenses including plumbers and architects. At the same time, we have worked closely with the DOB on anti-corruption training and related efforts. While many issues have arisen, DOB has been indefatigable in addressing them. Giving credit where it is due, a positive trend has emerged in that more DOB employees began to come forward and report corruption to DOI. Indeed, from 2003 through 2009, DOI arrested more than 70 individuals in investigations originating from tips from DOB personnel, including nine in 2009.

### **SIGNIFICANT CASES IN 2009**

- **City Councilman Convicted on Corruption Charges and Sentenced to Five-Year Prison Term**

The continuing investigation by DOI and the U.S. Attorney's Office for the Southern District of New York ("SDNY") into the use of City Council discretionary funds resulted in City Councilman Miguel Martinez's guilty plea and five-year prison sentence for fraud and money laundering in padding his Council expenses with phony invoices, siphoning thousands of dollars from a Council-funded not-for-profit program, and skimming tens of thousands of dollars from a housing developer's payments to a community organization. In July 2009, Martinez resigned from public office and was charged, and earlier this month he was sentenced to five years in prison and was ordered to forfeit \$106,000 that he had illegally pocketed at the taxpayers' expense.

- **51<sup>st</sup> Street Crane Indictment and Resulting Reforms**

A painstaking investigation by DOI, the Manhattan District Attorney's Office and DOB of the March 2008 tower crane collapse on East 51<sup>st</sup> Street that killed seven people led to the January 2009 indictment of the tower crane rigger and his company on manslaughter and other charges. DOI also recommended various measures to improve inspections, training and supervision within DOB's Cranes and Derricks Division.

- **Indictment of Six Former DOB Inspectors on Enterprise Corruption**

DOI worked with the New York City Police Department ("NYPD") and the Manhattan District Attorney's office on this wide-ranging investigation that in an October 2009 indictment exposed a host of criminal activities that included bribe receiving, extortion, illegal gambling and weapons-trafficking by six former DOB inspectors. DOI's extensive knowledge of the construction industry helped penetrate, distill, and stop the criminal activity.

- **Black Market Trafficking in Mobile Food Vending Permits**

In June 2009, after an extensive covert investigation, DOI arrested six individuals on charges of falsifying documents related to fraudulent transfers of mobile food vending permits. DOI investigated and uncovered this lucrative and unlawful underground market after DOHMH reported what it suspected were repeated fraudulent substitutions of carts that brokers presented for inspection. DOI recommended improvements that would eliminate the criminal conduct found in the investigation, including the creation of a competitive, sealed bidding process to, in essence, replace the illegal payments to individuals trafficking in permits with legal payments to the City. Currently, DOHMH issues mobile food vending permits through a lottery system, which DOI found to be part of what caused the systemic corruption.

- **DOI's Investigation into the Circumstances Surrounding the Death of a Woman in the Emergency Room of Kings County Hospital Center ("KCHC")**

In June 2009, DOI issued its findings of the circumstances surrounding the death of Esmine Green in KCHC's psychiatric emergency room, exposing a striking breakdown in Ms. Green's care over the course of four medical shifts. The report showed that a senior nurse provided false testimony and created false entries in Ms. Green's medical records and a nursing aide created false records in Ms. Green's medical file. The report also found factual inconsistencies in several entries made by four KCHC doctors. DOI's hope was that its findings would help ensure that the failures of omission and commission that occurred would not be repeated. DOI referred its findings to the Kings County District Attorney's Office when it issued its report.

- **Insurance Fraud Ring Involving City Hospital Employees**

DOI worked with the state Attorney General's office to break open an insurance fraud ring that involved City hospital employees, lawyers and health care providers. More than two dozen individuals and entities were charged. In its role as

the City's watchdog, DOI has discussed several improvements with the City's Health and Hospitals Corporation's ("HHC") internal Inspector General to help safeguard against this type of corruption, including standardizing hospital visiting protocols and strengthening the protection of confidential patient information by closely tracking those who are able to access patient information on hospital computers.

- **Investigations Related to 130 Liberty Street**

More criminal charges were brought in 2009 as a result of the broad-ranging investigation into the August 2007 fatal fire at the former Deutsche Bank building. In January 2009, John Galt's purchasing agent was indicted on charges of systematically stealing more than \$1 million of public money by padding bills for supplies for the project. In July 2009, a check-cashing scheme was exposed and several individuals and check-cashing companies were charged with skirting banking regulations to secretly turn hundreds-of-thousands of dollars of checks related to the 130 Liberty Street project into cash. In addition, in June 2009, DOI issued a report identifying missed inspectional opportunities by the Fire and Buildings departments related to 130 Liberty Street. The report recommended improved supervision.

- **Investigation into an Assault Conspiracy on Rikers Island**

DOI's investigation with the Bronx District Attorney and the NYPD into the October 2008 homicide of an 18-year-old inmate on Rikers Island began with a tip that DOI received on its hotline right after the inmate was killed. The investigation led to the January 2009 indictment of three City correction officers with the City Department of Correction ("DOC") and 12 inmates who were charged in an assault conspiracy on Rikers Island. DOI recommended procedural changes, for example, the need for additional video cameras and the need to analyze changes to the way inmates have access to telephone privileges.

#### **NOTEWORTHY CONVICTIONS AND SENTENCES:**

- As the result of an extensive investigation by DOI, SDNY, the Federal Bureau of Investigation ("FBI") and other agencies, former labor leader and New York State Assemblyman Brian McLaughlin was sentenced in May 2009 to 10 years in federal prison for racketeering and was ordered to pay nearly \$846,000 in restitution and forfeit more than \$3 million. In a related case, a former Queens electrical contractor pleaded guilty and was sentenced to three months in prison for illegal payments to McLaughlin.
- Also in May 2009, former New York State Senator Efrain Gonzalez Jr. pleaded guilty to defrauding publicly-funded not-for-profits and using the money to pay for personal luxuries. DOI's investigation also resulted in guilty pleas by three other defendants.
- Asquith Reid and Joycynth Anderson, a former chief of staff and former staffer, respectively, of a New York City Council member pleaded guilty in June 2009 to embezzling City Council discretionary funds. Reid also pleaded guilty to witness tampering in the investigation. The two siphoned tens of thousands of public dollars for their personal use.
- A complex investigation uncovered embezzlement and adoption-subsidy schemes that siphoned hundreds of thousands of dollars intended for needy children from ACS. Seven individuals — two ACS supervisors, the fiscal director and a consultant at a not-for-profit, and three other individuals were arrested. In 2009, these cases resulted in six guilty pleas, a jury conviction, and significant federal prison sentences for two of the defendants — Nigel Osarenkhoe and Philbert Gorrick — who were each sentenced to 33-month prison terms. The other defendants are awaiting sentencing.
- In August 2009 a Brooklyn federal jury convicted Celstino Orta of bribery, and he was sentenced last month to three years in prison for his unsuccessful scheme to fix cases at the City Environmental Control Board ("ECB"). DOI's undercover investigation, with assistance from the FBI and the City Department of Environmental Protection, began in the summer of 2007 after an ECB administrative law judge notified DOI that Orta had offered the judge Yankee tickets to resolve a Brooklyn building's ECB violations. The U.S. Attorney's Office for the Eastern District of New York prosecuted the case.

#### **LONG-TERM INITIATIVES**

DOI is uniquely situated to identify corruption trends, protect the public, prevent the waste of taxpayer dollars and ensure that public benefits are preserved for those New Yorkers who truly are in need. DOI's successful initiatives include the following:

- **Housing Fraud**

DOI continually thwarts schemes to defraud the City of housing and other public benefits. Since 2002, DOI's housing fraud investigations have documented the theft of more than \$10.5 million and resulted in more than 500 arrests, including more than 70 this year with charged thefts exceeding \$1.3 million. Noteworthy cases include the October 2009 indictments of six individuals charged with filing forged police reports and court orders falsely identifying five of them as domestic violence victims in unsuccessful fraudulent applications for Section 8 housing subsidies. This DOI investigation is one of many that exposed and stopped the wrongdoing before public funds were stolen.

- **Not-for-Profit Vendor Fraud**

DOI has long recognized the need for increased scrutiny of nonprofits after several of our cases uncovered embezzlement schemes involving these publicly funded organizations that receive millions of City taxpayer dollars. DOI created a nonprofit-vendor fraud unit more than two years ago to address that need. The results have been prolific: numerous arrests resulting from DOI's forensic auditors' success in following the money stolen by unscrupulous insiders, City employees, public officials, and others. In 2009, one investigation resulted in the 30-month prison sentence of a former deputy director of two non-profits who embezzled hundreds of thousands of dollars in public funds intended for the City's neediest children. At another non-profit, DOI arrested two executives for embezzling \$200,000 and spending it on clothing, restaurants, travel, campaign contributions, and other personal expenses. DOI's nonprofit fraud unit also has completed approximately 3,500 vets of nonprofits slated to receive City funds.

- **Fire Code Warrants**

In 2009, in a continuing and joint enforcement effort with the New York City Fire Department, DOI arrested more than 265 individuals who failed to address open fire code violations. This initiative began in July 2007 after DOI found numerous outstanding arrest warrants charging individuals with failing to appear in court to answer the violations. Since then, DOI has arrested more than 550 individuals, and fines of approximately \$212,000 have been ordered for an array of violations, including failing to maintain a standpipe, blocking exits, overcrowding in a nightclub and improper fuel storage.

- **Tort Fraud**

DOI spearheads a Tort Fraud Task Force that includes the City Law Department and the City Comptroller's Office. Its goals are to identify and prevent fraudulent claims against the City through a combination of criminal prosecutions, civil litigation, and measures to reduce the opportunity for fraud. In 2009, these efforts resulted in a federal judge's dismissal of a bogus claim of injuries ostensibly sustained in the 2003 Staten Island Ferry crash by a claimant who, a DOI investigation found, not only had sustained neck and back injuries in previous motor-vehicle accidents but was not even on the ferry at the time of the accident.

## **RESTITUTION, FORFEITURES, FINES AND OTHER RECOVERIES**

As a result of DOI investigations, in 2009 more than \$27 million was ordered or agreed to in restitution, fines, forfeitures and other financial recoveries on behalf of the City and other victims.

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.*

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