

***DEPARTMENT OF INVESTIGATION  
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New York City Department of Investigation 2002-2003 Annual Report  
Commissioner Rose Gill Hearn

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# OUR MISSION, VALUES AND PARTNERS

## FOREWORD FROM THE COMMISSIONER

The New York City Department of Investigation (“DOI”) is one of the oldest law-enforcement agencies in the country and an international leader in the effort to combat corruption in public institutions. It serves the Mayor and the people of New York City by acting as an independent and nonpartisan watchdog for New York City government.

DOI’s major functions include investigating and referring for prosecution cases of fraud, corruption and unethical conduct by City employees, contractors and others who receive City money. We are also charged with studying agency procedures to identify corruption hazards and recommending improvements in order to reduce the City’s vulnerability to fraud, waste and corruption. We investigate backgrounds of persons selected to work in decision-making or sensitive City jobs, and VENDEX those who do business with the City, to determine if they are suited to serve the public trust.

The enormous range of this docket means that DOI handles at any one time hundreds of complaints. Every week, in fact, almost every day, the agency’s work is punctuated by in-coming matters including “911” type situations that require the immediate high level of attention of a cadre of top flight investigators and members of the executive staff.

In a time of diminishing resources, we continue to find new and effective ways to address the problems challenging the City. We try to identify and fix potential corruption hazards before they develop into criminal prosecutions. And, we ensure that we recover monies the City has lost. In 2002, more than \$44 million was levied or recovered through court-ordered restitutions and forfeitures, administrative fines, asset recoveries and the reinstatement of summonses or reassessments.

This report chronicles our efforts for the past year. It defines who we are and includes our big, impact cases, as well as recommendations to improve government operations. I think you will be impressed by our ability to maximize our resources as we continue to provide to the City and its citizens the promotion of honesty and in-

Rose Gill Hearn



## Our MISSION



Founded in 1873 (as the Office of the Commissioner of Accounts) as a result of the Boss Tweed and Tammany Hall scandals, DOI investigates City employees, those doing or seeking to do business with the City, as well as members of the public who engage in corrupt, fraudulent or unethical activities.

Working closely with other investigative agencies such as the Federal Bureau of Investigation, the Justice Department, the New York State Attorney General and the New York Police Department, DOI’s work leads not only to arrests and convictions, but to actions and legislation that improve City operations and save or recoup precious taxpayer dollars. Charged with oversight of a City workforce of 300,000 and a City budget of more than \$44 billion, DOI works tirelessly during a time of diminishing resources to prevent fraud from occurring, to detect fraud that has already occurred and to help the agencies and entities for which it is responsible to develop internal control systems and training to safeguard the public’s interest in honest and efficient governance.

## Our VALUES



DOI's Executive Staff

### *Integrity*

DOI works tirelessly to root out municipal corruption wherever it is found. The agency leads the fight for public integrity and makes use of new technologies, strategies, training and tools in order to constantly improve the quality of our work. We are dedicated to hiring and maintaining the best investigative, legal, audit and support staff available.

### *Trust*

DOI insures that public servants behave honestly and work efficiently, that public money is spent appropriately and that the integrity, effectiveness and credibility of New York City government is preserved.

### *Fairness*

DOI maintains high standards of accuracy, reliability and fairness while approaching all matters professionally, objectively, independently and without any political or ideological bias. DOI follows the evidence wherever it leads.

*"The citizens of New York have been well-served by their city's Department of Investigation. From cases involving a crooked employee trying to shakedown a shopkeeper, to widespread corruption among city assessors, we are fortunate to have a close working relationship with DOI. They are tireless watchdogs of the city's money and its trust."*

*James B. Comey, U.S. Attorney for the Southern District of New York.*

## OUR PARTNERS

*DOI is proud to serve the public by assisting and being assisted by the finest law-enforcement agencies in the nation on some of the most important issues facing our City and our country.*



*In 2002, among the special law-enforcement task forces we have served on:*

*The World Trade Center Redevelopment Task Force*

*The Joint Terrorism Task Force*

*The Federal Identity Theft Task Force*

*The United States Secret Service Electronic Crimes Task Force*

*The Construction Fraud Task Force*

*The High Intensity Drug Trafficking Area Task Force*

*We are also honored to serve as a member of the National White Collar Crime Center and the Mid-Atlantic Great Lakes Organized Crime Law Enforcement Network and to be affiliated with the National Association of Inspectors General.*

## Our Commissioner

# WHO WE ARE

Since her appointment in February 2002, Rose Gill Hearn has presided over numerous successful investigations, including one that led to the arrests of 18 tax assessors for taking bribes and another that led to the guilty plea of a New York City Councilman who extorted a real estate developer seeking City approval to build a multi-million dollar waterfront development project in Brooklyn.

Prior to her appointment, Commissioner Gill Hearn was Deputy Chief of the Criminal Division in the United States Attorney's Office for the Southern District of New York. In that capacity, she coordinated cases with a variety of federal and state law enforcement agencies and supervised federal prosecutors in all aspects of grand jury investigations and prosecutions. She also supervised the Crime Control Strategies Unit, which implemented and supervised community-police outreach programs, including Weed & Seed programs, in a variety of neighborhoods. She also utilized a new crime data collection system that helped prosecutors address crime trends within the city. Her successful trials of fraud, theft, narcotics and money laundering cases earned awards from the Federal Bureau of Investigation, Drug Enforcement Administration, New York City Police Department, U.S. Secret Service and U.S. Postal Inspection Service.

## DOI's Team

Supporting the Commissioner is an extraordinary team with more than six decades of combined public service as well as educations at Harvard University, Duke University, Columbia Law School, New York University School of Law, Queens College and Syracuse University.

[First Deputy Commissioner Elizabeth Glazer](#) came to DOI with a distinguished background. She is a Fulbright Scholar and once clerked for the Honorable Ruth Bader Ginsburg. Ms. Glazer spent 13 years in the United States Attorney's Office for the Southern District of New York where she developed an innovative strategy for eliminating violent gangs through racketeering laws. Over the course of four years, among other cases, Ms. Glazer charged 400 defendants with more than 350 murders. The precincts in which those cases were brought saw a precipitous drop in the murder rate which exceeded the city-wide average. At DOI, Ms. Glazer is second in command and oversees the two Deputy Commissioners and General Counsel, as well as strategic planning, budget, personnel and day to day operations, including orchestrating the agency's important investigations.

Before joining DOI as its [General Counsel, Marjorie Landa](#) worked with the City's Law Department for 16 years where she served as lead counsel in high-profile fraud and public corruption cases, including state and court fraud, civil RICO, intergovernmental funding cases, and, among other areas, civil rights cases. She recovered \$63 million in social services funding for the City in settlements and judgments. At DOI, Ms. Landa provides legal counsel to the agency, including issuing and enforcing agency subpoenas, overseeing Whistleblower Law cases and, among many other duties, coordinating the agency's restitution and forfeiture efforts. Ms. Landa's office has coordinated CLE programs for the agency's attorneys and has instituted a lecture program featuring New York City judges. Ms. Landa is also the agency's own Inspector General.

[Deputy Commissioner Daniel Brownell](#) supervises all the agency's 13 Inspectors General, who monitor more than 300,000 City employees in approximately 70 City agencies, commissions and boards, as well as contractors and vendors doing business with the city. In his position, Mr. Brownell also oversees many of agency's most significant investigations. Mr. Brownell came to DOI after two years at the New York State Inspector General's office and 16 years in the Manhattan District Attorney's office where he tried some of the office's biggest cases. In 1994 and 1995, he prosecuted the largest gang case – known as the Wild Cowboys – in the history of the Manhattan D.A.'s office. The investigation took 30 months and the trial lasted nearly nine months. Sixty four defendants were indicted and the nine who went to trial were convicted.

## OUR TEAM

[Jan English, DOI's Deputy Commissioner of Management and Budget](#), began her career 24 years ago as a Level I Confidential Investigator in an Inspector General's office where she specialized in investigations pertaining to citywide procurement contracts and real estate cases. She rose through the ranks at DOI to Inspector General and also worked at a variety of City agencies and commissions. She distinguished herself in her service as the Deputy Commissioner for Administration at the New York City Department of Juvenile Justice before she returned to DOI. Ms. English is an expert at managing complex budgets, analysis and planning, human resources, procurement, contracts and facility management.

Working with and for the executive staff are nearly 250 people who are investigators, detectives, attorneys, forensic accountants, analysts, computer specialists and support staff who have been employed at the agency for only a year or two, or decades. They are a diverse group who can speak Korean, Spanish, Russian, French, Italian, Greek, Hebrew, Urdu, Ukrainian, Tagalog and Chinese. You can get to know our staff better through the profiles sprinkled throughout this report.

### DOI's Jurisdiction

The DOI Commissioner supervises Inspectors General appointed to monitor approximately 70 City agencies, commissions and boards. Pursuant to a Memorandum of Understanding, the agency also manages the Inspector General for the New York City Housing Authority, the largest public housing authority in the country. The agency is developing a similar Memorandum of Understanding with the New York City Housing Development Corporation. In addition, the DOI Commissioner oversees the Special Commissioner of Investigation for the New York City School System and the Commission to Combat Police Corruption. DOI also has a working relationship with the School Construction Authority.

### Special Commissioner of Investigation for the New York City School System

Appointed in June 2002 by Mayor Bloomberg and Commissioner Gill Hearn, [Special Commissioner Richard Condon](#) is charged with investigating criminal activity, unethical conduct, conflicts of interest and other wrongdoing occurring within the City's schools. He has a long and distinguished career in public service, including 20 years in the New York Police Department, which culminated in his appointment as Police Commissioner. He's also served as the Commissioner of the Division of Criminal Justice Services under Governor Mario Cuomo. Prior to his appointment as Special Commissioner, Condon was the Director of Administrative Services and Worldwide Security for Paine Webber.

**"The Department of Investigation has demonstrated time and again its commitment to uncovering corruption at all levels of New York City government. DOI's investigation of the Department of Buildings, and the 19 convictions that resulted, very clearly sent the message that government approvals are not for sale, and that the unlawful use of government authority and the receipt of bribes will not be tolerated. DOI's recent investigation of former New York City Councilman Angel Rodriguez exposed a politician who tried to use his power to enrich himself and to betray his oath and the trust that was placed in him by the members of his own community. That investigation, and Rodriguez's subsequent conviction, resoundingly demonstrated that an elected official who corrupts government will be met with the full force of the law. We are proud to have worked with DOI on these two cases, and many others, and look forward to continuing this very productive relationship that has benefited all the residents of our city."**

**- U. S. Attorney  
Roslynn R. Mauskopf**



## ENSURING EMPLOYEE AND CONTRACTOR INTEGRITY

### Background Investigations

In 2002, DOI conducted nearly 2,000 background investigations of new City employees or those promoted to management positions. Those subject to background investigations include all managerial positions, individuals earning more than \$55,000 annually, all individuals involved in City contracts and individuals who work on the City's sensitive computer programs. The number of background investigations conducted was significantly higher than usual due to the change in mayoral administrations.

Also in 2002, the agency solicited and reviewed more than 4,000 financial disclosure reports submitted, pursuant to an executive order, by high ranking City-employees and, among others, those directly involved with City contracts. These forms require detailed disclosure of the employee's financial holdings.

### VENDEX

All vendors that are under consideration for the award of a sole source contract valued at \$10,000 or more, any single contract valued at \$100,000 or more, or whose aggregate business with the City in the prior 12 months, including the proposed contract, is \$100,000 or more must complete and submit a VENDEX Questionnaire. These questionnaires elicit details of the entities and their major officials, including matters relevant to a determination of business integrity, such as convictions or law enforcement investigations. The responses help the City make a decision as to whether a particular vendor is responsible, and thus, deserving of taxpayer dollars. Last year, DOI conducted more than 66,000 VENDEX name checks of entities and people who do business with the City.

### Complaint Bureau

Last year, DOI received more than 8,000 complaints or inquiries from City employees and the general public. These complaints can be made by phone, mail or e-mail. In October 2002, DOI gave visitors to the agency's website the opportunity to file complaints on-line. So far, this effort has been successful - the agency received nearly 100 on-line complaints in less than two months.

### Employee PROFILE



#### Seth GORDON

Seth Gordon's first and only job has been at DOI.

Having gone straight from college to law school, Gordon wasn't certain he wanted to practice law.

"I never wanted to make money for someone else," he says. "I wanted to do something for a purpose, for the public."

As a result, he found himself looking for a career where he could put his bachelor's and law degrees to use. DOI was just the place.

"DOI is a good mix of legal work and criminal justice," said Gordon.

In the four years he's been with the agency, Gordon has never doubted his decision.

"The camaraderie among investigators and the staff is great," he said. "I like helping people. I have a case load I supervise; I'm always connecting with investigators, deputy commissioners and court staff. I love learning new things on a daily basis."

So far, Gordon has worked happily on numerous conflict of interest and fraud cases, but he's aiming higher.

"I hope to be the counsel of an IG's office someday."

### Independent Private Sector Inspector General (“IPSIG”) Program

In 1996, DOI created the IPSIG program, which establishes a method to permit the City to enter into contracts with companies that might otherwise be precluded from doing business with the City due to integrity issues. Under the IPSIG program, these vendors are awarded a contract as long as they agree to be monitored by an outside, independent company.

The IPSIG monitors are private, expert and independent investigative, auditing and/or law firms who help the City monitor a particular company, as well as help the company reform its business practices so it can receive City contracts in the future.

Since the program began, there have been about 20 instances in which an IPSIG monitor has been assigned to a company with an integrity-related issue which wanted to do business with the City. For example, after DOI arrested 19 plumbing inspectors on bribery charges in June 2002, both DOI and the Department of Buildings sought ways to prevent future corruption. DOB has contracted a private firm, Hill International, to conduct plumbing inspections. DOI proposed that a professional monitor or IPSIG work with Hill to prevent a re-occurrence of corruption in the plumbing division. The IPSIG updates the IG’s office on a regular basis so that the agency may evaluate Hill’s effectiveness in the plumbing inspection process.

As the City has grown, DOI has met its needs by focusing its efforts and initiating programs and policies to help make the City, its residents and employees safer and stronger.

### School Construction Authority (SCA) – Pre-qualifying Contractors

The School Construction Authority's Inspector General plays an integral role in the SCA's pre-qualification program. Whereas other agencies conduct a responsibility review (or VENDEX questionnaire) on the apparent low bidder, the SCA requires a contractor to complete the pre-qualification review process before it can bid on or accept SCA work.

The IG reviews each applicant to determine if it has the necessary ethics and integrity to participate in public contracts. Based on recommendations from the IG, SCA has disqualified 430 firms, many of whom had unacceptable associations with organized crime; a history of criminal conduct; a record of poor performance or were “fronts” for previously disqualified firms. Other firms have bid on projects, but only after they agreed to allow an outside monitor supervise their work, or signed a certification agreement pledging to refrain from associating with certain individuals or engaging in unacceptable conduct.

### DOI and Department of Finance Create Joint Anti-Corruption Task Force

After DOI arrested 18 tax assessors on federal bribery charges, the Commissioners of both DOI and the Department of Finance (DOF) established a Joint Anti-Corruption Task Force (the Task Force) charged with examining the property assessment function at DOF and developing recommendations to reduce the potential for future corruption. Task Force members include key staff from DOI's Inspector General's Office for DOF and other DOI units knowledgeable about the specific allegations in the indictments, as well as determining areas vulnerable to corruption. The Task Force issued a preliminary report in September 2002 with 35 recommendations to ensure that the assessment process is transparent, objective, fair and conducted with integrity. A final report is expected to be published in 2003. For more information about the tax assessors case, see page 18.

### DOI and Department of Buildings Target Problematic Units

After the federal indictment of 19 plumbing inspectors, DOI and the Department of Buildings (DOB) formulated a Memorandum of Understanding so the agencies could proactively identify areas of mismanagement, corruption and inefficiency in DOB. As part of the MOU, DOB has given DOI money to hire two additional staff members. These hires, along with staff from DOB's Investigations Audit and Discipline unit will pair up to form the Joint Anti-Corruption/Integrity Team (JACIT) and undertake a comprehensive program to review problematic areas and units at DOB. The team's findings could result in policy and procedural recommendations, administrative action and, where warranted, criminal prosecutions. The IG's office interacts with DOB's IAD unit on a regular basis, holding weekly meetings to discuss specific topics or targets for possible investigation. Additionally, as part of an overall DOI City-wide initiative, the IG's office is maintaining a regular schedule of anti-corruption/integrity training lectures to all DOB staff. For more information about this case, see page 18.

### COMPSTAT

Following the model for the NYPD COMPSTAT, DOI implemented in September 2002 its own management reporting system that is designed to enhance the performance and accountability of its operating units. In DOI's version of COMPSTAT, the agency uses factors — such as the nature of allegations and the length of time a case is open — to identify patterns and focus resources. DOI's COMPSTAT tracks the progress of our cases to ensure that appropriate restitution, forfeiture or fines are sought.



### Ismini Tegerides

There's very little that Ismini Tegerides doesn't keep track of - payroll, salary changes, overtime and comp time reports, savings bonds, and anything else associated with numbers and the agency's finances.

"I love budgets," says the earnest and detail-oriented Tegerides, who has been with DOI since 1987. "I don't know why, but I love it. I like to deal with numbers."

After working as a timekeeper for the Department of Juvenile Justice, Tegerides decided to make a lateral move and work at DOI as a timekeeper. That was just the beginning. "After a while, they saw I have a capability to do more than one thing and so they've given me more things to do," she says.

Aside from tracking most items related to compensation, Tegerides also fields questions from investigators who monitor time-keeping, payroll and personnel issues in other City agencies. She also completes payroll verification questionnaires for the Housing Authority, the New York City Employee Retirement System, unemployment and more.

"I try to help people - I try to get answers to questions as fast as possible," she says. "It makes me feel good - that I can help people do their jobs better."

Her whole career has been devoted to helping people and to public service. In her native Cyprus, Greece, Tegerides worked for the Ministry of Labor and Social Insurance.

"DOI is an agency that tries to prevent fraud and corruption and I like it," she says. "I try to offer my services and my knowledge when different employees ask me questions."

Even though she's not directly involved in investigations, Tegerides knows her job is indispensable.

"We ensure all employees receive their paycheck every two weeks," she says. "Checking the reports and doing auditing we can catch errors and save money for the agency. We also help the agency's budget director to monitor the agency's spending. That feels good."

## Employee PROFILE



### Erskine FLEMING

Can-do guy, go-to man, thorough and a self-starter – these are just a few of the terms used to describe Erskine Fleming, a special investigator in CISAFE.

"We gave him a tremendous amount of work for the HPD and DOC cases and he came through in flying colors," says Deputy Commissioner Dan Brownell.

Almost nine years ago, Fleming joined DOI's ISCS unit as an intern. Two years later, he joined the staff full-time doing computer repair. As time progressed, he began to help investigators with their work. And, as some say, that's how he got his start.

Though he's taken classes at the national White Collar Crime Center in West Virginia, Fleming has taught himself much of what he knows.

"He learns how to do what he needs to do," says Brownell. "If he doesn't know how to do something, he makes sure he learns how to do it."

Fleming's forensics work on high profile cases sometimes requires him to look at computer data on another agency's network, which sometimes can make people anxious.

"He's come up with practical solutions to allow investigators to see the data they need without infringing on people's private or proprietary information," says CISAFE Deputy Director David VanderNaalt.

HPD IG Brian Foley also sings Fleming's praises.

For his part, Fleming can't name his favorite case because he loves every part of his work.

"The best thing is trying to find that smoking gun," he says. "Each case is an opportunity to do more. I just try to do the best I can. I don't stop until I know that's it."

## Warrant Review

DOI's Squad of NYPD detectives, with the help of investigators in the IG offices, worked with the NYPD warrant division to determine how many and which City employees were wanted on outstanding felony warrants. Of the hundreds of names that popped up as possible active cases, it turned out only one individual remained a City employee. Both the DOI Squad and the IG offices continue to review lists of outstanding warrants in felony and misdemeanor cases so they can determine if any City workers are wanted for arrest.

## Cases and Notes

To help keep the agency's attorneys and investigators up to date on current case law, DOI's General Counsel Office regularly sends a digest or compendium of developments in laws that are particularly relevant to DOI's operations – whether it be investigative practices or the prosecution of a case. Sources for this digest include cases from federal and New York State courts and administrative tribunals, including the Office of Administrative Trials and Hearings (OATH) and federal, state, and local legislation. These reports are not intended to be exhaustive, but are designed to provide a brief, yet concise description of the particular case or topic discussed.

## CISAFE

DOI's City-wide Information Security Architecture Formulation and Enforcement unit (CISAFE) protects City agencies from hackers and provides investigators with forensic analysis of electronically stored data. The high level of CISAFE's expertise and equipment has made the unit a resource to other law enforcement agencies.

## Connecting with the World Around Us

At the request of the U.S. State Department, DOI has hosted numerous high-level law enforcement and government personnel from around the world so they could learn more about the innovative anti-corruption measures the agency uses in the City of New York. Representatives from Czechoslovakia, Tanzania, South Korea, Mongolia, People's Republic of China, Serbia and Brazil have learned about DOI's investigative and interviewing techniques, as well as measures for corruption prevention. These meetings have given DOI valuable contacts throughout the world, which can be essential if, for example, the agency needs to track an individual under investigation who has returned to his or her home country.

## Training

During the past 10 years, DOI's training program has grown and become self-sufficient. We have more than 20 state certified trainers and are recognized as a training academy by the New York State Department of Criminal Justice Services. Our academy features a Firearm and Tactics Section that is responsible for training more than 100 DOI peace officers in firearms use, defense tactics and other relevant topics. We have state certified instructors in each of these specialty areas. Additionally, to assist our sister city agencies, DOI provides peace officer training to more than 10 agencies.

## LEGISLATIVE MANDATES AND INITIATIVES

### Whistleblower

DOI began in the summer of 2002 the most comprehensive "Corruption Prevention/Whistleblower Protection" campaign for City employees in the agency's history. The campaign included lectures and the distribution of printed materials, such as brochures and posters, to all City employees so they could learn how to recognize and report corruption. The campaign also taught City employees how to avoid conflicts of interest and educated them about their right to protection from retaliation for reporting misconduct. Since the program began in September 2002, DOI has given more than 390 lectures to more than 8,000 employees. The efforts have resulted in an increased number of complaints from City employees about alleged wrongdoing.

Additionally, DOI endorsed a recent revision of the City's Whistleblower law (Administrative Code 12-113), the first major revision since its initial enactment. This amendment, initially proposed by City Councilwoman Helen Sears, broadened both the category of employees protected by the law and the nature of a report that would be protected. Both Commissioner Gill Hearn and First Deputy Commissioner Elizabeth Glazer testified before the City Council about this important legislation. The new law now gives protection to employees of City entities headed by elected officials, such as Borough Presidents, City Comptroller, City Council and District Attorneys. Previously, only people employed by Mayoral agencies were protected under the law. Furthermore, the law now offers protection to those making reports of gross mismanagement and abuse of authority. Previously, only those reporting corruption, criminal activity and conflicts of interest were protected.



These efforts will remind City employees that they must report corruption, as well as reassure them they will be protected when they report those allegations.

### Tort Fraud Task Force

DOI is spearheading a tort fraud task force that includes the Law Department and the City Comptroller's Office. The task force's goal is to identify fraudulent claims against the City, prevent them through a combination of criminal prosecutions, affirmative litigation and changes in procedures and reduce the opportunity for fraud. In 2002, the task force's work included the criminal prosecution of a taxi driver who filed a \$50 million lawsuit against the City erroneously claiming he was beaten by Taxi and Limousine Commission inspectors. This lawsuit, along with others, could have cost the City millions of dollars without the work of the task force.



While DOI dedicates itself to rooting out corruption, it is also devoted to preventing fraud and malfeasance. As a result, DOI acts as the City's in-house management consultant. As we identify corruption hazards, we recommend policy and procedural changes to City agencies and their leaders so they can prevent future wrongdoing.

### WORLD TRADE CENTER DISASTER

#### World Trade Center (WTC) Independent Project Integrity Compliance Monitor Program

After the September 11, 2001 terrorist attacks, the City of New York immediately initiated efforts to clear the debris caused by the collapse of the World Trade Center. Due to the magnitude of the effort, the site was divided into four quadrants and different construction management (CM) firms were employed to work each quadrant. In the two weeks following the Towers' collapse, there were allegations that steel and debris had been stolen from Ground Zero. In light of this alleged criminal conduct and because the construction managers were to be paid based on the time it took them to do the job and the materials they used, the City implemented a site-wide Monitor Program at Ground Zero.

In the first week of October 2001, DOI appointed four monitors whose mandate was to oversee the site's four quadrants. The monitors were: Getnick & Getnick (Turner Construction), Decision Strategies/Fairfax Int'l (Tully Construction), Thacher Associates (Bovis Lend Lease) and Stier, Anderson & Malone (AMEC).

The Monitors were responsible for preventing and detecting fraudulent, wasteful or abusive practices at Ground Zero by any of the contractors working at the site. In this role, they had employees monitoring Ground Zero 24 hours a day, seven days a week and they staffed an Integrity Hotline that received reports of suspected corruption or misconduct. Additionally, the monitors both ensured that contractors paid their workers the appropriate wages and reviewed the contractors' invoices for accuracy. The monitors worked closely with staff at the City's Department of Design & Construction ("DDC"), the agency that was responsible for overseeing the work of the four CMs. And they also worked with the auditing firm of KPMG, which was hired by DDC to assist its Engineering Audit Officer in the review and approval of the requisitions submitted by the CMs and their subcontractors. So far, the monitors have proposed millions of dollars in savings from their review and analysis of those requisitions.

## Lower Manhattan Development Corporation

The Lower Manhattan Development Corporation (“LMDC”), a subsidiary of the New York State Empire State Development Corporation, was created by the New York State Governor and New York City Mayor. With the mandate of helping plan and coordinate the rebuilding and revitalization of lower Manhattan after the September 2001 terrorist attacks on the World Trade Center, the LMDC has received more than \$2 billion from the United States Department of Housing and Urban Development (“HUD”).

Some of these funds (about \$281 million) are devoted to the LMDC’s Residential Grant Program, which provides financial incentives to encourage people who reside in certain designated areas or zones in lower Manhattan to continue to live in those areas. DOI works closely with the LMDC’s Compliance Auditor and Investigative team, who operate a fraud prevention hotline and other anti-fraud initiatives.

## Identity Theft

During 2002, DOI worked to combat identity theft with a task force comprised of the Federal Bureau of Investigation, the U.S. Secret Service, the U.S. Social Security Administration Office of the Inspector General, the U.S. Postal Inspection Service, New York State Attorney General’s Office, the New York State Police Special Investigations Division, the New York State Office of the Inspector General, the New York State Department of Taxation & Finance Revenue Crimes Bureau, the New York City Police Department and the District Attorneys of Westchester and Bronx Counties. The combined efforts of the task force resulted in at least 26 arrests of individuals involved in several large-scale identity theft rings.



The schemes perpetrated by these individuals victimized thousands of New Yorkers by obtaining their personal identification information from entities that include government offices, retail service outlets, and financial institutions. The stolen information was subsequently used to obtain, through credit card fraud, more than \$500,000 worth of property that was illegally sold or it was used to commit tax fraud against the government. The Department of Investigation continues to work with the task force in 2003.

## Employee PROFILE



### Laila YU

Investigators should be so lucky to have Laila Yu on their cases.

A forensic accountant, Yu doggedly combs through piles of complicated paperwork to establish evidence proving a suspect has laundered money or used public money for personal expenses. No matter how daunting or tedious the job, Yu considers it an honor to do it – to be a watchdog for the City.

In a recent case that led to the indictment of a former City housing official, Yu analyzed hundreds of pages of records to help determine the official had used more than \$400,000 of agency funds for personal gain – including payroll bonuses, travel expenses for trips around the country, and, among other budget line items, parties for his friends.

“It feels good to catch someone doing something bad and putting them in prison,” says Yu, who became a forensic auditor when she joined DOI five years ago.

Yu hasn’t always chased crooks. Born in Cebu, Philippines, she began her career as a certified public accountant in that country’s largest accounting firm. After moving to the United States for adventure and greener pastures, she continued her career as a CPA until a friend told her about DOI.

“I don’t think I’ll go back to regular auditing,” she says. This is too fun and interesting.”

## Housing Authority’s Rental Assistance Amnesty Program

At the suggestion of its Inspector General, NYCHA established a Rental Assistance Amnesty Program for all authorized NYCHA residents and Section 8 leased housing participants to encourage them to report accurately their household income and/or assets. Amnesty – immunity from criminal prosecution and eviction for previous underpayments – was granted if the residents and participants made full payment of all rents in arrears.

The Housing Authority received more than 5,800 applications from residents seeking Amnesty. Based on those cases that have been resolved thus far, NYCHA stands to recover over \$1.8 million. This includes more than \$1.3 million in retroactive rent payments from conventional public housing residents and more than \$588,000 in Stipulations from Section 8 Leased Housing subsidy residents.

Those who did not come forward and continue to report inaccurately their income and household makeup could face prosecution, civil charges and eviction.





DOI is working to restore tens of millions of dollars to city coffers for restitution and loss prevention from all of its cases. In 2002, more than \$44 million has been levied or recovered, either through court-ordered restitutions and forfeitures, administrative fines, asset recoveries or the reinstatement of summonses or reassessments. DOI's investigative efforts had the biggest impact on the Department of Finance, which, after the tax assessors case, revised the annual tax bills for 296 properties to recover \$19 million for the City. Thus far, in fiscal 2003, DOI has identified \$16.7 million to be realized in total restitution, fines, loss prevention, forfeitures and recoveries to all City agencies and other victims.

**The agency's statistics for fiscal years 2002 (7/1/01 to 6/30/02) and 2003 (7/1/02 to 6/30/03)**

	2002	2003
Number of City Employees	300,000	300,000
Number of City agencies, commissions and boards DOI oversees	70	70
DOI's Budget	\$20 million	\$18.6 million
Total Complaints Received	8,771	12,167
Number of Investigations	1,604	1,719
Total Complaints Closed	8,897	12, 106
Number of arrests by DOI	188	225
Number of arrests by DOI partners	83	102
Total Arrests	271	327
Number of City Employees Arrested	91	116
Number of Criminal referrals	220	269
Number of Civil referrals*	405	144
Number of Disciplinary referrals	226	562
Number of COIB referrals	35	39
Recommendations for Policy and Procedural Changes	75	111

\* These are referrals made by DOI in an effort to recover restitution or forfeiture.

**A**t any one time, DOI could have hundreds of open preliminary investigations during which we assess evidence and facts and determine if there's a viable case. From there, we open cases where we think we'd have the most impact – whether it's turning off spigots of corruption or suggesting policy or procedural changes. These cases cover a range of topics from allegations of fraud, theft, bribery/extortion to monitoring the City's Marshals, contractor integrity and the World Trade Center clean up.

### Theft

As a result of a joint investigation by DOI and the New York State Attorney General's office, on April 5, 2002, five individuals were arrested and charged with conspiracy in the theft of tens of thousands of dollars from New York City parking meters. The arrests are a continuing investigation that has revealed that the participants in the scheme stole more than \$250,000 from the City.

The investigation, which was triggered by a tip from a concerned citizen, included extensive surveillance of the defendants' thefts, court-ordered wiretaps of telephones that the defendants used in planning and discussing their scheme, and the execution of search warrants at their homes and other locations. All defendants pleaded guilty to felony charges.

The first six months of 2003 have been particularly busy for DOI investigators.

In February, the agency's investigation of Anthony Serra, 42, a New York City Department of Correction (DOC) Bureau Chief, culminated in an 89-count indictment in Bronx Supreme Court that alleged Serra had used DOC workers, who were being paid with taxpayers' dollars, to make repairs and maintain the grounds at his home in suburban Mahopac, New York in Putnam County. The workers planted trees and shrubs, mowed the lawn, repaired the driveway, remodeled a bathroom and upgraded the kitchen. Serra also allegedly looted a DOC storage shed of a ladder, leaf-blower, work table, mulch and other supplies. The indictment also alleged that DOC personnel were used to run errands for Serra's family. Serra, according to the indictment, falsified time sheets and overtime hours for the workers involved. The investigation continues.

The theft of a painting by Salvador Dali from Rikers Island generated much media attention from the moment its theft was made public in March 2003. The sketch, donated by Dali in 1965 when he canceled a promised appearance at Rikers, was hung in a locked display case in the lobby of the men's jail, an area off limits to inmates. In June 2003, four DOC employees were indicted on theft charges after they staged a fire drill so they could steal the Dali and replace it with a fake.

## Housing Fraud

Of all the different types of white collar crimes DOI investigates, fraud is one the most prevalent. In government-funded housing it can involve pennies to hundreds of thousands of dollars. One DOI investigation led to the arrest and conviction of a woman for fraudulently receiving \$184,000 in public assistance, food stamps and other related benefits. In another, a caseworker assigned to the Human Resources Administration's Waverly Job Center issued more than \$200,000 in fraudulent funds.



In another investigation that lasted three years, DOI investigators uncovered a scheme involving 23 people who used not-for-profit corporations to fraudulently obtain 203-K Housing and Urban Development mortgage loans. In this case, investors were not eligible for a 203-K loan, so they used various not-for-profits as "straw buyers" and then had fraudulent appraisals to justify high sales prices when they wanted to flip the property and increase their profits. The investors pocketed more than \$100,000. To date, 19 of the individuals have pled guilty. Approximately \$3 million in assets have been seized.

Because the New York City Housing Authority provides shelter for 435,000 tenants as well as 79,000 families receiving Federally-funded Section 8 dollars, DOI devotes some of its resources to rooting out tenant fraud. In 2002, DOI arrested 43 individuals for stealing a total of \$913,394 in rent subsidies from NYCHA. Fifteen of those individuals were public housing residents who stole \$315,353 and 28 of them were Section 8 participants, who stole \$598,041.

## Prevailing Wage

DOI continues to investigate city contractors who fail to pay their workers the required prevailing wages set by either the Comptroller's Office for City and State funded projects or the Department of Labor for federally funded projects. Contractors who do not pay their workers the legally mandated wages often falsify documents that they submit to government to make it appear that they had paid the correct wages. DOI seeks criminal penalties and administrative sanctions against those contractors. For example, on May 22, 2002, Empire State Renovation Corp., Inc. (Empire), a Brooklyn-based construction company, pleaded guilty to charges that it submitted fraudulent certified payroll reports. Empire also pleaded guilty to defrauding employees out of \$142,027 by failing to pay them prevailing wages on a DDC construction project in Brooklyn.

*"The Department of Investigation plays an important role in combating fraud and corruption and seeing that businesses comply with the law and City regulations. This past year, among other cases, we worked with DOI to prosecute hundreds of depositors who stole from the Municipal Credit Union in the days following September 11th and, in another case, to prosecute a company responsible for a scaffolding collapse that killed five construction workers. This sort of cooperative effort is imperative if the City is to remain a safe and inviting place to live and work."*

Manhattan District Attorney Robert M. Morgenthau

## OUR CASES

### Bribery/Extortion

These are among our most common cases. They range from the inspector who takes a \$100 bribe to the Parking Violations clerk who took \$200,000 to dismiss parking violations to the Brooklyn City Councilman who pled guilty to federal extortion charges after he and a co-conspirator demanded \$1.5 million worth of property and \$50,000 cash from a real estate developer who wanted the councilman's vote in favor of a development slated for Red Hook, Brooklyn. In June 2003, the Councilman was sentenced to 52 months in prison.



Some of these cases attract considerable amounts of publicity. For example, DOI arrested Robert Swinton, a former Deputy Director of NYCHA's Department of Facility and Planning Administration, for extorting and attempting to extort more than \$25,000 from a Harlem shopkeeper who sought to lease commercial space from NYCHA. Before his arrest and unrelated to the case, there had been a flurry of publicity about Swinton when he was fired from his job after the New York Post published a story about Swinton's lengthy smoking breaks.

The devastating impact bribery has on the City is manifest in the February 2002 arrests and indictments of 18 current and former tax assessors, as well as the July 2002 arrests and indictments of 19 current and former DOB plumbing inspectors. A DOI and federal investigation uncovered that the tax assessors had concocted a nefarious scheme that bilked the City of \$160 million for the last four years of the scheme alone. Seventeen of the 18 assessors have pleaded guilty. Those thus far sentenced have received terms of imprisonment, ranging from four to 41 months, and have been ordered to pay restitution of \$160 million each. In sentencing these men and women, the judge stated that Mayor Bloomberg's victim impact letter on behalf of the City – possibly the first victim impact letter ever written by a mayor – encouraged the judge to give the defendants tough sentences. Albert Schussler, who was charged as the prime participant in the scheme and was a former assessor who later worked as a tax consultant, died in January 2003. In an effort to prevent future corruption, a joint DOI and Department of Finance Task Force is revamping DOF's Real Property Assessment Unit and changing, among other things, the method by which real property is assessed. Reassessments will secure the City at least \$19 million for fiscal year 2003.

In another case with far reaching implications, 19 buildings inspectors ignored Building Code regulations and expedited job approval in exchange for payoffs from plumbing contractors. Some of the defendants passed jobs without having inspected the work. Each inspector was charged with receiving bribes in violation of the Hobbs Act and indicted by the United States Attorney's Office for the Eastern District of New York. As of January 2003, all of the defendants have pled guilty to one count of bribe receiving and are awaiting sentencing.

## Employee PROFILE



**Bob JOYCE**

Give Bob Joyce a mystery, puzzle or riddle and he'll hunker down, not giving up until he's solved it. But that doesn't mean he's obsessed with crossword puzzles or the latest Robert Ludlum mystery.

He's devoted to his role as one of the agency's experienced investigators and Inspectors General.

For months, perhaps years, he led the DOI team that was devoted to rooting out the biggest corruption scandal in New York City – the Tax Assessors – in which 18 City tax assessors were indicted in a bribery scheme that defrauded the City of \$160 million in the last four years alone.

"That was a challenging case," says Joyce, who joined DOI in 1981 and is now the IG for DCAS – the Department of Citywide Administrative Services. "The subjects acted as an organized crime family - they built up years of familiarity which made it hard to penetrate their group, observe them, and figure out their scheme."

But it is a case that demonstrates how perseverance prevails in the end. "Ultimately, you try enough things and it starts to work," says Joyce, noting proudly that all of the assessors have pleaded guilty.

"Fighting white collar crime is a challenging, interesting job. We learn about someone involved in a scheme, get some clues and follow the leads. Then, we start unraveling the mystery. It's even more of a challenge to do so in a way that we will be able to present the case to a prosecutor, and we can prevail in court."

But it's not just the complicated blue-chip cases that end up in the newspapers or on television that make Joyce proud. He takes pride in the development and the successes of the members of his staff. He places an emphasis on instituting measures that help prevent the opportunity for corruption.

Joyce drafted the version of the advisory banner that appears on every City employee's computer when they log on so they are reminded of the City's policy for computer use. "You can make an impact on people in many different ways," he says. "How many people can say they do that in their jobs?"

## Marshals

Appointed by the Mayor, marshals are officers of the Civil Court of New York City. There are 39 marshals in New York City and they carry out evictions, collect money judgments and tow cars in judgment. As its overseeing body, DOI investigates crimes relating to or committed by City Marshals.

A DOI investigation of Michael C. Wade led to his indictment for defrauding citizens outside separate City Marshals' and Parking Violations Operations (PVO) offices in Brooklyn, Queens and the Bronx. Impersonating a Marshal, Wade told his victims that for the right amount of money he could clear up their parking violations even though he had no such authority. He pled guilty and was sentenced to 18 months to three years' imprisonment.

## Municipal Credit Union

DOI arrested 93 individuals – including 58 City employees – who pilfered money from the Municipal Credit Union's automatic teller machines in the days after the terrorist attacks in September 2001. So far, the City has recovered \$10 million of the \$15 million taken. Another \$1.3 million will be paid back in installments. In June 2003, based on DOI's investigation, the Manhattan District Attorney's office charged another 118 people for stealing more than \$5,000 each in cash from MCU.

## Employee Fraud

The Office of the Inspector General for the New York City Housing Authority (NYCHA) in conjunction with the Office of the Inspector General for FEMA have investigated whether or not New York City employees falsely applied for World Trade Center relief funds. Investigators determined that one NYCHA employee fraudulently claimed she worked for a private law firm and lost her job and another employee claimed she had exhausted her sick leave due to Post Traumatic Stress even though she really had stayed home to care for her son who had broken his leg. So far, six employees have been arrested for filing false applications with FEMA, the American Red Cross ("ARC"), Safe Horizon and The Salvation Army. The subjects illegitimately received a combined total of \$55,416 in WTC relief funds.

## OUR CASES

One of the agency's biggest cases in the first six months of 2003 led to the federal indictment of Russell Harding, the former president of the New York City Housing Development Corporation (HDC) who was accused of participating in a scheme to defraud HDC of hundreds of thousands of dollars and with receiving and possessing child pornography. The six count indictment alleges Harding illegally used HDC funds for his own personal gain and for the personal benefit of friends and associates, sought to evade detection by falsely characterizing improper personal expenses as legitimate business expenses and concealed and destroyed evidence that would have revealed these illegal activities. In addition, the indictment charged that Harding approved various forms of unauthorized compensation for himself, including salary increases, bonuses and annual leave increases, as well as an \$8,597 reimbursement of the penalty he incurred as the result of his early withdrawal of funds from his retirement plan. He has pleaded not guilty and is expected to face trial in 2003.

### Contractor Integrity

DOI arrested James Tzitzikalakis, president of Foundation Construction Consultants, Inc. in December for submitting falsified and inflated invoices to the NYC Department of Citywide Administrative Services (DCAS) in connection with a \$2.5 million contract the company had with DCAS to perform general construction work within the City. Foundation overcharged DCAS \$536,307.98. Shortly before DOI began its investigation, the defendant left the United States for his native Greece. With the help of other law enforcement agencies like U.S. Customs, DOI was able to monitor Tzitzikalakis' whereabouts and track his reentry into the United States. After his arrest, he was held in prison on \$1 million bail until he was able to meet bail conditions of \$50,000 and a \$950,000 personal bond. This summer, Tzitzikalakis was sentenced to one to three years in jail and ordered to pay \$340,000 in restitution.

### Special Commissioner of Investigation for the New York City School District

By virtue of its mandate, SCI investigates criminal activity, unethical conduct, conflicts of interest and other wrongdoing occurring within the New York City public school system.

Between January 1, 2002 and June 30, 2003, SCI arrested 42 individuals on a broad range of charges, including sexual misconduct, theft, bid-rigging and forgery. In separate cases, a teacher, an after-school basketball coach, a paraprofessional and a school aide were charged with having sex with students. Another teacher was accused of using her computer to send indecent material to a 13-year-old male student whom she also sexually abused; and a school psychologist was charged with touching female students. Investigators also arrested 18 custodians and a vendor who engaged in a scheme to defraud the public school system. An additional custodian was arrested on an unrelated larceny charge. Moreover, 16 other employees were also accused of theft-related crimes.

During this time period, as a result of prior investigations, SCI recovered revenue and returned it to the City. In one instance, the former Superintendent of Community School District 29 and four individuals who conspired with her to steer lucrative contracts to a computer company in exchange for kickbacks, upon pleading guilty to the scheme, were ordered to repay \$4.85 million as part of their sentence. In a second case, a company that held a contract to provide related services to Special Education students was ordered to repay more than \$1 million dollars that had been stolen by billing the public school system for therapy sessions that had not been provided.

Despite a cut in the workforce of the office, in the first 6 months of 2003, the number of complaints being investigated by SCI increased, as compared to the same time period in 2001 and 2002. The number of substantiated cases that resulted in a referral to the Chancellor for disciplinary action against employees or systemic change also went up.

**NEW YORK CITY DEPARTMENT OF INVESTIGATION STAFF**

Commissioner  
 First Deputy Commissioner  
 Special Commissioner of Investigation for the New York City School District  
 Commission to Combat Police Corruption  
 Deputy Commissioner of Investigations  
 General Counsel  
 Deputy General Counsel  
 Deputy Commissioner of Management and Budget  
 Assistant Commissioners

Rose Gill Hearn  
 Elizabeth Glazer  
 Richard Condon  
 Julie Block  
 Daniel D. Brownell  
 Marjorie Landa  
 Michael Siller  
 Jan English  
 Michael Caruso, Vincent E. Green,  
 Steven Pasichow and Robert Roach  
 Ann Marie Connell  
 Emily Gest

Deputy Inspector NYPD Special Investigator Squad  
 Public Information Officer

**Inspectors General:**

**SAM AMORESE**  
 Medical Examiner  
 Public Health

**VINCENT E. GREEN**  
 Consumer Affairs  
 Finance  
 FISA  
 Information Technology &  
 Telecommunications  
 Mayor's Office of Contracts  
 Office of Payroll Administration  
 Parks & Recreation  
 Procurement Policy Board  
 Tax Commission  
 Tax Tribunal

**ROBERT JOYCE**  
 Citywide Administrative Services  
 Records & Information Services

**RONALD CALVOSA**  
 Design and Construction  
 Transportation

**JOHN MCMAHON**  
 Fire  
 Taxi & Limousine Commission

**MICHAEL CARUSO**  
 Correction  
 Juvenile Justice  
 Probation

**CLIVE MORRICK**  
 Environmental Protection

**JULIA DAVIS**  
 Business Services  
 Non-Mayoral Agencies

**YUVAL HIBSHOOSH**  
 Chief Investigative Auditor

**GERARD HOEY**  
 Administration for Children's Services  
 Aging  
 Cultural Affairs  
 Homeless Services  
 Human Resources Administration  
 Youth & Community Development

**STEVEN PASICHOW**  
 Housing Authority

**LEONARD PICKER**  
 Procurement

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 Public Administrators

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 Buildings  
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**DAVID VANDERNAALT**  
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