



The City of New York
Department of Investigation
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COMMISSIONER



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CITY'S CORRUPTION WATCHDOG RELEASES YEAR-END STATS CLOSES OUT 2013 WITH SIGNIFICANT IMPACTS

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation ("DOI"), released today the agency's Calendar Year 2013 report (January 1, 2013 – December 31, 2013), highlighting a prolific year of investigations, prosecutions, and convictions, furthering the City's anti-corruption mission. The annual report follows this release and can be viewed at the following link:

<http://www.nyc.gov/html/doi/html/pr/annual-reports.shtml>

This year's highlights include:

- The arrest of 834 individuals on an array of corruption charges, including embezzlement, bribery, and the submission of false information to the City to circumvent inspection regulations. This year's number of arrests is more than double the number of arrests in 2002.
- Reduced the average time to complete an investigation by more than 55% since 2002, from 334 to 145 days.
- Inspectors General presented a record high 729 corruption prevention lectures to City employees and vendors.
- DOI closed out 1,216 cases and issued 548 recommendations to City agencies to close corruption vulnerabilities. Since 2002, City agencies have adopted nearly 3,000 of DOI's recommendations.
- The November conviction of three consultants who worked on the implementation of the City's automated payroll system, capping the CityTime investigation by DOI that resulted in \$500 million recovered for the City.
- Issuing reports on waste at the City Board of Elections and DOI's investigation of the emergency medical response to the Ariel Russo matter.

DOI Commissioner Rose Gill Hearn said, "These numbers reflect the accomplishments and impact that DOI cases have made this year. The agency continues to break new ground in corruption fighting, taking proactive steps to expose fraud and collaborating with international leaders in the anti-corruption field. The significant achievements highlighted in this report demonstrate DOI's strong message of deterrence and holistic approach to protecting the public trust, a 140-year tradition that continues."

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.

**DOI's press releases can also be found at twitter.com/doinews
See Something Crooked in NYC? Report Corruption at 212-3-NYC-DOI.**



Fighting Corruption • Protecting City Funds

New York City
Department of

Investigation

2013 BY THE NUMBERS

834

– Arrests

729

– Corruption prevention
lectures
Record High

13,150

– Complaints received

1,216

– Cases closed

548

– Recommendations
issued to City agencies
to close corruption
vulnerabilities
Record High

Calendar Year 2013 Annual Report

DOI's range of cases in Calendar Year 2013 exemplifies the distinctive and comprehensive anti-corruption role it plays in New York City government. The agency's broad impact this year includes convictions of consultants who siphoned millions of dollars from the City's implementation of the computerized employee time-keeping system, the arrests and convictions of nonprofit executives charged with diverting City funds to their own pockets, sharing our best practices with other integrity agencies and officials from around the globe, and transferring \$2 million of a forfeiture award to the NYPD for the purchase of equipment including cameras used at events such as the New York City Marathon and for videotaping police interviews of subjects at stationhouses throughout the City.

In 2013, DOI arrested 834 individuals on corruption-related charges, including individuals who submitted false information to the City to circumvent inspection regulations, actions that eroded public safety, and individuals who supplied false information or concealed information to evade public housing benefit rules, actions that reduced public housing subsidies for eligible individuals.

Arrests are just one part of DOI's holistic approach to corruption-fighting, which also includes identifying corruption vulnerabilities and recommending remedies to City agencies. Since 2002, City agencies have adopted nearly 3,000 of these recommendations, strengthening City operations. DOI also conducts educational outreach through its corruption prevention lecture program, where in 2013 Inspectors General presented a record high 729 lectures to City employees and vendors. DOI participates in the City's procurement process for contracts of \$100,000 or more, conducting vendor vets that provide facts to City agencies awarding contracts, so they can determine whether the vendors are responsible to receive City contracts. In 2013, DOI conducted nearly 39,000 of these vets.

DOI's impact resonates because of its dedicated staff who identify, investigate, and expose corruption, and the City employees and members of the public who report wrongdoing to DOI and help us fight fraud.

See Something Crooked in NYC? Report Corruption at (212) 3-NYC-DOI

Commissioner's Message



The City of New York
New York Department of Investigation

ROSE GILL HEARN
COMMISSIONER

Dear Fellow New Yorkers:

In the past decade, we've broken new ground in corruption fighting, exposing fraud involving City-funded nonprofits; establishing seven new investigative units, including one focused on City-funded nonprofits; improving City operations by remedying vulnerabilities found during investigations; and recovering millions of dollars for the City's taxpayers. The agency has tackled everything from large-scale theft and bribery schemes to pro-active initiatives that improve public safety and protect City funds. We've also taken our anti-corruption mission worldwide by collaborating with anti-corruption agencies in Montreal, Tanzania, Hong Kong, and Australia, among others.

During this exciting year, we raised public awareness about the agency and our anti-corruption work through a robust media and lecture campaign and established a resource for integrity agencies with the establishment of the innovative Center for the Advancement of Public Integrity at Columbia Law School.

As we enter the new year, I am honored to present DOI's Calendar Year 2013 report, which highlights the agency's exemplary accomplishments, projects, and impact. I thank my staff and all those associated with our anti-corruption mission. You demonstrate that each of us has a role in exposing corruption and inspiring integrity in New York City government.

Sincerely,

A handwritten signature in cursive script that reads "Rose Gill Hearn".

Rose Gill Hearn
Commissioner

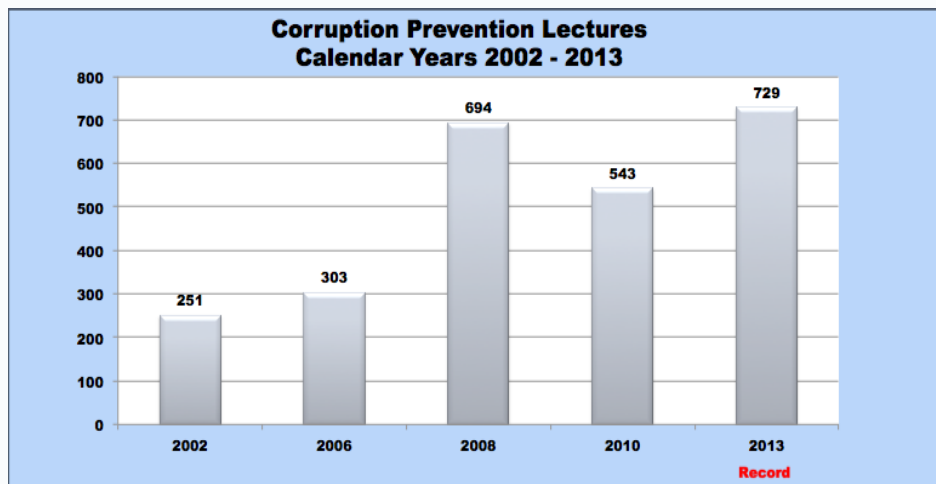


SIGNIFICANT CASES IN 2013

Ending Benefit Fraud Schemes

DOI investigations stopped fraudsters siphoning City funds, money that was supposed to benefit New Yorkers, including programs intended to assist vulnerable populations such as children and senior citizens. In 2013, DOI investigations resulted in:

- ◆ Criminal charges against three individuals — the biological parents and uncle of eight children — for stealing more than \$116,000 in City-administered child care subsidies, cash assistance, and food stamp benefits. The biological parents have pleaded guilty and are awaiting sentencing.
- ◆ Criminal charges against a former City Human Resources Administration (HRA) worker for the theft of more than \$160,000 in Medicaid benefits. The investigation found the HRA worker had fraudulently reopened and recertified Medicaid cases for three recipients not entitled to Medicaid benefits.
- ◆ The arrest of a woman charged with opening a check cashing account in her deceased mother's name to steal \$33,000 in adoption subsidy benefits meant for her niece.
- ◆ The arrest and conviction of a former HRA Acting Deputy Director on charges of using a fraudulent HRA public assistance case to steal more than \$190,000 in public benefits. The defendant is awaiting sentencing.



Uncovering Construction-related Crimes

DOI has long been on the forefront of construction fraud investigations, identifying safety concerns created by corruption and closing those vulnerabilities. In 2013, DOI's investigations included identifying illegal conversions and unlicensed work.

- ◆ A Queens landlord was charged with the illegal conversion of four houses and three garages into single room occupancy residences.
- ◆ A man, his wife, and their son were charged in another investigation with illegally turning a two-family house in Flushing into a 15-room hotel catering to tourists.
- ◆ Seven individuals and four associated companies pleaded guilty in connection with fraudulently using City licenses to profit from the unlawful installation of signs by unlicensed workers.
- ◆ DOI continued its proactive initiative addressing delinquent building code violators, arresting more than 70 individuals since the programs inception in 2011, 22 this year.

Increased Performance

Calendar Year 2002 to 2013

- Made 6,700-plus arrests since 2002.
- Arrested 834 in 2013, more than double the number in 2002.
- Closed 1,216 cases, 43% more than in 2002.
- Conducted more than 5,500 corruption prevention lectures since 2002 (see graph at left).
- Received approximately 13,150 complaints, 39% more than 2002.
- Issued 548 recommendations to remedy corruption gaps at City agencies, more than 6 times the number in 2002.
- City agencies have adopted nearly 3,000 of DOI's recommendations since 2002.

SIGNIFICANT CASES continued

Curtailing Nonprofit Fraud

Millions of City tax dollars fund nonprofits that conduct meaningful and important work throughout the five boroughs. Some individuals, however, use nonprofits as a vehicle for fraud and theft. DOI was a pioneer in this arena, establishing a specialized unit to focus on exposing these crimes, in particular fraud involving discretionary funds. Since its inception in 2007, the NFP Unit's work has resulted in nearly 50 arrests, with most ending in convictions. In 2013, that work led to eight arrests and successful prosecutions, including:

- ◆ The prison sentence of a former Executive Director of a City-funded nonprofit for stealing more than \$140,000 in charitable assets from the Bronx organization and spending them on personal expenses, such as a trip to Africa, dog-walking services, and credit card charges.
- ◆ The indictment and arrest of a Queens doctor charged with stealing public funds to enrich herself rather than the community she purported to serve.
- ◆ The arrest of a Manhattan-based nonprofit executive on charges of failing to provide afterschool programs for which he received City funding.
- ◆ The indictment and arrest of two former Executive Directors and a vendor of a Queens-based, City-funded nonprofit on charges of stealing more than \$50,000 in kickbacks from the vendor. The vendor has pleaded guilty, and the cases against the other two defendants are pending.



Fake Letter Grades and Restaurant Bribes

DOI arrested a letter grade expeditor on charges of distributing fake letter grade cards to nine restaurants in Brooklyn, Manhattan, Queens, and Staten Island. The arrest was the result of a proactive sweep of more than 150 restaurants throughout the five boroughs, which uncovered two fake letter grade cards issued by the expeditor and led to DOI's discovering that the expeditor distributed fraudulent restaurant letter grade cards to seven additional restaurants. DOI confiscated the fake letter grades, and the City Health department re-inspected the nine restaurants involved.

DOI consistently follows up on bribe allegations involving restaurant inspectors. In fact, since 2010, DOI has arrested 20 restaurant operators and employees on charges of offering cash to evade health regulations. In some cases these individuals mentioned they wanted a higher letter grade in return for the bribe. In 2013, DOI's cases spanned four boroughs — Manhattan, Brooklyn, Queens, and the Bronx — and resulted in seven arrests of owners and managers who offered cash to undercover DOI investigators so they could avoid violations. Each of these investigations were initiated by reports from City Health inspectors who reported bribe offers to DOI.

Housing Fraud

DOI's consistent focus on identifying fraud involving public housing subsidies continued in 2013, with more than 30 housing fraud arrests, part of the more than 700 arrests since 2002 that have assisted in freeing up housing for eligible tenants. The 2013 investigations included the arrest of a Section 8 tenant with the City Housing Authority on charges of failing to report her husband's income from his City job for 11 years, resulting in more than \$85,000 in housing fraud and more than \$140,000 in public and Medicaid benefits fraud; and, separately, a conventional housing tenant charged with concealing her employment income with the MTA for four years by using two identities — her current name for work and a former name for her public housing tenancy — resulting in more than \$20,000 in fraud.

DOI's Reports 2013

As part of its outreach to the public and message of deterrence, DOI issues public reports on the findings from its investigations. Since 2002, the agency has issued more than two dozen public reports including several complex reports this year on matters of concern. To view copies of DOI's reports, enter this link online:

<http://www.nyc.gov/html/doi/html/doireports/public.shtml>

Waste and Deficiencies at the City Board of Elections

In 2013, DOI issued two reports concerning the City Board of Elections (BOE). First, DOI found the BOE overspent more than \$2.4 million of City funds when it did not consolidate election districts in the November 2011 off-year-election, detailing these findings in a report issued publicly earlier this year. On the heels of those findings, DOI received funding to create a six-person unit to investigate fraud, waste, and corruption issues at the BOE. The unit was fully staffed in November 2013, fielding complaints and focusing on several areas of concern.

This month, the Unit produced a Report detailing DOI's comprehensive review and investigative operation conducted regarding the BOE. Among other subjects, investigators examined the role of county political committees in BOE's hiring and promotions, nepotism, employee-participation in political activities, the presence of ineligible voters on BOE's voter rolls, poll worker training and performance, ballot design, and how BOE tallies election results.

An Overview of the City's 911 Emergency Response to the June 2013 Ariel Russo Matter

DOI's comprehensive report focused on the City's management of the emergency response to a June 4, 2013 incident in which four-year-old Ariel Russo was killed and her grandmother was seriously injured after being struck by an SUV driven by an unlicensed teen driver. DOI investigators conducted hundreds of hours of interviews of key personnel at the City's Emergency Medical Dispatch Center ("EMD") in Brooklyn who were involved in handling the Russo call, examined data and reports from the City's emergency responders and the EMD, observed the EMD's operations and set up, and issued subpoenas to obtain key factual evidence described in the report, among other investigative steps.

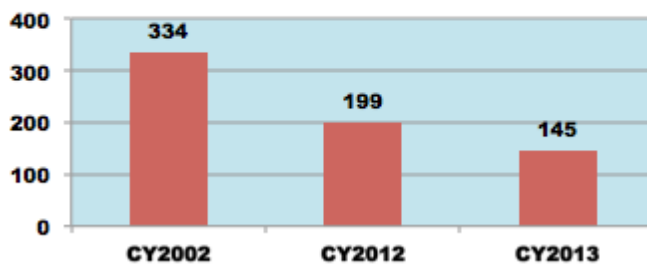
The report describes the path of the emergency radio calls from NYPD officers at the accident scene, from the time they came into the Emergency Medical Service Computer Aided Dispatch ("EMSCAD") system, to the times that the various emergency responders arrived on scene. The investigation also examines the four "outages" the system experienced in May and July 2013 and the City's response.

Outcomes of the CityTime Investigation

In November, a jury convicted three consultants who worked on the implementation of the City's automated payroll system, capping an expansive investigation by DOI and the U.S. Attorney's Office for the Southern District of New York. The investigation not only stopped the fraud but recouped millions in taxpayer funds. Here are the results:

- ◆ *Eight convictions*
- ◆ *\$500 million recovered*
- ◆ *An additional \$40 million in cash seized or frozen*

Average time to complete an investigation (days)



DOI successfully reduced the average time it takes to complete an investigation by more than 55% since 2002.

Notable Results From DOI Investigations

- Former Bookkeeper for the Brooklyn Public Administrator and an accomplice convicted of stealing more than \$2.6 million from estates of deceased individuals. In total, eight individuals were convicted.
- Five-year prison term for former City Councilman convicted of fraudulently steering \$2 million in discretionary funds and City contracts to nonprofits he controlled that employed his friends and family.
- A former fiscal officer at two City-funded nonprofits pleaded guilty and was sentenced to prison for embezzling more than \$500,000 from those nonprofits that served the Bronx.
- A jury convicted the father-and-son operators of a demolition firm of federal crimes committed in connection with their work on a housing development project funded by the City and federal government.



The agency's accomplishments and statutory role in New York City government garner interest from national and international anti-corruption agencies who want to learn how New York City's watchdog does its job. Over the past decade, DOI's headquarters have hosted dozens of government integrity officials from around the world who were interested in learning about DOI's best practices, strategies, and investigations.

DOI has broadened that knowledge base by coordinating workshops and conferences that allow integrity professionals to exchange ideas and discuss important issues. In 2013, that mission included sponsoring a City interagency forum on cybercrime and security that gathered information technology professionals and managers to discuss the kinds of vulnerabilities that hackers exploit for criminal purposes and measures to thwart those attacks.

"DOI's investigations define the agency's anti-corruption mission: follow the facts, expose the wrongdoing, stop the corruption, improve City government." —DOI Commissioner Rose Gill Hearn

This summer, DOI held *Watchdog II: Anti-Corruption Summit*, a follow-up to the agency's successful Watchdog I conference in 2008. Watchdog II brought together leading scholars and practitioners from Australia, Canada, South Africa, Tanzania, and the United States in a series of presentations and panels to discuss their work, latest research, and successes and challenges in the fight against public corruption. In addition, the conference focused on the various ways that academics and policy makers can work in tandem to root out corruption and prevent it.

The agency's mission has also been advanced through the public presentations by Commissioner Gill Hearn. In 2013 that included a global integrity conference at Yale University, the Association of Inspectors General Conference in New Orleans, and the Australian Public Sector Anti-Corruption Conference in Sydney. Commissioner Gill Hearn also spoke on the benefits of DOI's CompStat program at "The Measured City: Using Data to Improve New York City Government" conference, where she discussed introducing CompStat to DOI in 2002 as a way to track key data and cross-pollinate anti-corruption strategies and ideas among Inspector General Units.

Raising Public Awareness

DOI employs a variety of initiatives to promote the agency's anti-corruption mission and its message of deterrence. The agency issues public reports on its findings and conducts a robust corruption lecture program that raises awareness about the agency's mission and work. In 2013, Inspectors General presented more than 700 corruption prevention lectures to City employees and vendors, a record high. This year, DOI augmented its public outreach with a six-minute, documentary-style video about DOI's history and impact, which is featured on DOI's website, and the agency launched a five-borough poster campaign that called on New Yorkers who see corruption to report it to DOI. At the height of the campaign in July and August, DOI's complaint desk experienced a significant increase in calls each of those months. Expanding on the campaign, DOI reinforced its anti-corruption mission on the radio with commercials on the all-news station 1010 WINS, urging New Yorkers who see corruption to report it.



Posters from DOI's 2013 media campaign.

In November, Mayor Michael Bloomberg and Commissioner Rose Gill Hearn welcomed Commissioner Simon Peh Yun-lu of Hong Kong's Independent Commission Against Corruption to New York City and Gracie Mansion. Commissioners Gill Hearn and Peh discussed their agencies' latest initiatives, strategies, successes, and challenges in the fight against public corruption. DOI and ICAC have established an annual program in which the agencies host an investigator from the other agency for several weeks as part of an information exchange that shares anti-corruption methods and strategies.



Center for the Advancement of Public Integrity

Through integrity conferences and exchanges with other anti-corruption agencies, DOI experienced the benefit of sharing best practices. Recognizing the benefit of understanding what other municipal integrity agencies are doing and how they are doing it, DOI Commissioner Gill Hearn created the Center for the Advancement of Public Integrity (CAPI) at Columbia Law School, which will study corruption and accountability in government. The Center was announced with Columbia Law School Dean David M. Schizer at Gracie Mansion in August.

CAPI will keep current on municipal anti-corruption issues, collect and provide information to the practitioner community, and fill a gap that exists in this area of study. The partnership with Columbia Law School means the Center can draw on its distinguished faculty and students. One of its early projects is a joint educational effort with the Association of Inspectors General that is planned for spring 2014.



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