



The City of New York  
Department of Investigation  
ROSE GILL HEARN  
COMMISSIONER

80 MAIDEN LANE  
NEW YORK, NY 10038  
212-825-5900

Release #55-2010  
[nyc.gov/html/doi](http://nyc.gov/html/doi)

**FOR IMMEDIATE RELEASE**  
**THURSDAY, JULY 1, 2010**

**CONTACT: DIANE STRUZZI**  
**(212) 825-5931**

**DOI CLOSES OUT FISCAL YEAR 2010 WITH 822 ARRESTS, A 12% INCREASE FROM LAST FISCAL YEAR**  
***–Fiscal Year 2010 was marked by high-impact public corruption cases resulting in guilty pleas and prison sentences–***

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (“DOI”), announced today that the agency made 822 arrests in Fiscal Year 2010, a 12% percent increase from the previous fiscal year’s 731 arrests. In addition, DOI presented 625 corruption prevention lectures – an increase of 14% from the prior fiscal year. DOI also took in more than 13,600 complaints and managed a caseload of more than 2,200 investigations. In addition to our continued prevention efforts, several high-impact corruption cases ended in guilty pleas and prison sentences in FY 2010, delivering a definitive message of deterrence.

DOI also completed more than 2,000 background investigations so agencies can make important hiring decisions and more than 60,500 Vendor Name Checks pertaining to vendors who are seeking to do business with the City, ensuring that only vendors of integrity are receiving the City’s many valuable taxpayer-funded contracts.

DOI Commissioner Rose Gill Hearn said, “These statistics not only quantify DOI’s significant accomplishments, but also tell the important story about the watchdog agency’s ongoing work in delivering a decisive and powerful strike against corruption. The agency has not wavered from its successful strategy: Expose and stop wrongdoing in its tracks, identify and target vulnerabilities, and strengthen policies and procedures to impede fraud and corruption. That multi-pronged approach has made a lasting impact. I commend DOI’s investigators and auditors who work tirelessly to uncover the facts and protect the City and its taxpayers.”

DOI’s broad docket includes investigations of public corruption, not-for-profit vendor fraud, and crimes that mask safety-related issues. The agency’s arrest numbers continue to break previous records. In fact, DOI has arrested approximately 7,000 individuals on corruption-related charges over the past 20 years, over 4,000 of them since 2002. As the City’s anti-corruption watchdog, DOI’s corruption prevention lecture program has presented more than 4,000 lectures to City agencies across the board. In addition, DOI’s role includes not only arrests of wrongdoers but also recommending policy changes so problems uncovered in its investigations don’t recur. DOI has had success in this arena, issuing more than 2,100 written policy and procedure recommendations since 2002, of which 1,682 have been adopted by various City agencies, including:

- As a result of DOI’s investigation into the illegal sale of mobile food vending permits, the City Department of Health and Mental Hygiene (“DOHMH”) adopted a new procedure that requires legitimate permit holders and two-year license holders to appear in person before DOHMH representatives during the permit inspection and license renewal processes. These DOI recommendations reduced the opportunities for illegal operators to pass themselves off as legitimate permit and license holders and gave the City more direct scrutiny of permit and license recipients.
- In two separate cases, the City Administration for Children’s Services (“ACS”) adopted recommendations that include creating an intake unit to more closely track cases involving adoptive children; and strengthening oversight by implementing a new audit plan for ACS’s childcare voucher program that administers over \$400 million annually.

more

- As a result of DOI's investigation into the death of an inmate at Rikers Island, DOC increased supervision and video surveillance in its adolescent housing and assigned an additional Correction Officer to monitor telephone usage and identify extortion attempts.
- DOI recommendations led to regular inspections and testing of alarm systems at juvenile facilities.

Here are some notable DOI investigations and initiatives in FY 2010, many that led to significant sentences and outcomes:

- **Fraud at Publicly-Funded Nonprofits and Misuse of Discretionary Funding**

DOI has focused attention on not-for-profit vendor fraud and the misuse of discretionary funding associated with these organizations, leading to successful and long-term results. The initiative began several years ago after several DOI investigations exposed fraud at nonprofits by insiders and public officials. DOI recognized the need for further scrutiny of publicly-funded nonprofits and created the Not-for-Profit Vendor Fraud Unit in 2007, a specialized group of forensic auditors and investigators who follow the money trail. To date, the Unit's work has resulted in more than 30 arrests and convictions. Noteworthy results include:

- Former State Senator Efrain Gonzalez, Jr., was sentenced in May 2010 to seven years in prison for fraudulently using two nonprofit organizations to pay personal expenses, including membership fees for a vacation club, rent payments for a luxury apartment in the Dominican Republic, and costs related to Gonzalez's private cigar manufacturing and distribution company. This case was one of the investigations that prompted DOI's formation of its Not-for-Profit Vendor Fraud Unit.
- City Councilman Larry Seabrook was arrested in February 2010 on public corruption crimes, including manipulating more than \$1 million of discretionary funds through a host of fraudulent schemes involving nonprofits he controlled. His case is pending in U.S. District Court in Manhattan.
- Former City Councilman Miguel Martinez pleaded guilty to felony corruption charges in connection with swindling City taxpayers of approximately \$106,000, including money diverted from City Council-funded nonprofits. In December 2009, Martinez was sentenced to five years in prison and ordered to pay \$106,000.
- Asquith Reid, a Chief of Staff to former City Councilman Kendall Stewart, and a second Stewart staffer, Joycynth Anderson, pleaded guilty to embezzling \$145,000 in discretionary funds allotted to a nonprofit closely associated with Reid. Reid was sentenced in March 2010 to three years of probation, nine months of which must be served at a halfway house, and Anderson was sentenced in October 2009 to four months of home confinement and two years of probation.
- DOI's work in exposing fraud involving publicly-funded nonprofits became the catalyst for crucial change concerning the discretionary funding process. DOI met with City Council Speaker Christine Quinn to share our observations and recommendations on how to improve the discretionary funding process and make it a less vulnerable process, resulting in reforms announced by Speaker Quinn in April 2010.
- Two executives at a Bronx nonprofit – Richard Izquierdo Arroyo and Margarita Villegas – have each been sentenced to federal prison terms after pleading guilty to embezzling public funds from the nonprofit organization they ran. In June 2010, Arroyo was sentenced to one year and a day in prison and ordered to pay \$115,000 in restitution, and Villegas was sentenced to 10 months in prison and ordered to pay \$54,414 in restitution.
- This year, DOI participated in a new initiative with the City Council and the Mayor's Office of Contracts to educate nonprofit administrators throughout the City about how to strengthen internal controls and detect fraud. Since the ongoing series of lectures began in March 2010, more than 600 participants have already been reached.

- **91<sup>st</sup> Street Crane Indictment**  
In March 2010, a meticulous investigation culminated in the indictment of a crane company owner and mechanic and two crane-related companies on criminally negligent homicide, manslaughter and other related charges in connection with the May 2008 crane collapse that killed two people and injured a third. DOI's expertise in construction-related crimes, and its experience in the 51<sup>st</sup> Street crane investigation, helped to quickly focus the investigation on the crane's broken turntable and its troubled history, including its removal from a midtown job site a year earlier due to a crack.
- **Guilty Plea and Prison Sentence of Former DOB Assistant Chief Crane Inspector**  
In June 2010, former DOB supervisor James Delayo was sentenced to between two and six years in prison for selling the DOB crane exam for class C licenses, passing applicants who did not even take the class C crane practical test, and falsifying crane inspection reports in exchange for more than \$10,000 in bribes. At sentencing, Delayo rightly acknowledged the harmful impact of his crimes. Co-defendants in the case are due to be sentenced next month.
- **City Marshals Fined for Wrongdoing**  
Two City Marshals faced significant fines totaling approximately \$100,000 for misconduct in connection with failing to follow rules governing the proper towing of cars with unpaid fines.
- **Convictions of Former City Correction Officers in a Variety of Criminal Cases**
  - Lloyd Nicholson was convicted in June 2010 after trial of assaulting two adolescent inmates. DOI investigators conducted numerous interviews of victims and Department of Correction personnel to gather the facts regarding the beating incidents. Nicholson's conviction was a powerful statement of deterrence underscoring that abuse by correction officers will not be tolerated.
  - Allen Blake, a former member of the executive board of the Correction Officers' Benevolent Association, was convicted in June 2010 of filing a false life insurance claim in an attempt to collect \$10,000 he was not entitled to receive.
- **Testwell Sentencings**  
In a case that rocked the concrete testing industry and the construction industry, Testwell and its principals were convicted on charges stemming from their widespread falsification of concrete test results. The case exposed the enduring and widespread effect that filing false construction-related reports can have on public safety and confidence. Testwell was ordered to pay more than \$1.7 million in restitution. The individuals were sentenced in April and May 2010.
- **Guilty Plea Involving False Filings of Lead and Asbestos Reports**  
In another case involving corruption in an industry that should protect public safety, Saverio Todaro pleaded guilty in March 2010 to falsifying hundreds of lead and asbestos inspection reports filed with the City. DOI investigators deftly tracked down Todaro's false reports filed with several agencies. The investigation is a testament to the benefits of cooperation among our federal and City partners, and the importance of having DOI as the City's anti-corruption agency since this investigation began with the City Health Department's notifying DOI about suspicions they had regarding Todaro's reports. The defendant's sentencing is scheduled for August 2010 in U.S. District Court in Manhattan.
- **Protecting City Clients' Personal Identification Information**  
Two former City employees with DOHMH and the City Human Resources Administration ("HRA") and two other individuals pleaded guilty in the illegal trafficking of personal information from City clients. Two of the four individuals have been sentenced to prison terms, and the two former City employees are scheduled to be sentenced later this year. DOI's investigations found that the defendants exploited vulnerabilities in the City Health Department's Bureau of Vital Records and HRA to illegally steal clients' identification information that was later sold to fraudulently obtain identification documents. DOI worked with the City agencies to strengthen their security of personal information.

- **Reducing Outstanding Fire Code Violation Warrants**

DOI arrested more than 80 individuals for failure to address open fire code violations presenting a variety of safety issues. The effort is part of a continuing and joint safety enforcement effort with the New York City Fire Department and 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, this initiative has cleared more than 1,000 warrants, arrested nearly 700 individuals, and resulted in the order of approximately \$287,000 in fines for an array of charges, including failing to maintain a standpipe, blocking exits, overcrowding in a nightclub and improper fuel storage. The violations were issued for businesses, institutions, and multiple dwellings.

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.*

**DOI's press releases can also be found at [twitter.com/doinews](https://twitter.com/doinews)  
Get the worms out of the Big Apple. To report someone ripping off the City, call DOI at (212) 825-5959.**