



**NEW YORK CITY COUNCIL
JOINT HEARING BY THE COMMITTEE ON FINANCE AND
THE COMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

**TESTIMONY OF NADIA I. SHIHATA
COMMISSIONER, NEW YORK CITY DEPARTMENT OF INVESTIGATION**

**CONCERNING THE NYC DEPARTMENT OF INVESTIGATION'S
FISCAL YEAR 2027 EXECUTIVE PLAN**

TUESDAY, JUNE 2, 2026

Good morning, Chair Lee and the Committee on Finance and Chair Krishnan and the Committee on Oversight and Investigations. My name is Nadia Shihata and I am the Commissioner of the New York City Department of Investigation (DOI). I am honored to present this important testimony on DOI's Fiscal Year (FY) 2027 Executive Plan as I mark my sixth week as DOI Commissioner. It has been an exhilarating and informative time for me as I meet the impressive DOI staff, connect with the agency's prosecutorial partners, and delve into the important work that is ongoing at the agency. As an investigative, fact-finding agency, DOI's mission is to prevent and expose corruption, fraud and other wrongdoing that undermines the City, depletes precious public resources, and compromises the faith and trust of New Yorkers in their municipal government. The agency is a powerhouse – conducting both civil and criminal investigations, working with prosecutors to hold wrongdoers accountable, and issuing recommendations for reforms that strengthen City government operations.

The heart of the agency is DOI's extremely dedicated staff – its administrative and operational personnel, investigators, attorneys, auditors, IT specialists and so many more. In my brief time at DOI so far, I have been inspired by their dedication and extremely hard work to uphold integrity and protect the City from the corrosive impact of corruption.

When I arrived in late April, it was immediately clear that my priority needed to be digging into the agency's dire budget situation. My assessment is that the funding proposed for DOI in the FY 2027 Executive Plan is not enough to sustain DOI's current operations. The proposed \$53.7 million budget is \$2.1 million less than the FY 2026 Adopted Budget and approximately \$12.8 million less in baseline funding compared to FY 2020, reflecting over \$8.3 million in PS baseline reductions.

Due to years of successive budget cuts, virtually all investigative and operational units across the agency remain severely understaffed. DOI's budgeted headcount, including City Tax Levy- and Intracity-funded staff, as well as employees on-loan from other agencies, has dropped from 588 staff in FY 2020 to 444 in FY 2027, resulting in 144 fewer DOI positions available to fight corruption, waste and inefficiency in New York City.

I have met with the Mayor's Chief Counsel and the Director of the Office of Management and Budget (OMB) to outline these stark realities and I am grateful that they took the time to listen and understand how the budget deficiencies are impacting DOI. It is not an overstatement to describe this current moment as pivotal for the agency. I am pleased to report that these discussions have been very constructive and encouraging. I am confident that City Hall shares our view on the vital importance of DOI's mandate and understands our current budget situation, including our need for additional funding to stabilize DOI and ensure the agency can continue to fulfill its crucial oversight mandate. I hope and expect that City Hall, and the City Council, will properly address our need for additional funding in the Adopted Budget.

As City officials continue to weigh DOI's budgetary concerns and decide how best to address them, I want to be transparent with the Council and the public on the budgetary landscape faced by DOI with the current cuts set forth in the Executive Plan, as I have been with the Mayor's office. DOI will need approximately \$6 million to stabilize its budget for the next fiscal year. This includes approximately \$4.53 million to restore Other Than Personal Services or "OTPS" funds that have been cut in prior years; approximately \$1.14 million to reverse the recent 50 percent vacancy reduction that was imposed across the board for all City agencies, regardless of size or need in the Executive Plan; and \$290,520 to fund five new, entry-level investigator positions to sustain DOI's core operations.

In addition, DOI requires an additional \$4 million to conduct the investigation mandated by the City Council regarding what prior mayoral administrations knew about environmental toxins produced by the September 11, 2001 terrorist attacks on the World Trade Center. This funding will pay for a third-party vendor with specialized expertise to assist with this records-intensive investigation. The vendor would report to and be managed by DOI.

To be clear, if DOI does not receive additional funding, I will need to move forward with some very difficult decisions that will have a tangible impact on our operations and ability to meet our anti-corruption mandate. Without the additional PS funding, DOI will need to eliminate defunded lines and key vacancies across critical areas that include executive leadership, legal oversight, frontline investigative squads, and vital technical support staff. DOI will also need to decrease incoming salary levels for certain remaining vacancies, which also has an impact on the experience level and skill that DOI will be able to recruit and hire.

Recognizing the challenging budgetary landscape faced by the City, the funds I am requesting are strictly limited to providing stabilization funding for DOI to ensure it can fulfill its essential operations and conduct the Council-mandated World Trade Center investigation. At this time, I am not requesting further investments in the agency to meaningfully enhance its anti-corruption capabilities. This limited funding request reflects my deep concern that further cuts, as contemplated in the Executive Budget will impact DOI's core functions.

This concern is not new. Under its prior leadership, DOI rang the alarm bell on its budget needs for years, without avail. Citywide budget reductions have stretched this small agency, which is already running a lean operation, to its limit. Bluntly, the FY 2027 Executive Budget does not provide the funding that DOI needs to adequately and fully meet its mission. Given recent positive and constructive discussions I've had with City Hall, I am hopeful this will be rectified in the Adopted Budget.

My testimony today will walk you through the proposed FY27 Executive Budget, the tangible impact of the proposed budget cuts; and the roles that forfeiture and integrity monitorships play in our budget and the associated challenges with each.

DOI's Executive Budget and the Impact of Budget Cuts

DOI's \$53.7 million FY 2027 Executive Budget includes \$29.3 million in Personal Services or "PS" funds, which primarily funds staff salaries, and \$21.4 million in City-funded OTPS, which pays for DOI's lease obligations and one integrity monitorship. This OTPS funding will be supplemented with \$3 million from DOI's forfeiture funds, for a total OTPS spend of \$24.4 million. We have been supplementing our budget significantly with forfeiture funding, particularly for OTPS items, such as computers, laptops, vehicles, trainings, and office equipment. I will describe our forfeiture funding in more detail shortly.

The current budgeted headcount for DOI-funded employees in FY 2027 is only 282 positions. Seven of those positions are staff for an entirely separate entity -- the Commission to Combat Police Corruption (CCPC) -- that is not part of DOI, but which is nonetheless funded through DOI. This brings down the budgeted headcount for DOI-funded employees working on DOI matters to just 275 positions. An additional 162 intracity and on-loan staff report to DOI for a total of 437 employees who work on DOI matters.

The FY 2027 Executive Budget also contains nearly \$3.4 million for which DOI simply acts as a pass-through entity. In other words, these funds do not support DOI's internal staff or operations in any way. Specifically, \$855,000 is allocated for the separate entity, CCPC, while the remaining \$2.6 million funds an integrity monitor that reports to DOI and is monitoring the construction of the Borough-Based jails.

Despite these budget constraints DOI has still sought savings as mandated by the Mayor's office. In collaboration with the City Department of Citywide Administrative Services (DCAS) and OMB, we assessed our space footprint as part of a Citywide space savings initiative and relocated CCPC from leased space at 17 Battery Place to DOI headquarters at 180 Maiden Lane. This saved the City approximately \$157,700 annually. Separately, DOI rented one of its floors at 180 Maiden Lane to the New York State Office of Court Administration, which generates approximately \$1.8 million annually in lease expense reimbursement to the City. However, OMB does not credit these lease savings toward the cuts it has mandated in DOI's budget.

More importantly, so far in FY 2026, DOI investigations have resulted in financial recoveries of more than \$6 million that have been collected by the City. These recoveries are case-dependent and DOI cannot predict from year-to-year how much those financial recoveries will be. But in FY 2026 so far, DOI's work has added \$6 million to the City's general fund. Those financial recoveries are on top of the public funds that have been protected as a result of our investigations and integrity monitorships, such as the \$5.07 million in public funds saved as part of the Asylum Seeker Monitorship. That monitorship found an array of vendor invoicing errors that included mistaken double-billing and overpayment of advance deposits and other anomalies.

And we have looked for opportunities to develop new avenues to fight fraud and save the City money. Last week, Corporation Counsel Steve Banks and I engaged in preliminary discussions on ways DOI and the Law Department can work collaboratively to recoup City funds lost in non-criminal cases, including through civil

fraud cases under the False Claims Act. It is this sort of innovative thinking that sends a strong and unified message that the City as a whole is standing up to address corruption and fraud on all available fronts.

In the Executive Budget, OMB has imposed \$1.06 million in one-time cuts in FY 2026 and \$1.14 million in baseline cuts starting in FY 2027:

In FY 2026, the Executive Budget cuts:

- \$500,000 in PS funding for the vacancy reduction mandate, reducing DOI's budgeted headcount by 11 in the baseline.
- \$550,000 in a one-time PS accrual as projected by OMB.
- \$15,691 in a one-time savings for heat, light, and power.

In FY 2027, the Executive Budget cuts:

- \$1.14 million in baselined PS funding for the vacancy mandate.

To meet these cuts, DOI will have to:

- Defund and defer hiring for nine positions to satisfy the 50 percent vacancy reduction mandate, including critical, senior-level investigatory and legal positions. This action will further deplete investigative and operational squads across the agency.
- Forego essential staffing made as part of our prior "new needs" request to OMB, specifically:
 - The restoration of 14 vacant positions at \$1.4 million. DOI previously utilized the funds for these positions to offset serious recruitment, hiring and retention challenges caused by prior budget reductions and the City's two-for-one hiring limitation.
 - A request for 17 baselined positions for investigative and operational staff that include data analysts, confidential and background investigators, and auditors, among others. In fact, DOI has already reduced this request to five entry-level investigators in our most recent New Needs request to OMB for the Adopted Budget.

In addition, DOI requested funding for the mandated World Trade Center toxins investigation in the November and January plans, which OMB deferred for the incoming Administration's review. A request for \$4 million for this investigation has been resubmitted for consideration in the Adopted Budget. DOI cannot begin this Council-mandated work until necessary funding is secured.

Forfeiture Funding

With respect to forfeiture funds, federal and state law allow the profits of criminal activity to be forfeited to the government and shared with the investigating agencies that worked on the case, with the general guideline that these funds must support law enforcement activities. The majority of DOI's forfeiture funds are the result of partnering with federal prosecutors on criminal investigations and there are specific Department of Justice (DOJ) rules that dictate how forfeiture funds may and may not be spent. For instance, forfeiture funds may not be used to fund salaries for permanent staff positions but may be used for training or law enforcement technology.

Specifically, the guidelines require that forfeiture funds supplement, not supplant, DOI's budget. Importantly, the City is prohibited from making budgetary decisions based on the availability of DOI's federal forfeiture funds. In other words, the City cannot decide to cut DOI's budget based on the amount of forfeiture funds DOI receives, with the expectation that forfeiture will cover that budgetary gap. Most importantly, if the City were to consider federal forfeiture funds in determining DOI's budget, per DOJ guidelines, DOI could lose its access to the funding.

Over the last several years, DOI has reprogrammed federal forfeiture funds, all in accordance with DOJ guidelines, to manage mandated budget cuts from the City, specifically related to OTPS items, such as updating the agency's computer infrastructure, including our case management system, as well as purchasing computers and laptops for agency staff. Since FY 2023, DOI has spent nearly \$19 million by reprogramming its forfeiture dollars to supplement DOI's budget and support the agency's essential law enforcement operations. In FY 2026, DOI plans to spend an additional \$11 million by reprogramming its forfeiture funds, in accordance with DOJ guidelines.

But this type of reprogramming is not sustainable in the long-term because forfeiture funds are finite and there is no way to predict how much forfeiture funding will come into DOI in the future from our investigations. And again, it is not permissible for the City to make budgeting decisions based on the availability of forfeiture funds. Put simply, the City must start to properly fund DOI before these funds run out. To reduce reliance on forfeiture funds, DOI has requested approximately \$4.5 million in OTPS funding restoration in the Adopted Budget to pay for core critical needs, such as computer software maintenance and subscriptions; and maintenance of DOI's cybersecurity and data storage networks, which are technology items that should not be deferred.

Integrity Monitorships

DOI's Integrity Monitorship Program is a cornerstone of the agency's anti-corruption work. Integrity monitorships allow the City to have real-time oversight of vendors with integrity issues and of large-scale, high-dollar City projects. The oversight is provided by outside integrity monitors that report to and are managed by DOI.

Rehabilitative monitorships permit the City to enter into or to continue contracts with companies that might otherwise be precluded from doing business with the City due to identified integrity issues; but that City agencies have determined are necessary for continuity or provision of City services. In these cases, vendors pay for these monitorships.

Programmatic monitorships proactively help the City to oversee large-scale City projects, such as the Asylum Seeker Initiative and the Borough-Based Jail construction, with the goal of ensuring compliance with City regulations and realizing cost savings. In these cases, the City pays for the integrity monitors. The funds for these monitors are included as part of DOI's budget, but all of the money goes directly to the integrity monitors – none of it supports DOI staffing or resources. Significantly, this funding artificially inflates DOI's budget lending the false impression that it supports DOI's operations and staffing.

Conclusion

Today's testimony underscores the significance that budgetary independence would have on DOI. In fact, DOI advocated for this reform, among others, before the City Commission to Strengthen Local Democracy, which compiled a host of prospective charter revisions, including budgetary independence for DOI. DOI plans to submit the same proposal to the Mayor's Committee on Government Efficiency, which was just announced last week.

Funding DOI at an appropriate percentage of the City budget and giving DOI control over its hiring, for example, would safeguard DOI's independence and reinforce the City's commitment to prevent fraud, waste, and abuse. Budget independence would reduce the risk of politically-motivated retaliation against DOI, or the appearance of such retaliation, by reducing our funding. And, it would finally provide DOI with the financial resources to fully oversee a City with a \$124.7 billion budget, more than 300,000 employees, and billions of dollars in capital construction.

In the meantime, DOI requests the City restore \$6 million to its budget in order to maintain the agency's core operations and \$4 million, spread over two fiscal years, to fund the World Trade Center investigation. I want to thank the Mayor's Chief Counsel and the OMB Budget Director for hearing and understanding my

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Tuesday, June 2, 2026

concerns and I am very thankful, as well as hopeful, that additional funding to stabilize DOI's ability to conduct its vital oversight mandate is under active discussion and consideration at City Hall.

I also want to thank Councilmembers for your focus on DOI's budget and for providing me the opportunity to walk you through the numbers. I am happy to answer any questions.