

**MARK PETERS – OPENING STATEMENT
RULES COMMITTEE (JANUARY 30, 2014)**

Thank you Chairman Lander, I'm honored to appear here today as Mayor de Blasio's nominee for Commissioner of the Department of Investigation. I would like to begin by thanking you, Mr. Chairman, along with Speaker Mark-Viverito and the members of the Rules Committee for allowing me to speak about my background and the future of DOI.

The importance of a strong, independent, DOI cannot be overstated: If you believe, as I do, as I know you do, and as I know Mayor de Blasio does, that government can serve as a powerful force to improve the lives of all New Yorkers, then first we must make sure that government operates in an honest, efficient and ethical manner.

I have spent the majority of my professional life enforcing such integrity in our State and City institutions.

I have served as the chief public corruption prosecutor for the Attorney General, prosecuting government officials who stole AIDS funds to use for political campaigns and investigating abusive police practices.

Before that, I served as deputy chief of the Civil Rights Bureau, drafting the first of its kind report on the overuse of Stop and Frisk by the NYPD.

And before that, I served as the senior counsel on the investigation and litigation that led to the overhaul of this City's foster care system in the wake of a series of horrific deaths in the 1990s.

Before discussing the specifics of how I think DOI can provide the independent oversight that we all agree is necessary, I would like to tell a story about an obscure state agency I once ran: the New York Liquidation Bureau. I think this will shed light on my approach to fighting fraud and corruption -- and to preventing it.

The Liquidation Bureau is a big agency. It takes over all of the failed, essentially bankrupt, insurance companies in New York and makes sure that individual insureds get the payments to which they are entitled. The Bureau has about 400 staff members, a 100 million dollar budget, and three billion dollars in assets.

In early 2007, the Governor asked me to take over the Bureau at a moment of turmoil. My predecessor had been indicted for bid rigging and no audit of the agency's books existed. Given my background investigating and reforming troubled institutions, I was asked to clean house.

We did.

We immediately called in auditors, who for the first time, reviewed the Bureau's financial processes and procedures, and performed a groundbreaking audit of its internal control processes. Because the first step in every oversight mission, whether it's the Liquidation Bureau, or ACS, or the NYPD, is to have all of the facts in a clear and unbiased way, laid out before you.

The financial auditors found that the Bureau had multiple bank accounts, with money moving through them without proper oversight. They found IT systems vulnerable to attack. They found hundreds of millions of dollars in funds owed the Bureau uncollected. In all they found 84 separate "Internal Control Deficiencies" – as auditors call them – that made the Bureau vulnerable to fraud and abuse.

One year later there were none.

One year later we had collected a record 150 million dollars that could be distributed to injured New Yorkers whose insurance companies had collapsed.

One year later we had proper controls, on spending, on procurement, on hiring, to make sure that bid rigging and other misconduct could not occur again.

One particular reform is worth noting: The Bureau hired numerous law firms to do insurance defense work and in the past, many of the firms were also active political donors to the party in power. We changed that straight away. To make sure there was no possibility of political influence we implemented a “walled off procurement process” for outside law firms, so that the Bureau staff who hired private firms to do insurance defense work had no contact of any sort with the Governor’s office or any other political entity. In this way we eliminated any possible political consideration in the hiring of the firms.

And finally, in our reforms of the Bureau, while most organizations consider their internal control audits to be top secret, a discussion of their innermost flaws not to be shared with the world, one year later we made our internal control audit available on the web.

I think that there are several lessons here that will guide me in running DOI.

First, get the facts. Get all of them. Get them right.

Second, go wherever the facts take you. Go quickly.

And thoroughly clean up whatever mess you may find.

Third, be entirely transparent about what you've found and how you've fixed it. As Justice Brandeis once observed, and as career public corruption prosecutors have repeated as a talisman for over a century: "Sunlight is the greatest disinfectant."

Fourth, don't just fix the old problems, be vigorous in implementing internal controls that prevent the opportunities for corruption in the future.

I believe that a similar focus on these rules will allow the DOI to carry out its full mission to act as a watchdog for city government, rooting out corruption, waste, fraud and abuse wherever it may be, and putting vigorous internal controls in place to prevent the opportunity for corruption in the future.

Before concluding, I want to talk briefly about an issue that I know is of great interest to the Council, and to the City generally: The Council's groundbreaking legislation that creates the City's first independent Police Inspector General.

If appointed, I will immediately begin searching for the right person to take on this task. I believe strongly that we need someone with deep experience in prosecutions and investigations. Ideally, this candidate will have a background in New York law enforcement and experience applicable to the NYPD. Regardless of the

candidate's professional background, he or she must possess the strength to act with independence from the police department, while at the same time commanding the department's respect and attention. The person must also have a deep understanding of the City and its diverse communities.

I look forward to discussing this matter with the Council in greater detail when we present our nominee for IG in the next 60 days.

My desire to become DOI Commissioner is a direct outgrowth of a career spent working on behalf of the public and fighting corruption. It would be deeply gratifying to me to have the opportunity to continue that work in the City in which I grew up and where my wife and I are now raising our children. I would be deeply grateful for the opportunity to serve the City of New York and Mayor de Blasio at this moment in history.

And with that, I will gladly answer any questions you may have.

Honorable Mark Peters,
Commissioner of the
Department of Investigation
80 Maiden Lane
New York, NY 10038

January 29, 2014

Honorable Mr. Peters,

The Department of Investigation and its Assistant Commissioner and Director of the Marshals Bureau, Keith Schwam, has permitted and promoted improper and possibly unlawful practices, retaliating against whistleblowers and critics using the power of his office to discourage and remove individuals he finds troublesome.

In an unprecedented move, after 30 years as a city marshal serving four administrations, I was forced to close an active City Marshal's office by Schwam. There was no reason given, no charges were filed.


The no-bid \$500 million annual contract with a New Jersey based company, PayLock, that replaced the PVB's Scofflaw Enforcement Program, is one blatant example. This shift in a long-standing program caused NYC residents to be fired, Local Towing and Storage companies to go out of business and a long-standing IT company, Pathwave, to shut down. The rules and procedures of a formerly well-run Scofflaw Enforcement Program are essentially managed by a private company's low paid civilian employees.

This apparent no-bid contract was forced through without the extensive and detailed vetting by DOI and PVB as was the practice with every other contractor in the Scofflaw Program.

PayLock's operation is poorly monitored by DOI, quite unlike the Marshals Bureau's recent and usual attitude closely reviewing the minutiae of judgment enforcement procedures by Deputy Sheriffs and City Marshals. For example, low-paid civilian employees have previously prohibited level of access to judgment enforcement.

I have high hopes that approval of your appointment as the next Commissioner of DOI will result in significant and welcome improvements in the management of its agencies.

Sincerely,



George Airday
Former City Marshal #7
Cell 917 952-8592



CITIZENS UNION OF THE CITY OF NEW YORK
Testimony to the Council Rules, Privileges and Elections Committee
On the Nomination of Mark Peters as Department of Investigation (DOI) Commissioner

January 30, 2014

Good morning Chair Lander and members of the Rules committee. My name is Dick Dadey. I am the Executive Director of Citizens Union and I'm joined by our Director of Public Policy and Advocacy Alex Camarda. Citizens Union is an independent, non-partisan, civic organization of New Yorkers who promote good government and advance political reform in our city and state.

Citizens Union believes Mark Peters is well qualified to serve as the Commissioner of DOI, having previously served as Chief of the Political Corruption Unit in the Attorney General's Office. His experience as a commissioner on the state ethics body, then the Commission on Public Integrity, also prepares him to assume this new role. We expect Mr. Peters to continue the office's reputation for independence and integrity that it was known for under his predecessor. Mr. Peter's role in the campaign of the Mayor de Blasio as his Treasurer is well known, and will undoubtedly bring additional scrutiny to his leadership and decisions at the DOI, as it should. Citizens Union believes that city employees should be hired because of what they know, not who they know. That Mr. Peters has a close relationship with the Mayor does not disqualify him given his credentials and qualifications. However the additional scrutiny because he knows the mayor well should be welcomed by Mr. Peters as he establishes his office and the integrity it needs to continue to have the public trust. We trust the Mr. Peters will follow the facts wherever they lead in an investigation, regardless of the nature or target of any probe and that the close relationship with the mayor will not affect his independence and professional judgment.

Should Mr. Peters be confirmed by the Council today, we urge him to robustly continue an effort that began just nine months ago at DOI¹: the establishment of an Inspector General office devoted to monitoring the Board of Elections in the City of New York and rooting out any waste, fraud or unethical conduct. This new office created by the Bloomberg Administration was also advocated for by Councilmembers James Oddo and Eric Ulrich as part of a larger effort to improve election administration at the City Board. The IG office made a valuable contribution to advancing election reform in New York City and State this year by releasing a report in December that inventoried the many policy and administrative issues facing the City Board of Elections, and made over 40 recommendations to improve the agency.² Citizens Union met with then Commissioner Rose Gill

¹ DOI ESTABLISHES INVESTIGATIVE UNIT TO EXPAND OVERSIGHT OF THE CITY BOARD OF ELECTIONS ON FRAUD, WASTE AND CORRUPTION ISSUES, April 24, 2013. Available at: http://www.nyc.gov/html/doi/downloads/pdf/2013/apr13/pr18boe_42413.pdf

² New York City Department of Investigation Report on the New York City Board of Elections' Employment Practices, Operations, and Election Administration Available at: http://www.nyc.gov/html/doi/downloads/pdf/2013/dec%2013/pr40boerpt_123013.pdf

Hearn and her staff regarding issues at the Board, and we hope the collaborative approach of the IG unit led by Andrew Brunsten continues under Mr. Peters, should he be confirmed as Commissioner.

We encourage Councilmembers to read the IG's report examining the Board of Elections. One of the most important findings in the report that Citizens Union brought to the DOI's attention is on page 1. The DOI states in the report based on an informal opinion of the state attorney general's office, "...the BOE is a local rather than a state agency. The BOE is funded by New York City and its employees are City employees."³ This means that not only does the DOI have the jurisdiction to investigate the Board of Elections, but that the Council has the jurisdiction to pass laws to improve Board of Elections operations as well as provide oversight like any other city agency. We urge the Council to take full advantage of that authority, and enforce existing laws that require the City Board of Elections to report to the Mayor's Management Report, webcast its weekly meetings of its Commissioners, in addition to passing new laws incentivizing city workers to serve as poll workers so we can improve election administration. Working hand in hand with the eventual Commissioner of DOI, the City Council can exercise its authority to address problems at the Board highlighted by DOI investigations.

We thank you for the opportunity to present Citizens Union's views on nomination of Mr. Peters and the DOI IG Unit focused on the City Board of Elections. We welcome any questions you have.

³ See 1989 N.Y. Op. (Inf.) Att'y Gen. 117

**THE COUNCIL
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