

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Council Member Vincent J. Gentile
Chair, Committee on Oversight & Investigations



Hearing on the Fiscal 2015 Preliminary Budget & the Fiscal 2014 Preliminary Mayor's Management Report

Department of Investigation

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Department of Investigation

The Department of Investigation (“DOI” or the “Department”) promotes and maintains integrity and efficiency in government operations. Through its Inspector General (IG) and other investigative staff, the Department investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, or employee of the City, as well as those who do business with, or receive benefits from, the City. The Department provides the Mayor with recommendations for corrective actions to assist City agencies in the design and interpretation of strategies to limit opportunities for criminal misconduct and waste.

Fiscal 2015 Preliminary Budget Highlights

This report provides a review of DOI's Preliminary Budget for Fiscal 2015 as well as the initiatives included in the November 2013 Financial Plan and the Fiscal 2015 Preliminary Budget. It also provides a summary of DOI's contract budget, and key statistics from the Preliminary Mayor's Management Report for Fiscal 2014. DOI has no capital budget.

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	2012	2013	2014	2014 as of	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2015 Prelim	Prelim	2014 - 2015
Personal Services	\$14,727	\$15,566	\$16,347	\$17,480	\$19,292	\$2,945
Other Than Personal Services	6,562	20,805	5,584	25,572	5,801	217
Agency Total	\$21,289	\$36,371	\$21,931	\$43,052	\$25,094	\$3,162

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary.*

DOI’s Fiscal 2015 Preliminary Budget totals \$25 million, which represents an increase of \$3.1 million from its Fiscal 2014 Adopted Budget. The \$3 million increase represents new funding for the new NYPD Inspector General Unit. The \$21.1 million change in the Fiscal 2014 budget since adoption is due to the recognition of non-City funds in the Department’s budget.

- NYPD Inspector General Unit.** The Department will receive \$750,000 in Fiscal 2014 growing to \$3 million in Fiscal 2015 in additional funding to hire a staff of 30 for the new New York Police Department Inspector General Unit (the “NYPD”). The NYPD Inspector General unit will review, study, audit and make recommendations relating to the operations, policies, programs, and practices of the NYPD. The goal of the unit is to enhance the overall effectiveness of the NYPD with regard to fighting crime and improving the relationship of the NYPD with the larger community. Pursuant to Local Law 70 of 2013, the Department must report to the Council the identity and qualifications of the Inspector General as well as any additional staff hired to assist with the scope of the new unit by March 31, 2014.

Department of Investigation Financial Summary

<i>Dollars in Thousands</i>	2012 Actual	2013 Actual	2014 Adopted	2014 as of 2015 Prelim	2015 Prelim	*Difference 2014 - 2015
Budget by Program Area						
Agency Operations	\$15,356	\$30,207	\$17,108	\$36,456	\$20,264	\$3,157
Inspector General	5,933	6,163	4,824	6,596	4,829	6
TOTAL	\$21,289	\$36,371	\$21,931	\$43,052	\$25,094	\$3,163
Funding						
City Funds			\$16,708	\$17,458	\$19,632	\$2,924
Other Categorical			604	1,854	604	0
State			0	75	0	0
Federal - Other			0	17,273	233	233
Intra City			4,619	6,392	4,625	6
TOTAL			\$21,931	\$43,052	\$25,094	\$3,163
Positions						
Agency Operations	132	177	160	162	190	30
Inspector General	59	84	66	74	66	-
TOTAL	191	261	226	236	256	30

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

The Fiscal 2015 Preliminary Budget for DOI is \$3.16 million greater than its Fiscal 2014 Adopted Budget. The Department's City-funded budget increased by \$2.9 million due to the new IG unit. The Department's non-City funds increases by \$239,000 from Fiscal 2014 Adopted Budget to Fiscal 2015 Preliminary Budget. Of the \$239,000 increase, the Department received \$233,000 in federal funding for a rent increase and lease expansion related to the new IG unit.

The Fiscal 2014 budget has increased by \$21.1 million since adoption which represents a typical mid-year increase in the Department's non-City funds. DOI's non-City funds budget for Fiscal 2014 since adoption has grown by \$26 million, where approximately 67 percent represents federal funding. Federal funding is generally not part of the Department's Preliminary appropriations, but is modified into the budget over the course of the fiscal year when the funding is received or granted. The Department has received federal funding from asset forfeiture cases and other federal grants. Other categorical funds and intra-city funds received by the Department support agreements the DOI has with specific agencies to conduct specialized investigations or oversight.

From Fiscal 2014 Adoption to the Fiscal 2015 Preliminary Budget, the Department's budgeted headcount increased by 30 due to the anticipated headcount for the new IG unit, while headcount for the Inspector General program area remained the same.

Miscellaneous Revenues

The chart below shows six types of miscellaneous revenue generated by DOI and recognized in the City’s Miscellaneous Budget (Agency 098). The revenue in the chart below is not included in the funding section of DOI’s Financial Summary Chart on page 2. The chart shows actual revenue for Fiscal 2012 and Fiscal 2013 and planned numbers for Fiscal 2014 and Fiscal 2015. OMB derives its plan numbers from historical patterns of actual revenues recognized in previous fiscal years.

DOI’s revenue is categorized as fees for services provided, fines collected, unclaimed funds from City Marshals, and restitution. 84 percent of the miscellaneous revenue generated by DOI stems from fees for services provided by New York City Marshals and DOI’s background and fingerprint units.

Revenue Sources	Actual		Planned	
	2012	2013	2014	2015
Fees from Marshals	\$1,951,220	\$1,891,060	\$2,345,300	\$2,345,300
DOI Fingerprint Fee	206,867	364,125	341,000	341,000
Background Investigation Fee	268,557	488,475	506,740	506,740
Marshal Fines	10,000	7,500	10,000	10,000
Unclaimed Funds from Marshal	276,500	276,500	276,500	276,500
Restitution: City Employee	736,192	114,537	300,000	300,000
TOTAL	\$3,449,336	\$3,142,197	\$3,779,540	\$3,779,540

Agency Operations (001 & 002)

	2012	2013	2014	2014 as of	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2015 Prelim	Prelim. Plan	2014 - 2015
Spending						
Personal Services	\$10,446	\$10,965	\$12,192	\$12,929	\$15,149	\$2,957
Other Than Personal Services	4,909	19,243	4,916	23,527	5,115	199
TOTAL	\$15,355	\$30,207	\$17,108	\$36,456	\$20,264	\$3,157
Funding						
City Funds			\$16,555	\$17,305	\$19,479	\$2,924
Other Categorical			400	1,650	400	0
State			0	75	0	0
Federal - Other			0	17,273	233	233
Intra City			153	153	153	0
TOTAL			\$17,108	\$36,456	\$20,264	\$3,157
Positions						
Full-Time Positions - Civilian		177	160	192	190	30
TOTAL		177	160	192	190	30

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary.

Funding in the Agency Operations units of appropriations (U/A 001-PS and U/A 002-OTPS) supports the administrative functions of the agency, as well as its principal function of promoting integrity and efficiency in City government. The PS appropriation funds DOI's inspectors general and other investigative staff through whom the agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. U/A 001 also captures the Commission to Combat Police Corruption, Special Commissioner of Investigation to the Department of Education, the Department's outreach efforts, New York City Marshals, policy and program development, and the technical support unit. Funding in the Other Than Personal Services unit of appropriation (U/A 002) enables the agency to purchase supplies, materials and other services required to support agency operations.

- NYPD Inspector General Unit.** The Department will receive \$750,000 in Fiscal 2014 growing to \$3 million in Fiscal 2015 in additional funding to hire a staff of 30 for the New York Police Department (the "NYPD") Inspector General Unit. Local Law 70 requires the Department to report to Council the identity and qualifications of the Inspector General as well as any additional staff hired to assist with the scope of the new unit. The Department also increased its OTPS budget by \$199,000 for lease expansion and a rent increase for the new unit.
- Federal Funds.** The DOI's Fiscal 2014 Budget has increased by \$9.2 million in federal funding since adoption to support an OTPS budget increase for various items such as information technology equipment purchases, an e-learning module for corruption prevention courses, and other supplies and training material.

- **Integrity Monitor.** The preliminary plan added \$8 million in Fiscal 2014 in Federal Community Development funds to monitor Housing Recovery Operations as part of the Build It Back program started after Hurricane Sandy.

Inspector General (003 & 004)

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	as of 2015 Prelim	Prelim. Plan	2014 - 2015
Spending						
Personal Services	\$4,280	\$4,601	\$4,155	\$4,551	\$4,143	(\$12)
Other Than Personal Services	1,653	1,562	668	2,045	686	18
TOTAL	\$5,933	\$6,163	\$4,824	\$6,596	\$4,829	\$6
Funding						
City Funds			\$153	\$153	\$153	\$0
Other Categorical			204	204	204	0
State			0	0	0	0
Federal - Other			0	0	0	0
Intra City			4,466	6,239	4,472	6
TOTAL			\$4,824	\$6,596	\$4,829	\$6
Positions						
Full-Time Positions - Civilian		84	66	74	66	0
TOTAL		84	66	74	66	0

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary.

The Inspector General (IG) PS unit of appropriation (U/A 003) covers Inspector Generals and other investigative staff funded through intra-city funds to provide specialized investigations and oversight of agencies, such as the Department of Juvenile Justice, the Economic Development Corporation, the Department of Human Resources, the Department of Environmental Protection, the Department of Buildings, and the Department of Design and Construction. These agencies have agreements with the Department to investigate specific programs or areas of corruption within their agency. This U/A also includes the fingerprint unit. Funding in the IG OTPS unit of appropriation (U/A 004) enables the agency to purchase supplies and equipment through intra-city funds of the IG offices.

- **Department of Environmental Protection.** The Fiscal 2014 budget since adoption included an increase of \$240,000 in intra-city funds for three new positions to aid in a focused investigation of corruption within the Department of Environmental Protection (DEP). Funding for this investigation included an increase of \$20,000 for DOI's OTPS budget for Fiscal 2014. The \$260,000 increase in intra-city funds from DEP is only for Fiscal 2014.

Fiscal 2014 PMMR Performance Measures

The Fiscal 2014 Preliminary Mayor's Management Report outlines the responsibilities and goals of the Department of Investigation. According to the Fiscal 2014 PMMR, the DOI investigates possible corruption, fraud, waste and unethical conduct in City government. It also conducts background and fingerprint checks for certain City employees, contractors, and day care workers.

According to the Fiscal 2014 PMMR, the DOI has three service goals. The first goal is to maintain the integrity of City agencies, employees, contract vendors and other recipients of City funds. The second service goal is to improve the impact and effectiveness of investigations. The last service goal is to ensure that all background investigations and fingerprint checks are conducted in a timely manner. The chart below from the PMMR provides performance statistics for Fiscal 2011 to 2013, target data for Fiscal 2014 to Fiscal 2015, and four-month actual data for Fiscal 2013 and Fiscal 2014.

Performance Statistics	Actual			Target		4-Month Actual	
	FY11	FY12	FY13	FY14	FY15	FY13	FY14
Complaints	13,639	12,595	12,644	*	*	4,088	4,678
Written policy and procedure recommendations to City agencies	310	369	557	300	300	101	40
Corruption prevention and whistleblower lectures conducted	446	478	611	400	400	119	214
Integrity monitoring agreements	12	15	21	*	*	15	16
VENDEX checks completed within 30 days (%)	98%	98%	93%	95%	95%	97%	98%
Average time to complete an investigation (days)	275	229	164	185	185	184	138
Referrals for civil and administrative action	1,100	1,334	1,235	1,000	1,000	332	317
Referrals for criminal prosecution	1,017	1,000	1,053	750	750	320	269
Arrests resulting from DOI investigations	790	808	840	*	*	256	255
Financial recoveries to the City ordered/agreed (\$)	\$20,986	\$523,356	\$38,428	\$18,000	\$18,000	\$3,701	\$1,330
Financial recoveries to the City collected (\$)	\$9,974	\$477,784	\$6041	\$10,000	\$10,000	\$3,033	\$28,804
Average time to complete a background investigation (days)	370	313	266	300	300	270	279
Background investigations closed within six months (%)	60%	52%	59%	60%	60%	55%	56%

Preliminary Performance Summary for Fiscal 2014:

- Complaints increased by four percent during the first four months of Fiscal 2014 compared to the same period of Fiscal 2013. The Department attributes the increase to the agency's growing public awareness campaigns.
- The Department increased the number of corruption prevention and whistleblower lectures by 80 percent from the first four months of Fiscal 2013 to the same four month period in Fiscal 2014.
- Based on the four month actuals, the number of written policy and procedure recommendations to City agencies decreased by 61 percent. The Department focused on implementing previously issued recommendations during the reporting period. The focus on implementation was due to the large number of recommendations issued in Fiscal 2013 as a result of an initiative to update the New York City Marshal Handbook and an increased effort to provide early attention to correcting vulnerabilities of City agencies.

- The average time to complete an investigation has decreased by 25 percent from the first four months of Fiscal 2013 to the same four month period in Fiscal 2014 due to the Department's continued work on prioritizing expeditious disposition of cases.
- Financial recoveries ordered/agreed decreased by 64 percent. Recoveries increased by 850 percent during the first four months of the Fiscal 2014 reporting period from \$3,033 in the same reporting period of Fiscal 2013 to \$28,804 in Fiscal 2014. This is due the City still receiving payments from the large settlement agreement from the CityTime investigations.

Appendix A: Budget Actions in the November and Preliminary Plans

<i>Dollars in Thousands</i>	FY 2014			FY 2015		
	City	Non-City	Total	City	Non-City	Total
DOI's Budget as of Fiscal 2014 Adopted Budget	\$16,708	\$5,223	\$21,931	\$16,632	\$5,223	\$21,855
New Needs						
NYPD Inspector General Unit	\$750	\$0	\$750	\$3,000	\$0	\$3,000
New Needs	\$750	\$0	\$750	\$3,000	\$0	\$3,000
Other Adjustments						
Other Categorical Adjustments	\$0	\$1,250	\$1,250	\$0	\$0	\$0
State Funding Adjustments	0	75	75	0	0	0
Federal CD Adjustments	0	8,000	8,000	0	0	0
Federal Funding Adjustments	0	9,273	9,273	0	232	232
Intra City Funding Adjustments	0	1,773	1,773	0	6	6
Other Adjustments	\$0	\$20,371	\$20,371	\$0	\$238	\$238
All Changes	\$750	\$20,371	\$21,121	\$3,000	\$238	\$3,238
DOI's Budget as of Fiscal 2015 Preliminary Budget	\$17,458	\$25,594	\$43,052	\$19,632	\$5,461	\$25,093

Appendix B: Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year. In January, it is prepared with the Departmental Estimates, and in late April it is submitted to the Council with the Executive Budget.

The following table provides DOI's Preliminary Contract Budget for Fiscal 2015.

DOI Fiscal 2015 Preliminary Contract Budget			
Contract Category	Number	Budgeted	Pct. of Agency Total
Contractual Services General	1	\$233,861	56.1%
Telecommunications Maintenance	3	11,468	2.8%
Maintenance & Repairs General	2	3,500	0.8%
Office Equipment Maintenance	3	4,980	1.2%
Data Processing Equipment	3	7,229	1.7%
Printing Contracts	4	11,190	2.7%
Security Services	1	1,500	0.4%
Temporary Services	5	11,010	2.6%
Training Program City Employees	1	725	0.2%
Professional Service Computer Services	2	6,000	1.4%
Professional Services Other	5	125,035	30.0%
Preliminary Budget	30	\$416,498	100.0%