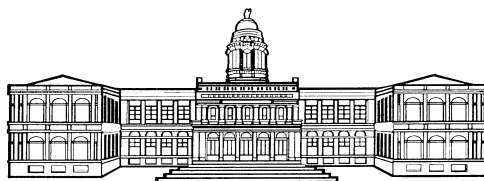


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing
on the Fiscal 2010 Executive Budget
for the
Department of Investigation

Tuesday, May 12, 2009

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin
Chair, Committee on Finance

Hon. Eric N. Gioia
Chair, Committee on Oversight and
Investigations

Preston Niblack
Director

Jeffrey Rodus
First Deputy Director

Andrew Grossman
Deputy Director

Lionel Francois
Legislative Financial Analyst

Department of Investigation (032)

Agency Overview

The Department of Investigation (DOI) 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.

Expense Budget Highlights

DOI's proposed Fiscal 2010 Executive Budget is approximately \$19.6 million, a decrease of \$1.6 million (7.6%) when compared to the agency's Fiscal 2009 Adopted Budget of \$21.2 million and an increase of approximately \$240,000 over the Department's Fiscal 2010 Preliminary Budget. The decrease from the Adopted appropriation is the result of a \$2.1-million reduction in City funds (associated with vacancy and attrition savings, as well as savings on vehicle maintenance driven by a fleet reduction initiative) offset by a \$500,000-increase in the Department's Intra-City funding (associated with intra-City agreements with the Department of Education and the Administration for Children's Services).

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$17,394,843	\$16,125,392	\$14,384,970	\$14,480,028
Other than Personal Services	\$6,084,716	\$5,070,128	\$4,999,961	\$5,144,866
Total	\$23,479,559	\$21,195,520	\$19,384,931	\$19,624,894
Funding				
City	NA	\$17,583,355	\$15,275,385	\$15,485,796
Other Categorical	NA	\$524,496	\$524,496	\$524,496
Intra-City	NA	\$3,087,669	\$3,585,050	\$3,614,602
Total	NA	\$21,195,520	\$19,384,931	\$19,624,894
Headcount				
Full-time Positions	240	260	237	237

Executive Budget Overview

- The Department’s Fiscal 2010 Executive Budget also shows a 16.6% reduction from its Fiscal 2008 actual expenditures of \$23.5 million.
- In the November and January Plans, the Department took Programs to Eliminate the Gap (PEG) reductions, including vacancy and attrition reductions, that will total 23 positions and \$1.8 million in Fiscal 2010.
- New actions in the Executive Budget:
 - \$31,000 PEG reduction in Maintenance and Fuel expenditures as part of the City’s Fleet Reduction initiative.
 - \$611,000 revenue initiative which would establish a \$100 fee for Vendex checks of prospective vendors.

General Operations (U/As 001 and 002)

Funding in the Personal Services unit of appropriation (U/A 001) 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. 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.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$13,589,893	\$12,933,110	\$11,181,527	\$11,269,598
Other Than Personal Services	\$4,526,929	\$4,472,863	\$4,402,696	\$4,518,049
Total	\$18,116,822	\$17,405,973	\$15,584,223	\$15,787,647
Funding				
City	NA	\$16,932,973	\$15,111,223	\$15,314,647
Other Categorical	NA	\$320,000	\$320,000	\$320,000
Intra-City	NA	\$153,000	\$153,000	\$153,000
Total	NA	\$17,405,973	\$15,584,223	\$15,787,647
Headcount				
Full-time Positions	NA	199	176	176

- **Fleet-Related Expense Reduction.** Embracing an alternative savings proposal made by the City Council, OMB included in the November Plan lump sum reductions in City funds associated with a Citywide fleet reduction. These lump sum reductions included \$20 million in Fiscal 2010 associated with the purchase of fewer vehicles, and \$2 million annually beginning in Fiscal 2011 associated with lowered vehicle maintenance costs. The Executive Plan now zeroes out these lump sum figures and apportions the savings throughout the City’s many agencies. For DOI, the Executive Plan shows a vehicle maintenance savings of \$31,000 in Fiscal 2010 and the outyears stemming from the agency’s plan to reduce its fleet by 10 vehicles representing an eleven-percent reduction to its total fleet of 90 vehicles.

This reduction could impact the number as well as length of investigations conducted by the Department. It could also impact the quality and frequency of maintenance performed on the Department's remaining fleet.

- **Collective Bargaining.** The Executive Budget includes an annual increase in City funds of approximately \$40,000 in Fiscal 2009, \$95,000 in Fiscal 2010, and \$110,000 in Fiscal 2011 and the outyears for collective bargaining adjustments for various titles throughout the Department. These funds would be transferred from the Labor Reserve in the Miscellaneous Budget to the Department's budget to cover the costs associated with recent collective bargaining settlements.
- **Lease Adjustments.** The Executive Plan adds \$150,627 to DOI's baseline budget beginning in Fiscal 2010 to properly reflect the costs associated with the Department's lease needs.
- **Heat, Light and Power.** The Executive Budget adds \$3,671 to DOI's budget in Fiscal 2009 and \$25,278 annually beginning in Fiscal 2010 to properly reflect the costs associated with heat, light and power.
- **Vacancy and Attrition Savings** (*Updated from November and January*). At \$11.3 million, the Executive Fiscal 2010 Personal Services Budget for DOI's General Operations unit decreases by 12.4% when compared to the Fiscal 2009 Adopted Budget figure of \$12.9 million. This decrease is principally the result of November and January Plan PEG proposals that would reduce the agency's headcount by 23 positions in Fiscal 2010. Having been the subject of significant headcount reductions over the past several years, it is unclear how DOI can absorb these reductions and still perform its important duties.

This question becomes of even greater concern when looked at in context of recent information contained in the Fiscal 2009 Preliminary Mayor's Management Report (PMMR): "DOI received 20 percent more complaints and closed 39 percent more cases during the [4-month] reporting period, with 78 percent of those cases resulting in significant impact." Whereas Fiscal 2006 to 2008 saw complaint totals of 12,668, 12,882 and 13,839, respectively, 4-month data for Fiscal 2009 indicate that 5,209 complaints were made (compared to 4,339 for the same period in the prior year). This would translate into an annual complaint figure approaching 16,000 in Fiscal 2010. (See trend analysis tables below.)

Trend Analysis

AGENCY FUNDING HISTORY								
Fiscal Year	Adopted 2002	Adopted 2003	Adopted 2004	Adopted 2005	Adopted 2006	Adopted 2007	Adopted 2008	Adopted 2009
All Funds	\$21,586,404	\$22,194,275	\$18,483,858	\$19,867,511	\$19,741,283	\$21,825,662	\$22,056,894	\$21,195,520

Executive
Fiscal 2010
Budget: \$19,624,894

PERFORMANCE INDICATORS								
Fiscal Year	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	4-Month Fiscal 2009
Complaints	8,838	12,296	11,035	11,609	12,668	12,882	13,839	5,209
Caseload	1,601	1,721	1,744	1,729	1,908	2,045	2,481	1,552
Cased Closed	853	896	910	748	961	995	1,418	507
Avg. Completion Time (days) Major Investigation	NA	875	753	708	618	892	1,269	1,316
Avg. Completion Time (days) Significant Investigation	NA	502	714	867	604	739	554	451
Avg. Completion Time (days) Routine Investigation	NA	283	309	330	330	315	310	288
Arrests from DOI Investigations	272	334	242	299	345	368	676	275
Agency Personnel	322	269	247	245	245	265	241	236

Inspector General (IG) (U/As 003 and 004)

Funding in the Inspector General (IG) PS unit of appropriation (U/A 003) supports positions supported through Intra-City funds for staff in the Fingerprint Unit and the IG offices having jurisdiction over the Departments of Juvenile Justice, Public Assistance and Grant Unit, Social Services, Buildings and Environmental Protection. Funding in the IG OTPS unit of appropriation (U/A 004) enables the agency to purchase supplies and equipment through Intra-City funds for IG offices.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Inspector General-PS	\$3,804,950	\$3,192,282	\$3,203,443	\$3,210,430
Inspector General-OTPS	\$1,557,787	\$597,265	\$597,265	\$626,817
Total	\$5,362,737	\$3,789,547	\$3,800,708	\$3,837,247
Funding				
City	NA	\$650,382	\$164,162	\$171,149
Other Categorical	NA	\$204,496	\$204,496	\$204,496
Intra-City	NA	\$2,934,669	\$3,432,050	\$3,461,602
Total	NA	\$3,789,547	\$3,800,708	\$3,837,247
Headcount				
Full-time Positions	NA	61	61	61

- **DOI Newtown Creek Contract Management.** DOI is managing two quality assurance and anti-fraud contracts related to a DEP pollution control plant construction project. The cost of the contract management function being performed by DOI is approximately \$1.3 million in Fiscal 2009.
- **Fiscal 2009 Intra-City Agreements with DOE and ACS.** The Executive Plan transfers funds from the Department of Education (DOE) to do a forensic investigation of DOE's computer network to verify that it maintains a satisfactory level of network security, and from the Administration for Children's Services (ACS) for general investigative services. Funding for the DOE project would total \$39,554 and funding for the ACS project would total \$600,000.

Revenue PEG

- **New Fee for Vendex Investigations.** Per the City's Administrative Code, all vendors seeking to do business with City government must undergo a background check via the City's Vendex vendor information system. This process is known as a "name check" where the Department checks the prospective vendor's background information for any derogatory information that might bar them from doing business with the City.

The Executive Plan includes a proposal whereby, once the total dollar value of a vendor's annual business with the City equals or exceeds \$100,000, DOI would charge them \$100 to do a name check. The Office of Management and Budget (OMB) estimates that this new fee would yield \$611,000 on an annual basis beginning in Fiscal 2010. This is a conservative estimate of potential revenue based upon a three-year average of the number of name checks completed per fiscal year by the Department. DOI would receive PEG credit for this potential revenue stream.

A PPB (Procurement Policy Board) rule change would be needed to implement this measure, along with a possible CAPA (City Administrative Procedure Act) amendment.

Supplemental Tables

Executive Budget Actions

The following table summarizes changes to the Fiscal 2009 and 2010 budgets since the 2009 budget was adopted. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes.

DOI (032) Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the January Plan	\$17,187	\$5,457	\$22,644	\$15,275	\$4,110	\$19,385
Executive Plan Programs to Eliminate the Gap (PEGs)						
Fleet-Related Expense Reduction	\$0	\$0	\$0	(\$31)	\$0	(\$31)
Total PEGs	\$0	\$0	\$0	(\$31)	\$0	(\$31)
Executive Plan New Needs						
	\$0	\$0	\$0	\$0	\$0	\$0
Total New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Executive Plan Other Adjustments						
Collective Bargaining	\$40		\$40	\$95		\$95
DOI Newtown Creek		\$1,280	\$1,280			\$0
FY 09 DOI		\$600	\$600			\$0
Heat, Light and Power	\$4		\$4	\$25		\$25
IntraCity with DOI		\$40	\$40			\$0
Lease Adjustment			\$0	\$121	\$30	\$151
Total Other Adjustments	\$43	\$1,920	\$1,963	\$241	\$30	\$271
Total Executive Plan Budget Changes	\$43	\$1,920	\$1,963	\$210	\$30	\$240
Agency Budget as per the Executive Plan	\$17,230	\$7,377	\$24,607	\$15,485	\$4,140	\$19,625

Summary of Changes Since June 2009 Plan

City Funds only, (\$'s in 000's)

	2009	2010	2011	2012	2013
June 2009 Plan	\$17,583	\$17,248	\$17,103	\$17,103	\$17,103
New Needs	\$0	\$0	\$0	\$0	\$0
Collective Bargaining	\$125	\$223	\$238	\$238	\$238
Other Adjustments	\$(477)	\$(85)	\$(74)	\$(61)	\$(55)
PEG	\$0	\$(1,900)	\$(1,911)	\$(1,924)	\$(1,930)
Exec 2010 Plan	\$17,231	\$15,486	\$15,356	\$15,356	\$15,356