

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
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Report of the Finance Division on the
Fiscal 2018 Preliminary Budget

Department of Investigation

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Finance Division

Latonia McKinney, Director
Regina Poreda Ryan, Deputy Director
Nathan Toth, Deputy Director

Paul Scimone, Deputy Director
Sheila D. Johnson, Financial Analyst
Eisha Wright, Unit Head

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Department of Investigation Overview

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.

This report provides a review of DOI's Fiscal 2018 Preliminary Budget and the Fiscal 2017 Preliminary Mayor's Management Report (PMMR). The first section presents significant highlights of the \$41.7 million Fiscal 2018 expense budget. The report follows with a presentation of the Department's budget by units of appropriation and then a review of the Fiscal 2017 PMMR. Finally, the appendices highlight budget actions in the November and Preliminary Financial Plans and DOI's Fiscal 2018 Contract Budget.

Fiscal 2018 Preliminary Budget Highlights

Department of Investigation Expense Budget						
	2015	2016	2017	Preliminary Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2017	2018	2017 - 2018
Personal Services	\$19,311	\$22,761	\$30,040	\$31,935	\$30,864	\$824
Other Than Personal Services	15,672	15,607	16,666	26,504	10,874	(5,792)
TOTAL	\$34,983	\$38,368	\$46,706	\$58,440	\$41,738	(\$4,968)

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Preliminary Budget.

The Fiscal 2018 Preliminary Budget for DOI totals \$41.7 million (including City and non-City funds), which represents a decrease of \$4.9 million from its Fiscal 2017 Adopted Budget of \$46.7 million. The \$4.9 million decrease is due to a decrease in the Other Than Personal Services (OTPS) budget of \$5.8 million, offset by an increase in the Personal Services (PS) budget of \$824,000.

The Fiscal 2017 budget for DOI as presented in the Preliminary Plan shows growth of \$11.7 million or 25 percent since adoption, due to the recognition of non-city grants, of which \$8.9 million are federal grants. (See Appendix A for a list of all the changes to the Fiscal 2017 and Fiscal 2018 Budgets since adoption.)

Financial Plan Summary

The table provides an overview of DOI's actual expenditures for Fiscal 2015 and Fiscal 2016, the Adopted Budget for Fiscal 2017, and planned expenditures for Fiscal 2017 and Fiscal 2018 as proposed in the Preliminary Plan.

DOI Financial Summary						
<i>Dollars in Thousands</i>						
	2015	2016	2017	Preliminary Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Budget by Program Area						
Agency Operations	\$31,369	\$33,620	\$39,505	\$50,110	\$35,256	(\$4,250)
Inspector General	3,614	4,748	7,200	8,330	6,482	(718)
TOTAL	\$34,983	\$38,368	\$46,706	\$58,440	\$41,738	(\$4,968)
Funding						
City Funds			\$30,923	\$30,919	\$32,352	\$1,430
Other Categorical			604	1,052	604	0
State			0	489	0	0
Federal - Community Development			5,180	6,173	90	(5,090)
Federal - Other			3,347	11,785	2,796	(551)
Intra City			6,651	8,021	5,894	(757)
TOTAL	\$34,983	\$38,368	\$46,706	\$58,440	\$41,738	(\$4,968)
Budgeted Headcount						
Full-Time Civilian Positions - Agency Operations	219	267	324	328	322	(2)
Full-Time Civilian Positions - Inspector General	43	53	75	94	75	0
TOTAL	262	320	399	422	397	(2)

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Preliminary Budget.

The Fiscal 2018 Preliminary Budget for DOI totals \$41.7 million, down \$4.9 million from the \$46.7 million Fiscal 2017 Adopted Budget. The change is due to reductions in both Agency Operations and the Inspector General program areas of \$4.2 million and \$718,000 respectively. Since the adoption of the Fiscal 2017 budget, DOI's budget for Fiscal 2018 has remained essentially unchanged. As shown in Appendix A, budget adjustments introduced since June 2016 have added just \$21,000 overall to DOI's Fiscal 2018 Budget. However, DOI's City tax-levy funds is \$1.4 million greater than the Fiscal 2017 Adopted Budget. This increase was scheduled in a prior financial plan to support the agency's expansion.

Changes in DOI's Fiscal 2017 Budget during the course of the fiscal year amount to \$11.7 million in, essentially, all non-City funds. The difference shown in the DOI Financial Summary table between the Fiscal 2018 Preliminary Budget and the current Fiscal 2017 Budget are due to the recognition of federal and State grants and intra-city payments for Fiscal 2017 for the current year only. Federal grants comprise \$8.9 million of the increase.

Units of Appropriation

The following two tables provide an overview of DOI's Fiscal 2018 Preliminary Plan by units of appropriation (U/A) with actual expenditures for Fiscal 2015 and Fiscal 2016, the Adopted Budget for Fiscal 2017 and planned expenditures for Fiscal 2017 and Fiscal 2018. Each shows spending, funding summaries and budgeted headcount.

Agency Operations

Funding in the Agency Operations units of appropriation (U/A 001-PS and U/A 002-OTPS) support the administrative and investigative functions of DOI, 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 of 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 Inspector General for the New York Police Department (NYPD), 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 (OTPS) unit of appropriation (U/A 002) enables the agency to purchase supplies, materials and other services required to support agency operations.

Agency Operation						
<i>Dollars in Thousands</i>						
	2015	2016	2017	Preliminary Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$15,573	\$19,137	\$24,468	\$25,117	\$25,256	\$788
Full-Time Salaried - Uniformed	1	4	0	0	0	0
Overtime - Civilian	371	630	40	327	40	0
Additional Gross Pay	720	88	94	94	94	0
Additional Gross Pay - Labor Reserve	165	4	0	0	0	0
Unsalaries	43	36	64	64	64	0
Fringe Benefits	0	0	138	194	125	(13)
Other Salaried	0	0	10	10	10	0
P.S. Other	0	0	0	0	0	0
Subtotal	\$16,873	\$19,898	\$24,814	\$25,806	\$25,590	\$775
Other Than Personal Services						
Contractual Services	\$599	\$892	\$377	\$2,159	\$366	(\$11)
Contractual Services - Professional Services	116	77	154	79	154	0
Fixed & Misc. Charges	73	241	105	263	100	(5)
Other Services & Charges	11,674	10,298	12,931	14,562	7,893	(5,038)
Property & Equipment	1,788	1,934	779	6,529	705	(74)
Supplies & Materials	247	281	346	711	449	104
Subtotal	\$14,496	\$13,723	\$14,691	\$24,303	\$9,666	(\$5,025)
TOTAL	\$31,369	\$33,620	\$39,505	\$50,110	\$35,256	(\$4,250)
Funding						
City Funds			\$30,426	\$30,663	\$31,818	\$1,393
Federal-Community Development			5,180	6,173	90	(5,090)
Federal-Other			3,347	11,785	2,796	(551)
Intra City			153	151	151	(2)
Other Categorical			400	847	400	0
State			0	489	0	0
TOTAL	\$31,369	\$33,620	\$39,505	\$50,110	\$35,256	(\$4,250)
Budgeted Headcount						
Full-Time Positions - Civilian	219	267	324	328	322	(2)
TOTAL	219	267	324	328	322	(2)

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Preliminary Budget.

The Fiscal 2018 Preliminary Budget for Agency Operations totals \$35.2 million (including City and non-City funds). This is a decrease of \$4.2 million or eleven percent, when compared to the Department's Fiscal 2017 Adopted Budget. The decrease is due to a reduction in the OTPS budget

of \$5 million, offset by an increase in the PS budget of \$775,000. The change is attributable to federal grants that are not included in the Fiscal 2018 Budget. The headcount for the Agency Operations program area in Fiscal 2018 totals 322, which represents a decrease of two positions as compared to the Fiscal 2017 Adopted Budget total of 324. The Fiscal 2017 budget as presented in the Preliminary Plan increases by \$10.6 million or 27 percent since adoption and the headcount increases by four positions. This increase is primarily due to \$9.4 million in federal grants.

Changes to the Agency Operations program area include the following:

- **Asset Forfeiture Revenue.** The November Plan recognized one-time federal revenue of \$6.8 million in Fiscal 2017. According to DOI, the funding was used to cover agency overtime expenses and various equipment needs of the agency.
- **New York City Housing Authority.** The November Plan recognized one-time funding of \$2 million in Federal Emergency Management funds for NYCHA. This funding was rolled from Fiscal 2016.
- **Housing Recovery Office Surplus.** The Housing Recovery Office (HRO) Build it Back program provides services to homeowners affected by Hurricane Sandy. HRO oversees the program and DOI is responsible for monitoring contractors and vendors involved in the program. The November Plan recognized a surplus of approximately \$987,000 in Fiscal 2017 that was rolled from Fiscal 2016. The surplus reflects anticipated expenditures which were not spent in Fiscal 2016, but are expected to be spent in Fiscal 2017.

Headcount Changes

The Fiscal 2018 budget for Agency Operations includes a total of \$6.7 million and 81 new positions that were added to the agency's budget over the course of three financial plans leading up to the adoption of the Fiscal 2017 Budget. According to DOI, it has hired all but 13 of the positions with 85 percent of the positions hired as of February 2017. DOI is actively working to hire the remaining 13 positions.

Funding added 25 additional staff for the Inspector General unit for the Department of Buildings, including 17 investigators and eight administrative staff, 39 positions to enhance DOI investigative staff covering a variety of squads and units across the agency, and 17 additional positions in other administrative functions supporting overall agency operations.

Inspector General

The Inspector General (IG) PS unit of appropriation (U/A 003) covers inspector generals and other investigative staff funded through intra-city agreements to provide specialized investigations and oversight of agencies, such as the Administration for Children's Services (ACS), the Economic Development Corporation, HRA, the Department of Environmental Protection (DEP), the Department of Buildings (DOB), New York City Health and Hospitals (NYC H+H), and the Department of Design and Construction (DDC). These agencies have agreements with DOI 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.

Inspector General						
<i>Dollars in Thousands</i>						
	2015	2016	2017	Preliminary Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Spending						
Personal Services						
Full time Salaried Civilian	\$2,312	\$2,709	\$5,086	\$5,990	\$5,135	\$49
Overtime - Civilian	40	125	70	70	70	0
Additional Gross Pay	53	23	29	29	29	0
Additional Gross Pay - Labor Reserve	34	0	0	0	0	0
Fringe Benefits	0	0	41	41	41	0
Unsalaries	0	6	0	0	0	0
Subtotal	\$2,438	\$2,863	\$5,226	\$6,129	\$5,274	\$49
Other Than Personal Services						
Contractual Services	\$645	\$287	\$15	\$120	\$15	\$0
Contractual Services - Professional Services	4	1	56	53	56	0
Fixed & Misc. Charges	17	6	18	21	18	0
Other Services & Charges	470	1,476	1,720	1,711	940	(780)
Property & Equipment	14	67	92	101	92	0
Supplies & Materials	26	48	74	196	87	13
Subtotal	\$1,176	\$1,885	\$1,975	\$2,201	\$1,207	(\$767)
TOTAL	\$3,614	\$4,748	\$7,200	\$8,330	\$6,482	(\$718)
Funding						
City Funds			\$497	\$256	\$534	\$37
Intra City			6,498	7,869	5,743	(755)
Other Categorical			204	204	204	0
TOTAL	\$3,614	\$4,748	\$7,200	\$8,330	\$6,482	(\$718)
Budgeted Headcount						
Full-Time Positions - Civilian	43	53	75	94	75	0
TOTAL	43	53	75	94	75	0

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Preliminary Budget.

The Fiscal 2018 Preliminary Budget for the Inspector General totals \$6.5 million (including City and non-City funds). This reflects a decrease of \$718,000, when compared to the Department's Fiscal 2017 Adopted Budget. The decrease is due to a reduction in the OTPS budget of \$767,000, offset by an increase in the PS budget of \$49,000. The change is directly attributable to Intra City funds of \$755,000 that are not included in the Fiscal 2018 Budget. The headcount for Inspector General is 75 positions and remains unchanged since adoption. The mid-year HC increase is associated with intra city agreements that are recognized in the budget on a year by year basis.

The Fiscal 2017 budget as presented in the Preliminary Plan increases by \$1.1 million or 15.7 percent since adoption and the headcount increases by 19 positions. This increase is primarily due to \$1.4 million in Intra City funds.

Changes to the Inspector General program include the following:

- **Reduction in OTPS Spending** – DOI has recognized a one percent savings in its OTPS spending across the agency. The Fiscal 2018 Preliminary Budget includes a baseline reduction of \$21,982 beginning in Fiscal 2017.
- **Intra City Agreements** – The Fiscal 2018 Preliminary Plan includes a \$1.4 million in funding for Fiscal 2017 to support various intra city agreements with various City agencies.

Fiscal 2017 PMMR Performance Measures

The Fiscal 2017 PMMR outlines the responsibilities and goals of DOI. DOI mission is to promote and maintain integrity and efficiency in City government operations by investigating City employees and contractors who may be engaged in corrupt activities. DOI has oversight of over 45 Mayoral agencies, 200 City Boards and Commissions. DOI's comprehensive strategy will continue to focus on addressing corruption through systemic investigations. The performance indicators listed below illustrates DOI efforts to improve the way the City runs and prevent criminal misconduct and waste.

The Fiscal 2017 PMMR mentions DOI's three service goals. They are 1) Maintain the integrity of City agencies, employees, contract vendors and other recipients of City funds; 2) Improve the impact and effectiveness of investigations; and 3) Ensure that all background investigations and fingerprint checks are conducted in a timely manner.

The chart highlights DOI performance statistics for Fiscal 2014 to 2016, target data for Fiscal 2017 and Fiscal 2018 and four-month actual data for Fiscal 2016 and Fiscal 2017.

DOI Performance Indicators	Actual			Target		4-Month Actual	
	FY14	FY15	FY16	FY17	FY18	FY16	FY17
Complaints	12,624	11,445	11,610	*	*	3,097	4,208
Written policy and procedure recommendations to City agencies	280	370	693	300	300	85	120
Written policy and procedure recommendations accepted by City agencies (%)	45%	74%	81%	75%	75%	NA	NA
Corruption prevention and whistleblower lectures conducted	535	378	408	400	400	141	129
Corruption prevention lecture e-learning attendees	NA	1,797	15,298	*	*	2,662	1,986
Integrity monitoring agreements	18	16	16	*	*	17	17
VENDEX checks completed within 30 days (%)	88%	99%	95%	95%	95%	100%	96%
Average time to complete an investigation (days)	160	193	145	180	180	151	141
Referrals for civil and administrative action	929	1,327	835	*	*	223	324
Referrals for criminal prosecution	612	601	727	*	*	175	244
Arrests resulting from DOI investigations	516	499	546	*	*	126	168
Financial recoveries to the City ordered/agreed (\$000)	\$11,144	\$10,603	\$3,004	UP	UP	\$1,130	\$1,537
Financial recoveries to the City collected (\$000)	\$33,248	\$6,034	\$5,095	UP	UP	\$1,081	\$1,101
Average time to complete a background investigation (from date of receipt) (days)	319	275	351	300	300	325	388
Background investigations closed within 12 months (from date of receipt) (%)	61%	65%	60%	60%	60%	64%	53%
Time to notify agencies of prospective childcare, home care and family care workers with criminal records after receipt from State Division of Criminal Justice Services and FBI (days)	1	1	1	2	2	1	1
Time to notify agencies of arrest notifications for current childcare, home care and family care workers after receipt from State Division of Criminal Justice Services and FBI (days)	1	1	1	*	*	1	1

DOI continues to focus its strategy on addressing corruption comprehensively through systemic investigations. To that end, several indicators have been impacted by this focus.

- According to the PMMR, the number of written policy and procedure recommendations to City agencies increased by 41 percent in the first four months of Fiscal 2017 compared to Fiscal 2016. Some recent examples of policy and procedural recommendations sent to City agencies include two NYPD IG reports on the body-worn camera pilot program and de-escalation tactics, employee fraud at Human Resources Administration, program vulnerabilities at the Department for the Aging, and reform at Department of Correction (DOC) facilities.
- Corruption prevention and whistleblower lectures decreased nine percent when comparing the first four months of Fiscal 2016 to Fiscal 2017. This decrease is attributable to the citywide e-learning module that delivers a majority of DOI's anti-corruption education online. In-person corruption prevention lectures are conducted when investigations reveal vulnerabilities that would be best addressed directly by the agency.
- The number of complaints when comparing the first four months from Fiscal 2016 to Fiscal 2017 increased 8 percent with 4,208 complaints received. The increase is attributed to the agency's enhanced visibility throughout the five boroughs as a result of a media campaign warning New Yorkers of the risks of bribery and corruption.
- The number of current investigations increased by 23 percent in Fiscal 2017.
- Written policy and procedure recommendations to City agencies increased 41 percent.
- The number of corruption prevention and whistleblower lectures conducted decreased nine percent.
- The timeliness of VENDEX checks completed within 30 days decreased by four percent coupled with a seven percent decrease in the average time to complete an investigation.
- Targeting of systemic vulnerabilities and effective use of agency resources led to a thirty-nine percent increase in the number of referrals for criminal prosecution and a thirty-three percent increase in arrests.
- Financial recoveries in the City increased thirty-six percent and recoveries collected from previously closed cases increased two percent.
- The number of background investigations closed within twelve months decreased by eleven percent and the average time to complete a background investigation increased by nineteen percent due to staffing fluctuations.

Appendix A: Budget Actions in the November and the Preliminary Plans

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
DOI Budget as of the Adopted 2017 Budget	\$30,923	\$15,783	\$46,706	\$32,352	\$9,365	\$41,717
Other Adjustments						
DEP-DOI 3 Positions & OTPS Charges	\$0	\$260	\$260	\$0	\$0	\$0
DEP-DOI MOU BT-2	0	661	661	0	0	0
DOI Integrity FY17-19	0	63	63	0	0	0
DOI Baseline	0	215	215	0	215	215
FY17 Asset Forfeiture Revenue	0	6,796	6,796	0	0	0
Intra City - fingerprinting	0	215	215	0	0	0
L1180 Admin Manger (NM) Collective Bargaining	18	0	18	23	0	23
MOU w/ DOI for CFP - IM	0	93	93	0	0	0
Put up BIB OTPS Funds	0	7	7	0	0	0
Realign DOI OC	0	(194)	(194)	(195)	0	(195)
Reduction of Discretionary Expense Budget	(22)	0	(22)	(22)	0	(22)
Rollover FY16 NYCHA FEMA Fund	0	2,131	2,131	0	0	0
Rollover NYCHA Bond B funds	0	232	232	0	0	0
Rollover Mod for HRO surplus	0	986	986	0	0	0
Lease Adjustment	0	55	55	0	0	0
Realize Revenue for NYCHA BB	0	216	216	0	0	0
Subtotal, Other Adjustments	(\$4)	\$11,736	\$11,732	(\$194)	\$215	\$21
TOTAL, All Changes	(\$4)	\$11,736	\$11,732	(\$194)	\$215	\$21
DOI Budget as of the Preliminary 2018 Budget	\$30,919	\$27,519	\$58,438	\$32,158	\$9,384	\$41,737

Appendix B: Contractual Spending

DOI Contract Budget				
<i>Dollars in Thousands</i>				
Category	Fiscal 2017 Adopted	Number of Contracts	Fiscal 2018 Preliminary	Number of Contracts
Contractual Services General	\$234	1	\$234	1
Telecommunications Maintenance	11	3	11	3
Maintenance & Repair General	13	3	13	3
Office Equipment Maintenance	5	3	5	3
Data Processing Equipment	37	3	27	3
Printing Contracts	12	4	11	4
Security Services	2	1	2	1
Temporary Services	77	5	77	5
Training Programs for City Employees	1	1	1	1
Professional Services: Computer Services	6	2	6	2
Professional Services: Other	203	5	203	5
TOTAL	\$601	31	\$590	31