

THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council
Christine C. Quinn



Hon. Gale A. Brewer, Chair, Governmental
Operations Committee

Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report

Financial Information Service Agency (FISA) and Office of Payroll
Administration (OPA)

March 29, 2012

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Agency Overviews

Financial Information Services Agency (FISA)

FISA controls and coordinates data processing functions and operations for the City's payroll, accounting and purchasing systems; manages the citywide financial management system (FMS); generates and distributes reports for accounting and budget oversight; and provides on-line access to budgetary or related data for use by city managers and others. FISA also maintains the operational integrity of the payroll management system (PMS) and the integrated comprehensive contracts information system (ICCIS). FISA is jointly controlled by the Mayor and the Comptroller, as defined by the City Charter.

Office of Payroll Administration (OPA)

OPA is responsible for establishing payroll policy, coordinating payroll related matters between City agencies and affected covered organizations, and developing uniform procedures for payroll processing and development. OPA is also responsible for the distribution of payrolls, the accounting for payrolls, administration of payroll deductions, check distribution services, maintenance of the integrity and accuracy of the payroll management system (PMS), and supporting the development and implementation of PMS.

This report provides a review of the Fiscal 2013 Preliminary Budgets of both FISA and OPA. In the first section the highlights of the Fiscal 2013 Preliminary Plan are presented. The report then presents the financial summaries of both agencies and discusses actions included in the November and February Financial Plans. Finally, the report provides a review of citywide IT systems maintained and operated by the two agencies and a review of FISA's and OPA's contract budgets.

Fiscal 2013 Preliminary Plan Highlights

- **Functional Transfer - OPA to FISA.** In several financial plans through various actions, resources dedicated to the CityTime payroll system have been transferred from OPA to FISA. This transfer of funding is discussed throughout this report and is illustrated best in the agencies' financial summary charts on pages 3 and 4.
- **CityTime.** A general discussion on the status of the CityTime project, the web-based citywide municipal employee timekeeping system, can be found on page 5.
- **NYCAPS.** The estimated cost for the development of NYCAPS, the City's employee self-service payroll, tax and benefits system, has increased from \$66 million at its inception to its current estimated cost of \$335 million. Discussion of the development of this system is on page 5.

FISA Financial Summary

| <i>Dollars in Thousands</i> | 2011 | 2012 | 2012 | 2013 | *Difference |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | Actual | Adopted | Feb. Plan | Feb. Plan | 2012 - 2013 |
| Spending | | | | | |
| Personal Services | \$28,800 | \$34,954 | \$34,574 | \$40,106 | \$5,152 |
| Full-Time Salaried – Civilian | 27,597 | 34,267 | 33,887 | 39,419 | 5,152 |
| Other Salaried & Unsalaries | 115 | 113 | 113 | 113 | 0 |
| Additional Gross Pay | 937 | 406 | 406 | 406 | (0) |
| Overtime - Civilian | 151 | 168 | 168 | 168 | 0 |
| Other Than Personal Services | 32,965 | 52,870 | 54,354 | 52,552 | (318) |
| Supplies and Materials | 2,092 | 2,321 | 2,427 | 4,033 | 1,712 |
| Property and Equipment | 19 | 114 | 50 | 114 | 0 |
| Other Services and Charges | 10,478 | 10,547 | 10,619 | 10,566 | 19 |
| Contractual Services | 20,376 | 39,889 | 41,255 | 37,840 | (2,049) |
| Fixed and Misc. Charges | 5 | 0 | 3 | 0 | 0 |
| TOTAL | \$61,765 | \$87,823 | \$88,888 | \$92,658 | \$4,834 |
| Funding | | | | | |
| City Funds | NA | \$82,345 | \$88,075 | \$88,075 | \$5,730 |
| Capital-IFA | NA | 5,478 | 5,478 | 4,583 | (895) |
| Intra-City | NA | 0 | 541 | 0 | 0 |
| TOTAL | \$61,765 | \$87,823 | \$88,888 | \$92,658 | \$4,835 |
| Positions | | | | | |
| Full-Time Positions - Civilian | 395 | 378 | 383 | 433 | 55 |

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.*

In the Preliminary Plan, expenditures in Fiscal 2013 for contractual services account for 40.8 percent of FISA's budget, much of which goes toward the maintenance of several citywide IT systems. The Agency relies almost entirely on city tax-levy funding which comprises 95 percent of FISA's total funding.

Compared with the Fiscal 2011 expenditures, the significant increase in the Agency's Fiscal 2012 and 2013 budgets is primarily the result of an action included in the Fiscal 2012 Executive Plan that shifts CityTime resources from OPA to FISA, increasing FISA's Fiscal 2012 budget by \$17.1 million in Fiscal 2012, and \$15.3 million in Fiscal 2013. Of the Fiscal 2012 total, \$2.6 million would fund 36 positions and \$14.4 million is for OTPS expenses, with the majority going toward contractual services. Of the Fiscal 2013 total, \$5 million would fund 56 positions and \$10.3 million is for OTPS expenses as the Agency converts consultant positions to salaried positions. In total, FISA plans to baseline 96 CityTime positions by Fiscal 2015. As the Agency increases its in-house CityTime staff, annual costs associated with the system are projected to decrease. This budget action reflects an agreement reached between the Comptroller and the Mayor which is outlined on page 5.

Financial Plan Actions

- **Personal Services Reduction.** As part of the Agency's PEG program, FISA will eliminate 6 worker compensation positions generating savings of \$789,000 in Fiscal 2012, with savings increasing to \$818,000 by Fiscal 2016.
- **Inter-Fund Agreement (IFA) Headcount Continuation - 32 positions.** FISA plans to renew 32 IFA-funded positions in Fiscal 2013. Capital funding is included in the expense budget in the form of Inter-Fund Agreements (IFA), an internal contract for the services of city engineering, architectural and design staff and other expenditures associated with specific capital projects. Generally, IFAs are renewed on a year-to-year basis as necessary.
- **IFA Switch.** Through an IFA, 18 positions associated with the development of IT infrastructure currently funded with city tax-levy dollars will now be funded through the capital budget. This action will transfer \$1.4 million from the capital budget to FISA's expense budget.
- **Budget Surpluses.** FISA is projecting budget surpluses totaling \$2.9 million in Fiscal 2012. Of that total, \$2 million is a result of a reduction in IT system maintenance costs and \$916,000 is a result of delays in hiring.
- **CityTime New Needs.** FISA has identified new needs totaling \$2.9 million for quality assurance services, program services and additional consultants for CityTime in Fiscal 2012. It will also need an additional \$1 million annually beginning in Fiscal 2014 to cover a projected shortfall in CityTime maintenance funding.
- **Additional FMS Staff.** As outlined in the Preliminary Plan, FISA plans to replace consultants who currently maintain the FMS system with 30 full-time positions. The increase in headcount would require \$1.65 million in Fiscal 2013 (half-year funding) and \$3.3 million annually beginning in Fiscal 2014. Many of the costs associated with the development of citywide IT systems, including some consultant fees, are funded through the capital budget. Once complete, the costs to operate and maintain these systems are funded in the expense budget.
- **Office of Payroll Administration (OPA) Functional Transfers.** A total of 11 CityTime positions will be transferred from OPA to FISA. This transfer totals \$1.19 million in Fiscal 2012, \$1.54 million in Fiscal 2013, \$1.04 million in Fiscal 2014 and in the outyears.

OPA Financial Summary

| <i>Dollars in Thousands</i> | 2011 Actual | 2012 Adopted | 2012 Feb. Plan | 2013 Feb. Plan | *Difference 2012 - 2013 |
|-------------------------------------|-----------------|-----------------|-------------------|-------------------|----------------------------|
| Spending | | | | | |
| Personal Services | \$12,529 | \$16,467 | \$15,520 | \$17,824 | \$1,357 |
| Full-Time Salaried – Civilian | 11,237 | 15,213 | 14,016 | 16,464 | 1,251 |
| Other Salaried & Unsalaries | 747 | 787 | 787 | 833 | 46 |
| Additional Gross Pay | 396 | 337 | 345 | 367 | 30 |
| Overtime - Civilian | 150 | 130 | 130 | 160 | 29 |
| PS Other | (1) | 0 | 241 | 0 | 0 |
| Other Than Personal Services | 45,090 | 44,603 | 42,219 | 27,515 | (17,088) |
| Supplies and Materials | 105 | 155 | 103 | 155 | 0 |
| Property and Equipment | 31 | 45 | 49 | 45 | 0 |
| Other Services and Charges | 1377 | 16,586 | 13,826 | 15,238 | (1,348) |
| Contractual Services | 43,574 | 27,815 | 28,239 | 12,074 | (15,741) |
| Fixed and Misc. Charges | 3 | 1 | 3 | 2 | 1 |
| TOTAL | \$57,619 | \$61,070 | \$57,739 | \$45,339 | (\$15,731) |
| Funding | | | | | |
| City Funds | NA | \$61,070 | \$57,498 | \$45,339 | (\$15,731) |
| Other Categorical | NA | 0 | 241 | 0 | \$0 |
| TOTAL | \$57,619 | \$61,070 | \$57,739 | \$45,339 | (\$15,731) |
| Positions | | | | | |
| Full-Time Positions - Civilian | 173 | 220 | 209 | 224 | 4 |

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.

In the Preliminary Plan, OPA's Fiscal 2013 Budget decreases by \$15.7 million as a result of several budget actions that shift resources for CityTime operation and maintenance out of its budget. The Agency's OTPS spending, including contractual expenditures, accounts for 60.7 percent of its projected \$45.3 million Fiscal 2013 Budget.

Financial Plan Actions

- OTPS Surplus.** OPA has identified an OTPS surplus of \$2.4 million in Fiscal 2012. The surplus is the result of a reduction in CityTime consulting services, as well as facility operating costs. OPA will also recognize a \$783,000 surplus in Fiscal 2013 from a reduction in CityTime maintenance.
- Additional Revenue.** OPA has received interest income on Federal Insurance Contributions Act (FICA) refunds from the Internal Revenue Service and the recoupment of a prior year overpayment of an administrative fee from the NYC Transit Center. Although OPA will get PEG credit this funding, it will not directly impact the Agency's budget as revenues are part of the General Fund.

Citywide Information Technology Systems

In coordination with several City agencies, FISA and OPA play a significant role in the planning of many of the City's large scale IT systems currently under development, most notably, CityTime and NYCAPS. Additionally, FISA is responsible for the management of upgrades to the City's Financial Management System. Because these systems are part of the City's infrastructure, costs associated with system development and upgrades are funded through the capital budget. Funding for these projects is in the Citywide Equipment (PU) Capital Budget.

CityTime

CityTime is the web-based citywide municipal employee timekeeping system that serves over 80 City agencies. The project, which was originally projected to cost \$63 million, increased to over \$700 million and was the subject of a federal fraud investigation.

In June of 2011, an agreement was reached between the Comptroller and the Mayor's Office on the operation of the CityTime system. The agreement calls for a gradual transfer of the management of the system from outside consultants to city employees, saving the City more than \$20 million per year.

The agreement was formalized with the passage of a resolution by the Board of Directors of FISA, the agency overseeing the project. The resolution contains the following provisions:

1. Payment of the outstanding funds owed to Science Applications International Corporation (SAIC) will not be made until the relevant agencies clear SAIC from any wrongdoing and FISA's Board agrees that payment should be made.
2. The Transition Staffing Plan will result in immediate savings of approximately \$20 million per year and will be as follows:
 - Approximately 71 consultant positions will be eliminated and 83 consultants will be retained and be subject to extensive background checks conducted by an independent third-party.
 - The 83 consultant positions will be phased out and replaced by City employees at a rate of approximately 20 employees per year.
 - Quality Assurance and Systems Implementation vendors will be retained as necessary to reduce risk and provide limited advisory services.
3. A competitive Request for Information (RFI) process will be launched in January of 2012 that may identify an alternative electronic timekeeping system.
4. There are an estimated 20,000 employees (out of approximately 163,000 users) that only have access to the DCDs (hand scanning time entry devices). FISA will work to provide these employees with alternative options by December 31, 2011.

(Source: Comptroller's Website.)

On March 14, 2012, it was announced that an agreement had been reached between SAIC, the main contractor of CityTime and federal prosecutors, with SAIC paying \$500 million in restitution

and penalties for “defrauding the city into significantly overpaying” for services. CityTime’s final cost is estimated to be between \$134 million and \$186 million.

Although nearly complete, the Preliminary Plan for Fiscal 2012-2015 includes planned commitments totaling approximately \$43 million for CityTime.

New York City Automated Payroll System (NYCAPS)

NYCAPS is the City’s employee self-service system that allows instant access to human resources, payroll, tax and benefits data. The initial projected cost of the project was estimated at \$66 million in 2002 and has increased significantly to its current projected cost of \$335 million. The Administration cites the project’s expanded scope as reason for this increase, while reports point to lack of leadership and mismanagement contributing significantly to rising costs and delays.

The Preliminary Capital Plan includes planned commitments totaling approximately \$23.3 million for NYCAPS in Fiscal 2012-2015. The project is expected to be completed this year. FISA is the lead agency for the management of this project and Accenture is the primary contractor.

Financial Management System (FMS)

FMS is the City’s computerized accounting and financial data management system. The City continuously upgrades the system’s wide ranging functions and the Preliminary Plan for Fiscal 2012-2015 includes planned commitments totaling approximately \$25.7 million for the FMS. FISA is the lead agency for the management of this project.

Lump Sum Capital Project Lines

The Capital Plan also includes FISA Electronic Data Processing (EDP) equipment lump sum project lines (current year, out years) that operate as holding codes. Funding is transferred from this line as needs are identified. In the Preliminary Capital Plan for Fiscal 2012-2015, planned commitments totaling approximately \$77.8 million are allocated for FISA EDP equipment and infrastructure. Other Lump Sum project lines in the Preliminary Capital Plan for Fiscal 2012-2015 that may be accessed for projects associated with FISA and OPA include:

- Planned commitments totaling approximately \$213 million for Citywide Administrative Systems; and
- Planned commitments totaling approximately \$149.6 million for Citywide Electronic Data Processing (EDP) equipment.

Introduction No. 707-A

In an effort to track the budgets of large-scale capital projects, the Council passed Introduction No. 707-A on March 14, 2012 that would require the City to notify the Council when a capital contract over \$10 million is modified and increases in cost by 20 percent. The bill is now awaiting the Mayor’s approval.

Prompt notification to the Council about such cost overruns would allow the Council to exercise its oversight function to determine whether continued funding for a project is appropriate, or whether changes need to be made to ensure that a project’s costs do not keep ballooning.

Appendix A: Budget Actions in the November and February Plans

FISA

| <i>Dollars in Thousands</i> | FY 2012 | | | FY 2013 | | |
|---|------------------|----------------|------------------|------------------|----------------|-----------------|
| | City | Non-City | Total | City | Non-City | Total |
| Agency Budget as of June 2011 Plan | \$82,346 | \$5,478 | \$87,824 | \$86,967 | \$0 | \$86,967 |
| Program to Eliminate the Gap (PEGs) | | | | | | |
| IFA Funding Switch – 18 | | | 0 | -1,425 | 1,425 | 0 |
| PS Reduction - 6 positions | -789 | | -789 | -796 | | -796 |
| Budget Surpluses | -2,916 | | -2,916 | | | 0 |
| TOTAL, PEGs | (\$3,705) | \$0 | (\$3,705) | (\$2,221) | \$1,425 | (\$796) |
| New Needs | | | | | | |
| Additional City Time QA & Consultant Funding | 2,903 | | 2,903 | | | 0 |
| Additional 30 Positions | | | 0 | 1,650 | | 1,650 |
| IFA Headcount Continuation - 32 positions | | | 0 | | 3,158 | 3,158 |
| TOTAL, New Needs | \$2,903 | \$0 | \$2,903 | \$1,650 | \$3,158 | \$4,808 |
| Other Adjustments | | | | | | |
| OPA Transfers - 11 positions | 1197 | | 1197 | 1543 | | 1543 |
| Fringe Adjustments | 129 | | 129 | 136 | | 136 |
| Intr-City Adjustments | | 540 | 540 | | | 0 |
| TOTAL, Other Adjustments | \$1,326 | \$540 | \$1,866 | \$1,679 | \$0 | \$1,679 |
| TOTAL, All Changes | \$524 | \$540 | \$1,064 | \$1,108 | \$4,583 | \$5,691 |
| Agency Budget as of February 2012 Plan | \$82,870 | \$6,018 | \$88,888 | \$88,075 | \$4,583 | \$92,658 |

OPA

| <i>Dollars in Thousands</i> | FY 2012 | | | FY 2013 | | |
|---|------------------|--------------|------------------|------------------|------------|------------------|
| | City | Non-City | Total | City | Non-City | Total |
| Agency Budget as of June 2011 Plan | \$61,070 | \$0 | \$61,070 | \$47,657 | \$0 | \$47,657 |
| Program to Eliminate the Gap (PEGs) | | | | | | |
| FY 2012 OTPS Surplus | (2,383) | | (2,383) | | | 0 |
| TOTAL, PEGs | (\$2,383) | \$0 | (\$2,383) | \$0 | \$0 | \$0 |
| New Needs | | | | | | |
| TOTAL, New Needs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other Adjustments | | | | | | |
| City Time Surplus | | | 0 | (783) | | (783) |
| OPA Transfers 11 positions to FISA | (1,197) | | (1,197) | (1,543) | | (1,543) |
| Other Categorical Adjustments | | 241 | 241 | | | 0 |
| Collective Bargaining Adjustments | 8 | | 8 | 8 | | 8 |
| TOTAL, Other Adjustments | (\$1,189) | \$241 | (\$948) | (\$2,318) | \$0 | (\$2,318) |
| TOTAL, All Changes | (\$3,572) | \$241 | (\$3,331) | (\$2,318) | \$0 | (\$2,318) |
| Agency Budget as of February 2012 Plan | \$57,498 | \$241 | \$57,739 | \$45,339 | \$0 | \$45,339 |

Appendix B: Contract Budget

FISA

| Category | Number | Budgeted | Pct of (xxx) Total | Pct of City Total |
|--|-----------|---------------------|--------------------|-------------------|
| Maint & Repair, General | 1 | \$29,200 | 0.08% | 0.02% |
| Data Processing Equipment | 58 | \$27,463,704 | 72.58% | 16.86% |
| Temporary Services | 1 | \$2,500 | 0.01% | 0.01% |
| Training Programs for City Employees | 1 | \$80,000 | 0.21% | 0.54% |
| Professional Services: Computer Services | 3 | \$10,264,722 | 27.13% | 9.20% |
| Fiscal 2013 Preliminary Budget | 64 | \$37,840,126 | 100% | 0.36% |

FISA's Fiscal 2013 Contract Budget totals \$37.8 million for 64 contracts. Because the Agency is responsible for maintaining several citywide IT systems, contracts for data processing services comprises 72.6 percent of its total contract budget and 16.9 percent of all data processing contracts citywide.

OPA

| Category | Number | Budgeted | Pct of OPA Total | Pct of City Total by Cat. |
|--|-----------|---------------------|------------------|---------------------------|
| Contractual Services General | 1 | \$766,304 | 6.35% | 0.17% |
| Maint & Repair, General | 1 | \$9,000 | 0.07% | 0.01% |
| Office Equipment Maintenance | 1 | \$16,500 | 0.14% | 0.12% |
| Data Processing Equipment | 1 | \$783,414 | 6.49% | 0.48% |
| Printing Contracts | 1 | \$12,025 | 0.10% | 0.04% |
| Temporary Services | 1 | \$17,900 | 0.15% | 0.05% |
| Cleaning Services | 1 | \$2,000 | 0.02% | 0.01% |
| Training Programs for City Employees | 1 | \$4,000 | 0.03% | 0.03% |
| Professional Services: Computer Services | 3 | \$10,463,129 | 86.66% | 9.37% |
| Fiscal 2013 Preliminary Budget | 11 | \$12,074,272 | 100% | 0.12% |

OPA's Fiscal 2013 Contract Budget totals \$12.1 million for 11 contracts. Because the Agency is in part responsible for the operation of multiple citywide IT systems, including CityTime and NYCAPS, computer services contracts make up 86.7 percent of its total contract budget and 9.4 percent of all computer service contracts citywide.