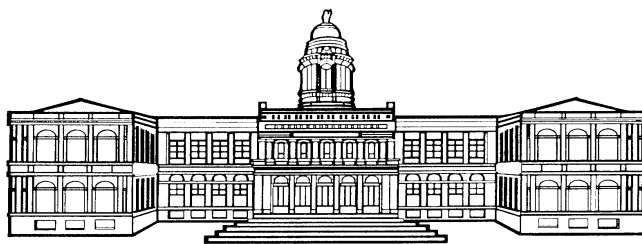


New York City Council



BUDGET REPORT

Finance Division

March 2009

***Analysis of the
Fiscal 2010 Preliminary Budget
and
Fiscal 2009 Preliminary Mayor's Management Report
for the
Department of Investigation
Thursday, March 19, 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

Andy Grossman, Deputy Director

Lionel Francois, Legislative Financial
Analyst

PREFACE

On March 19, 2009, at 2pm., the Committee on Oversight and Investigations, chaired by the Hon. Eric N. Gioia, will hold a hearing on the Mayor's Fiscal 2010 Preliminary Budget and Fiscal 2009 Preliminary Mayor's Management Report for the Department of Investigation.

Section 236 of the New York City Charter requires the Mayor to submit by January 16th a preliminary budget for the upcoming fiscal year.^a In addition, under section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30th the Preliminary Mayor's Management Report (PMMR) for the current fiscal year.^b Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."^c The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25th.^d This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the Fiscal 2009 Preliminary Mayor's Management Report.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The Department of Investigation is not a program budget agency.

This report was prepared by Lionel Francois, Legislative Financial Analyst, under the supervision of Deputy Director Andy Grossman.

^a The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 03 of 2009 changed the date for the submission of the Preliminary Budget to January 30th, and the date for the Council's Response to the Preliminary Budget to April 8th.

^b Local Law 03 of 2009 changed the date of submission of the PMMR to February 13, 2009.

^c New York City Charter, §12(b)(2).

^d *See id.* at §247.

Department of Investigation (032)

The Department of Investigation (DOI) promotes and maintains integrity and efficiency in government operations. Through its Inspector General 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.

PROGRAM TO ELIMINATE THE GAP

Since the Fiscal 2009 Budget was adopted in June, the Office of Management and Budget has twice asked agency heads to submit Program to Eliminate the Gap (PEG) proposals. In the first round, in September, OMB sought PEG submissions equal to five percent of agency City tax-levy budgets for Fiscal 2010, with a further seven percent sought in December.

PEGs reduce the City's budget gap either by reducing an agency's City tax-levy Expense Budget spending, or by increasing City revenues. The chart below indicates the proposed PEG amounts for DOI based on the Fiscal 2010 forecast at the time the Fiscal 2009 Budget was adopted (June 2008).

November and January Plan PEGs for Fiscal 2010 <i>(in 000s)</i>	
Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)	\$17,247
Expense PEGs	(\$1,868)
Revenue PEGs	(\$161)
Total Fiscal 2010 PEGs	(\$2,029)
PEGs as a Percent of the Fiscal 2010 Forecast	11.76%

PRELIMINARY BUDGET HIGHLIGHTS

DOI's proposed Fiscal 2010 Preliminary Budget is approximately \$19.4 million, a decrease of \$1.8 million (8.54%) when compared to the agency's Fiscal 2009 Adopted Budget of \$21.2 million. This decrease is the result of a \$2.3-million reduction in City funds (associated with vacancy and attrition savings) offset by a \$500,000-increase in the agency's Intra-City funding (associated with DOI's inspectors general).

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	\$17,583,355	\$17,583,355	\$15,275,385
Other Categorical	\$524,496	\$564,496	\$524,496
Capital IFA	\$0	\$0	\$0
State	\$0	\$0	\$0
Community Development	\$0	\$0	\$0
Federal-Other	\$0	\$0	\$0
Intra-City	\$3,087,669	\$4,394,669	\$3,585,050
Total	\$21,195,520	\$22,542,520	\$19,384,931

HEADCOUNT OVERVIEW

Headcount (Uniform and Civilian)	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	260	267	237
Non-City	0	0	0
Total	260	267	237

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/A's represent the amount appropriated for Personal Services (i.e., salaries, overtime, etc.) or Other Than Personal Services (i.e., supplies, contracts, etc.) for a particular program, purpose, activity or institution. The table below presents the DOI budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects this year's budget at the time this financial plan was released.

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
001	Personal Services	\$12,933,110	\$12,933,110	\$11,181,527	-13.54%
002	Other Than Personal Services	\$4,472,863	\$4,512,863	\$4,402,696	-1.57%
	Total	\$17,405,973	\$17,445,973	\$15,584,223	-10.47%

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
003	Inspector General-PS	\$3,192,282	\$3,850,282	\$3,203,443	0.35%
004	Inspector General-OTPS	\$597,265	\$1,246,265	\$597,265	0.00%
	Total	\$3,789,547	\$5,096,547	\$3,800,708	0.29%

FUNDING ANALYSIS

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.

- Vacancy and Attrition Savings.** At \$11.2 million, the Preliminary Fiscal 2010 Personal Services Budget for DOI's General Operations unit decreases by 13.5 percent 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.

- **OTPS Savings.** The November and January Plans decrease DOI’s OTPS budget by the combined sum of \$54,370 beginning in Fiscal 2010.
- **Fringe Benefit Offset Reduction.** In order to give the agency PEG credit, the Vacancy and Attrition action above includes fringe benefit savings that should be properly accounted for not in BOE’s budget, but in the City’s Miscellaneous Budget. To reflect the neutral impact on DOI’s budget that would result from these fringe benefit savings, an offsetting sum totaling \$139,094 in Fiscal 2010, increasing to \$158,294 in Fiscal 2013, is being added back to DOI’s budget as an adjustment.
- **Collective Bargaining – DC37 & Special Officers.** The January Plan includes an annual increase in City funds of approximately \$123,000 beginning in Fiscal 2009 for collective bargaining adjustments for various staff positions across both of DOI’s PS units of appropriation. These funds are being transferred from the Labor Reserve in the Miscellaneous Budget to the budget of DOI to cover the costs associated with recent collective bargaining settlements.

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

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

- **Intra-City Transfers.** Certain agencies pay DOI through Intra-City transfers for the inspectors general housed in those agencies. Whereas DOI’s Fiscal 2009 Adopted Budget contained approximately \$3.1 million in Intra-City funding, its Modified Budget as of January 30th was almost \$4.4 million, reflecting the mid-year transfer funds from these other agencies. The November Plan recognized Intra-City transfers of \$260,000 and the January Plan recognized more than \$1.1 million in such transfers.

PRELIMINARY BUDGET ACTIONS (in 000s)

The following table is a summary of the Preliminary Plan actions for Fiscal 2009 and Fiscal 2010 that are described in the sections above. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes for the DOI.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the November Plan	\$17,587	\$4,330	\$21,917	\$16,678	\$3,612	\$20,290
January Plan Programs to Eliminate the Gap (PEGs)						
Elimination of Vacancies	\$0	\$0	\$0	(\$654)	\$0	(\$654)
Headcount Reduction -Attrition	\$0	\$0	\$0	(\$476)	\$0	(\$476)
OTPS Savings	\$0	\$0	\$0	(\$38)	\$0	(\$38)
Total PEGs	\$0	\$0	\$0	(\$1,168)	\$0	(\$1,168)
January Plan Other Adjustments						
Lease Adjustment	\$16	\$0	\$16	\$0	\$0	\$0
Collective Bargaining Adjustment-DC37	\$81	\$0	\$81	\$123	\$0	\$123
Collective Bargaining Adjustment-Special Officers	\$0	\$0	\$0	\$1	\$0	\$1
Fringe Benefit Offset	\$0	\$0	\$0	\$139	\$0	\$139
Intra-City - Daylight Forensics	\$0	\$629	\$629	\$0	\$0	\$0
Intra-City - Technical Adjustment	(\$497)	\$497	\$0	(\$497)	\$497	\$0
Total Other Adjustments	(\$400)	\$1,126	\$726	(\$234)	\$497	\$263
Total January Plan Budget Changes	(\$400)	\$1,126	\$726	(\$1,402)	\$497	(\$905)
Agency Budget as per the January Plan	\$17,187	\$5,456	\$22,643	\$15,276	\$4,109	\$19,385