

Annual Auditor's Report on  
Philadelphia City Departments  
Fiscal Year 2017



City Controller  
Rebecca Rhyhart



# CITY OF PHILADELPHIA

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March 20, 2018

Rob Dubow, Director of Finance  
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Philadelphia, PA 19102 - 1685

We have examined the financial affairs of the various departments of the City of Philadelphia for fiscal year 2017 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for departments marked with an asterisk occurred under the administration of a previous department head.

We discussed our findings and recommendations with management of the city departments during the course of the audit. You have elected to neither attend an exit conference nor provide a written response to the report. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years. We believe that, if implemented by management, these recommendations will improve internal controls and the operations of these departments.

We would like to express our thanks to management and staff of the city departments for the courtesy and cooperation displayed toward us during the conduct of our work.

*Very truly yours,*

A handwritten signature in blue ink, appearing to read 'REBECCA RHYNHART'.

REBECCA RHYNHART  
City Controller

cc: Honorable James F. Kenney, Mayor  
Honorable Darrell L. Clarke, President  
and Honorable Members of City Council  
Members of the Mayor's Cabinet



# ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY DEPARTMENTS

## EXECUTIVE SUMMARY

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### Why The Controller's Office Conducted The Examination

Pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter, we examined the financial affairs of Philadelphia's city departments as part of our audit of the City of Philadelphia's basic financial statements. The focus of our examination was to determine if management of each department had suitably designed and placed in operation internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities.

### What the Controller's Office Found

The Controller's Office again noted widespread deficiencies involving internal controls over payroll and other expenditure activities that the Office of the Finance Director needs to address with department heads (see Appendix I). Highlights of the deficiencies include:

- Employee overtime was not properly authorized in twelve departments. Especially notable is a payroll clerk in the Division of Aviation, who in a seven-month period, was paid 197 days of overtime totaling more than \$42,000 and 32 compensatory days. There was no documentation to support the excessive overtime hours worked. When this matter was brought to the department's attention, the employee was subsequently terminated.
- The city's sick leave policy was still not enforced in 35% of the city departments, particularly in departments where exempt employees are not subject to the same sick abuse sanctions as their civil service counterparts. Three City Council employees used in excess of twenty undocumented sick days, totaling over \$20,000 in paid sick leave. Three District Attorney's Office employees used in excess of twenty undocumented sick days, totaling over \$16,000 in paid sick leave. Lastly, four Law Department employees used in excess of twenty undocumented sick days, totaling over \$10,000 in paid sick leave.
- Payment vouchers were approved without the appropriate management level of authorization. The Office of Finance (Finance) approved ten payment vouchers in excess of \$500,000, totaling \$102 million, that were not properly approved. According to Finance's standard accounting procedures, documents other than payroll, with a transaction value in excess of \$500,000, require the signature of a commissioner, director, board chairman, or properly authorized deputy.

A number of city departments took corrective action on some of the prior year conditions. Noteworthy of mentioning is the Mayor's Office of Community Empowerment and Opportunity, Procurement, and the City Planning Commission, all of whom implemented our prior recommendations.

### What the Controller's Office Recommends

The Controller's Office has developed a number of recommendations to address these findings. The recommendations can be found in the body of the report.

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## INTRODUCTION

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### BACKGROUND

#### Organization of Philadelphia Government

The City of Philadelphia is primarily governed under the Philadelphia Home Rule Charter (Charter), which was adopted by the electors of the City of Philadelphia on April 17, 1951. The responsibility for the management of the city is vested in two branches – a legislative branch and an executive and administrative branch.

City Council is the legislative branch of city government. It consists of seventeen members, ten members are elected from councilmanic districts and seven from the city at large. The Charter gives City Council the power to enact legislation by ordinance, to appropriate funds to each city department, and to make inquiries and investigations by way of resolution.

The mayor heads the executive and administrative branch of city government which includes all officers, departments, boards, and commissions. The mayor, who is the chief executive officer of the city, has a wide range of duties and responsibilities over all aspects of city operations. Those responsibilities are carried out primarily through the right to appoint and remove principal administrative officers, and by exercising control over expenditures. Five principal assistants help the mayor to formulate and carry out policy – the managing director (supervises the city's service departments such as Police, Fire, Water, Health and Streets), the director of finance (supervises the budgeting, accounting, purchasing, and the billing and collecting for virtually all city revenues), the commerce director (oversees all economic development in the city), the city representative (the chief public relations officer), and the city solicitor (the city's legal advisor).

City government also consists of independent elective offices which were brought under the Charter by way of the city-county consolidation amendment to the state constitution. These former county offices are not under the direct control of the mayor but are subject to the city's centralized accounting controls and budgeting system.

The city's local courts are part of the state's unified judicial system. These courts, which comprise Pennsylvania's First Judicial District, are financed by the city. However, all court employees are outside the city's civil service system and their pay rates and working conditions are set by the courts.

#### Management

Department heads and their deputies are responsible for the effective and efficient management of their department's operations. The findings and recommendations section of this report includes a discussion of the functions of each city department examined, the fiscal 2017 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

#### City Accounting System and Internal Controls

The Charter requires the director of finance to establish, maintain, and supervise an adequate and modern accounting system for the city. As such, the director of finance has been charged with the responsibility for developing an organized set of manual and computerized accounting methods, procedures, and controls, which have been established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data, including the city's Comprehensive Annual Financial Report.

A significant aspect of the accounting system is internal control. Internal control comprises the processes designed to (1) prevent or timely detect unauthorized acquisition, use, or disposition of assets, (2) ensure the reliability of financial reporting and (3) help make certain there is compliance with applicable laws and regulations.

Although the Charter places primary responsibility for establishing and maintaining internal controls with the director of finance, department heads and managers all have a responsibility for ensuring that the controls established by the director of finance are in place and operating effectively so as to safeguard the financial resources that have been entrusted to them.

## FINDINGS AND RECOMMENDATIONS





Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 49 daily attendance records, we noted that 39 records (73%) showed the supervisor approving his/her own time.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100117.01].</p>	<p>Corrective action will be implemented in 2018.</p>
<p><u>The city's sick leave policy was still not enforced.</u> City Council still has not designed and implemented a sick leave policy for its staff, all of whom are classified as exempt employees. While Council's staff is not subject to the same policy enforced against civil service employees, we noted in calendar year 2016, that 64 of the 186 full-time City Council employees exceeded the eight-day limit on undocumented sick leave, as set forth in the city's policy for curbing sick-leave abuse. Three employees in particular, each of whom used 20 days or more undocumented sick days, received approximately \$20,000 in paid sick leave.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.</p>	<p>We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].</p>	<p>City Council employees serve at the will of the appointing councilmember. Although we do not enforce the city's Sick Leave Abuse Policy, City Council does however enforce the following: Employees who are absent for three or more consecutive days due to illness or injury must submit a physician's statement authorizing their absence. Employees absent for 5 consecutive days are sent FMLA documentation for completion by their physician.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>For the sixth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The department may not be able to effectively maintain discipline over the staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100111.01].</p>	<p>We continue to believe that City Council should implement an employee lateness policy to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the department's employees for potential lateness abuse.</p>

City of Philadelphia  
Office of Innovation and Technology  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of Innovation and Technology (OIT) was established on August 22, 2011 by executive order of the mayor. OIT oversees all major information and communications technology initiatives for the City of Philadelphia. OIT responsibilities include: identifying the most effective approach for implementing new information technology directions throughout city government; improving the value of the city's technology assets and the return on the city's technology investments; ensuring data security continuity; planning for continuing operations in the event of disruption of information technology or communications services; and supporting accountable, efficient and effective government across every city department, board, commission and agency. A chief innovation officer, appointed by the mayor, heads the department.

Name and address of department head  
Charles J Brennan, Chief Technology Officer  
Office of Innovation and Technology  
1234 Market Street, Suite 1850  
Philadelphia, PA 19107

<u>Appropriations:</u>	
General Fund	\$ 95,312,219
Water Fund	24,412,991
Grants Revenue Fund	44,456,337
Aviation Fund	10,002,146
Capital Fund	55,305,969
Total Appropriations	<u>\$229,489,662</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$ 70,538,000
From Other Governments	520,000
From Other Funds	<u>57,240,000</u>
Total Estimated Revenues	<u>\$128,298,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	146
Exempt	<u>235</u>
Total employees	<u>381</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>REVENUE</b></p> <p><u>Revenue receipts are not deposited in a timely manner.</u> Of the four revenue receipts tested during fiscal year 2017, we noted that two of the receipts, totaling \$3,658,484 were deposited over two weeks after the payment was received.</p>	<p>Untimely deposits of revenue receipts results in lost interest income to the city and increases the risk of misappropriation.</p>	<p>Management should minimize the length of time it takes to make a deposit with the city's Department of Revenue [100417.01].</p>	<p>Hard copies of checks received by OIT, most notably from cable franchisees and other vendors are often not received on the same date as the check. As such, the date on any check may not be an accurate indicator of when the check was received. OIT now time and date stamps all hard copy check stubs to track when checks are received. OIT fully understands the importance of timely deposits and to ensure that deposits are made in a timely manner.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [100415.01].</p>	<p>OIT's goal each year is to complete 100% of civil service employee evaluations. Several factors consistently impact this goal, including extended employee leave and field employees. In the past, OIT has resisted resorting to disciplinary measures against supervisors and managers for failure to complete evaluations, but this may be a step that OIT will consider moving forward.</p>

City of Philadelphia  
Office of the Mayor  
Findings and Recommendations  
Fiscal Year 2017

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct department having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2017 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation and Utilities, Mayor's Office of Mural Arts Program, Office of Education,<sup>1</sup> Office of the Chief Administrative Officer,<sup>1</sup> and Office of Arts and Culture were combined for reporting purposes. In addition, the appropriations for the Youth Commission were transferred into the Mayor's Office effective with the 2017 fiscal year.

Name and address of department head  
Honorable James F. Kenney, Mayor  
Office of the Mayor  
City Hall, Room 215  
Philadelphia, PA 19107

<u>Appropriations:</u>	
General Fund	\$45,511,655
Grants Revenue Fund	<u>1,035,590</u>
Total Appropriations	<u>\$46,547,245</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$ 3,000
From Other Governments	<u>1,036,000</u>
Total Estimated Revenues	<u>\$1,039,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	13
Exempt	<u>163</u>
Total employees	<u>176</u>

<sup>1</sup> For reporting purposes, the Office of the Chief Administrative Officer and the Office of Education were included in the Office of the Mayor's findings and recommendations. In fiscal year 2018, these departments will be reported separately.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Petty Cash Fund was still commingled with another fund.</u> During our review of the department's petty cash fund, we noted that a check intended for the Services to the Aging petty cash account, totaling \$122.63, was erroneously deposited to the Senior Services Account.</p>	<p>Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [100516.01].</p>	<p>The petty cash accounts were consolidated into one account for the same purpose. The Services to the Aging account was closed with the bank in August of 2013, and the city was notified in accordance with standard accounting procedures. The \$122.63 balance of that account has previously been appropriately deposited into the remaining account.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The department could not provide us with documentation to support the closing of the Services to the Aging account.</p>
<p><u>Long outstanding petty cash checks were still not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the General and the Senior Services division's petty cash funds, dating back to 2009, totaling \$205.80, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2., requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [100516.02].</p>	<p>The Mayor's Office has corrected this issue. Stop payments were placed on all outstanding checks and the checks were reissued. A system has been put in place to indicate exactly how long a check has been outstanding so that we may immediately take corrective action.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>A petty cash account was still not properly closed.</u> During our review of the Services to the Aging's petty cash fund, we noted that authorized funds in the amount of \$150, were nonexistent.</p>	<p>Failure to properly terminate a petty cash fund creates opportunities for improprieties to occur and increases the risk of misappropriation of the funds.</p>	<p>Management should properly terminate the petty cash fund in accordance with the standard accounting procedures of the city's Finance Office utilizing Exhibit A of S.A.P 4.1.1d and monitor the progress of the request [100516.03].</p>	<p>The Services to the Aging petty cash accounts were combined in 2013. From the smaller account, \$27.63 was spent in August 2013 and later a check for \$122.63 was previously deposited into the larger petty cash account. The smaller account was closed in accordance with standard accounting procedures. The larger petty cash account remains open.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The department could not provide us with documentation to support the closing of the Services to the Aging account.</p>
<p><u>Monthly petty cash bank and fund reconciliations still have not been performed in a timely manner.</u> During our review of the department's petty cash funds, we noted that six of the eight bank and fund reconciliations for the General petty cash fund were not performed in a timely manner. Additionally, six of the eight bank and fund reconciliations for the Labor Relations fund were not prepared at all. Lastly, the Office of the Chief Administrative Officer did not perform any petty cash bank and fund reconciliations since the fund was established in September of 2016.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100515.02].</p>	<p>The Mayor's Office has corrected this issue. Reconciliations are now completed on a monthly basis. The CAO completed and submitted all FY 17 petty cash bank and fund reconciliations. The CAO completed monthly petty cash reconciliations internally and electronically through an Excel spreadsheet; however, these reconciliations were not completed using the standard accounting forms. In the future, we will submit the monthly bank reconciliation information to Accounting in the proper format in accordance with standard accounting procedures.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The CAO did not provide our office with copies of the Excel spreadsheets that were used for reconciliation purposes.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The Office of the Chief Administrative Officer could not provide a recent performance evaluation for two of the five civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [100517.01].</p>	<p>The CAO was under the Shared Services cluster within the Office of Human Resources when the office was first created. When the Shared Services cluster dissolved, our HR functions were not fully staffed. We now have a HR team in place and have ensured that all performance evaluations were completed for the 2017 calendar year.</p>
<p><u>The on-line payroll records were not reviewed to ensure that separated employees were removed in a timely manner.</u> Our testing of the Office of the Administrative Officer's payroll records revealed a separated employee remained on the city's payroll and was paid for sixteen days after his termination date. The department subsequently detected the error and was able to recover a portion of the overpayment from the employee's terminal leave payment and initiated recovery of the additional amount from the employee's pension.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. The separated employee was erroneously overpaid by \$1,789.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [100517.02].</p>	<p>CAO was transitioning its HR functions at the time that this overpayment occurred. We now have a HR team in place with one employee assigned to handle payroll transactions. After an internal audit, we discovered the overpayment and the overpayment was recovered. To prevent this issue from occurring in the future, we plan to track all separations to ensure that payroll staff are prepared to update payroll when the separation occurs.</p>
<p><u>Payroll data entries were still not adequately checked.</u> We noted that employee attendance records did not correspond to the on-line payroll records for three of the nine employees we tested for the Mayor's Office and two of the five employees we tested for the Office of the Chief Administrative Officer.</p>	<p>Two Mayor's Office employees showed leave time taken in the on-line payroll records that were not indicated on the attendance records. Another Mayor's Office employee did not work a full day, yet was not charged any leave time in the payroll system. In the Office of the Chief Administrative Officer, one employee was charged two days leave that was not indicated on the attendance record, and another employee was not charged with one day leave.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100516.05].</p>	<p>The Mayor's Office moved to the Oracle Time and Labor system in August of 2017. This makes it much easier for us to keep track of employee's time and make sur that it is correctly entered into the payroll system. The CAO conducts a quarterly audit of employee attendance and payroll records to ensure that any inconsistencies are reconciled and will continue to do so.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll attendance records were still not authorized by appropriate supervisory personnel.</u> In our review of 60 daily attendance records from the Mayor's Office, we noted that 30 of the tested records did not evidence signatures of supervisory approval. Additionally, we observed that six out of the ten weekly records we tested from the Office of the Chief Administrative Officer, showed evidence of employees approving their own attendance records.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [100513.01]. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [100513.02].</p>	<p>The Mayor's Office now uses the Oracle system which requires supervisory approval of all timesheets. The CAO approves most attendance records through the Oracle system, which requires supervisory sign off prior to payroll submission. For those divisions that are using paper attendance sheets, supervisory sign-off is also required. We will work throughout our divisions to create a hierarchy for supervisory sign-off of attendance sheets if a direct supervisor is not available to sign-off prior to submission.</p>
<p><u>For the fifth consecutive year we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Mayor's Office was unable to provide formally approved leave requests for eleven of the twenty-two dates selected for testing while the Office of the Chief Administrative Officer was unable to provide leave requests for four of the eight dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100512.01].</p>	<p>Mayor's Office employees are required to email their supervisor and the Mayor's Office HR person. Supervisors are asked to email their approval of the leave time. This is all kept in a calendar in the Outlook system for reference. Although the Mayor's Office is not using the specified leave request form, we have written documentation that we believe satisfies the intent of the standard accounting procedure.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response																																								
<p>For the fifth consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated. In our review of twenty pay periods during fiscal year 2017, we noted that the Mayor's Office and certain agencies under the Mayor's Office, failed to segregate bi-weekly payroll duties. Table 1 shows the number of pay periods where the duties were not segregated:</p> <table border="1" data-bbox="149 526 676 1377"> <thead> <tr> <th colspan="4" data-bbox="149 526 676 581">Table 1: Segregation of Duties Exceptions</th> </tr> <tr> <th colspan="4" data-bbox="149 581 676 630">Number of Occurrences</th> </tr> <tr> <th data-bbox="149 630 359 889">City department</th> <th data-bbox="359 630 459 889">Data Entry and Supervisory Review</th> <th data-bbox="459 630 560 889">Supervisory Review and Executive Approval</th> <th data-bbox="560 630 676 889">Performing all three functions</th> </tr> </thead> <tbody> <tr> <td data-bbox="149 889 359 938">Mayor's Office</td> <td data-bbox="359 889 459 938">0</td> <td data-bbox="459 889 560 938">0</td> <td data-bbox="560 889 676 938">20</td> </tr> <tr> <td data-bbox="149 938 359 1003">Office of Labor Relations</td> <td data-bbox="359 938 459 1003">1</td> <td data-bbox="459 938 560 1003">0</td> <td data-bbox="560 938 676 1003">9</td> </tr> <tr> <td data-bbox="149 1003 359 1068">Office of Arts &amp; Culture</td> <td data-bbox="359 1003 459 1068">2</td> <td data-bbox="459 1003 560 1068">2</td> <td data-bbox="560 1003 676 1068">1</td> </tr> <tr> <td data-bbox="149 1068 359 1157">Office of Transportation &amp; Utilities</td> <td data-bbox="359 1068 459 1157">0</td> <td data-bbox="459 1068 560 1157">1</td> <td data-bbox="560 1068 676 1157">3</td> </tr> <tr> <td data-bbox="149 1157 359 1222">Mayor's Office of Education</td> <td data-bbox="359 1157 459 1222">0</td> <td data-bbox="459 1157 560 1222">0</td> <td data-bbox="560 1157 676 1222">14</td> </tr> <tr> <td data-bbox="149 1222 359 1312">Office of the Chief Administrative Officer</td> <td data-bbox="359 1222 459 1312">1</td> <td data-bbox="459 1222 560 1312">3</td> <td data-bbox="560 1222 676 1312">13</td> </tr> <tr> <td data-bbox="149 1312 359 1377">Procurement Department</td> <td data-bbox="359 1312 459 1377">1</td> <td data-bbox="459 1312 560 1377">3</td> <td data-bbox="560 1312 676 1377">0</td> </tr> </tbody> </table> <p data-bbox="149 1386 569 1414">Source: Prepared by the Office of Controller</p>	Table 1: Segregation of Duties Exceptions				Number of Occurrences				City department	Data Entry and Supervisory Review	Supervisory Review and Executive Approval	Performing all three functions	Mayor's Office	0	0	20	Office of Labor Relations	1	0	9	Office of Arts & Culture	2	2	1	Office of Transportation & Utilities	0	1	3	Mayor's Office of Education	0	0	14	Office of the Chief Administrative Officer	1	3	13	Procurement Department	1	3	0	<p>Failure to segregate incompatible duties and combing multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].</p>	<p>In addition to the Mayor's Office payroll, the Mayor's Office also signs off on the Office of Education and the Commission on Aging's payroll. Since most of the employees in these offices are offsite, it takes longer to collect their timesheets. This causes delays and in some cases, leaves only a limited amount of time to meet the deadline for payroll entries. To process payroll timely, it is sometimes necessary for the same person to approve at more than one level. We try to avoid this practice as much as possible.</p>
Table 1: Segregation of Duties Exceptions																																											
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Office of the Chief Administrative Officer	1	3	13																																								
Procurement Department	1	3	0																																								

City of Philadelphia  
 Division of Housing and Community Development  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Division of Housing and Community Development (DHCD) was created in 1974 to develop comprehensive strategies and programs for creating viable urban neighborhoods. The department accomplishes its mission through the coordination of programs for housing, economic development, site improvements, and community planning. Designed to benefit low and moderate income Philadelphians, these programs are funded annually through the federal government’s Community Development Block Grant. DHCD’s responsibilities include: the administration of contracts with public agencies, such as the Redevelopment Authority, Philadelphia Housing Development Corporation, and sub-recipient non-profit organizations; and the preparation of various government reports, such as the Grantee Performance Report and, most importantly, the annual Final Statement and Plan Report, which represents the DHCD’s plan and corresponding budget for community development activities. A director, appointed by the mayor, and two deputy directors manage the department.

<u>Name and address of department head</u> Frederick Purnell, Sr., Director Division of Housing and Community Development 1234 Market Street, 17 <sup>th</sup> Floor Philadelphia, PA 19107	<u>Appropriations:</u> General Fund \$ 2,865,000 Grants Revenue Fund 116,180,000 Community Development Fund 61,071,559 Housing Trust Fund <u>23,500,000</u> Total Appropriations <u>\$203,616,559</u>	<u>Estimated Revenues:</u> Non-Tax Revenues \$ 1,750,000 From Other Governments <u>195,551,000</u> Total Estimated Revenues <u>\$197,301,000</u>
		<u>Number of Full Time Employees:</u> Exempt 47

Observation/Condition	Risk/Potential Effect	Recommendation	Department’s Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll supervisory and executive approvals of payroll time record entries were not always segregated.</u> For eight of the twenty pay periods tested in fiscal year 2017, the same individual performed the supervisory and executive-level approvals of the bi-weekly payroll in the on-line system.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and executive level approvals of the biweekly payroll [100617.01].</p>	<p>DHCD became part of the Department of Planning and Development July 1, 2017. As part of that consolidation, we have assigned different individuals to perform the supervisory and executive level approvals.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payments of \$228 made to a separated employee for time not worked were unrecovered by the department.</u> Our testing revealed a separated employee remained on the city's payroll for two days after her termination date. The department was made aware of this and chose not to recapture the overpaid amount from the employee.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll.</p>	<p>Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment of wages to the separated employee [100616.01].</p>	<p>The corrective activation was implemented.</p>
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that:</p> <ul style="list-style-type: none"> <li>• 4 records (8%) were approved by supervisors on days that they were not present.</li> <li>• 19 records (38%) showed the supervisor approving his/her own time.</li> </ul>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [100616.03]. Additionally, someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100616.04].</p>	<p>The issue will be corrected with the creation of the list of primary and secondary approvers and with increased review of the attendance records.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payments of \$228 made to a separated employee for time not worked were unrecovered by the department.</u> Our testing revealed a separated employee remained on the city's payroll for two days after her termination date. The department was made aware of this and chose not to recapture the overpaid amount from the employee.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll.</p>	<p>Management should require that employees assigned to approve the bi-weekly payroll spot check appropriates of payroll data entries to ensure that the payroll time records accurately reflect the status of all separated employees [100616.02].</p>	<p>Implemented.</p>

City of Philadelphia  
 Mayor's Office of Community Empowerment and Opportunity  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Mayor's Office of Community Empowerment and Opportunity (CEO), was established on January 15, 2013 by executive order of the mayor. The CEO's function is to implement and administer the City of Philadelphia's anti-poverty program. The CEO delivers services to individuals and families living in poverty, with a goal of helping them achieve self-sufficiency. The CEO directly provides or supports with grants the following programs and services: the Community Engagement Unit facilitates and supports a range of activities designed to strengthen families and communities, and carries out mayoral initiatives by providing city residents with referrals to emergency services and other facilities to meet their needs; the Fatherhood Initiative Program offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program utilizes older adults by mobilizing them to serve in local schools and community based organizations; and the Work Wise Program provides job readiness classes and job placement for low income individuals who are referred by the County Assistance Office. The CEO oversight board serves to hold the CEO accountable for meeting key targets in support of the city's anti-poverty goals. The oversight board is composed of no fewer than 15 members and no more than 27, appointed by the Mayor. The membership shall consist of elected officials, city departments, community stakeholders, advocates, business, academic, and foundation leadership, along with representatives of low-income communities and individuals. An executive director, appointed by the mayor, oversees the day to day operations of the CEO.

Name and address of department head

Mitchell Little  
 Executive Director  
 Mayor's Office of Community Empowerment and Opportunity  
 1234 Market Street, 16<sup>th</sup> Floor  
 Philadelphia, PA 19107

Appropriations:

General Fund	\$ 2,525,318
Grants Revenue Fund	<u>16,141,290</u>
Total Appropriations	<u>\$18,666,608</u>

Estimated Revenues:

Non-Tax Revenues	\$ 414,000
From Other Governments	<u>15,727,000</u>
Total Estimated Revenues	<u>\$16,141,000</u>

Number of Full Time Employees:

Exempt	<u>33</u>
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<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly petty cash bank reconciliations have not been independently reviewed and approved.</u> All seven of the bank reconciliations we tested lacked evidence that they were reviewed and approved.</p>	<p>Failure to review and approve monthly bank reconciliations increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Monthly petty cash bank reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the bank reconciliation in accordance with standard accounting procedures of the city's Finance Office [100816.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the seven petty cash bank and fund reconciliations tested during fiscal year 2016, we noted four bank reconciliations and four fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank reconciliations and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100815.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Managing Director  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the Managing Director (MDO) oversees, supports, and assists the city’s thirteen operating departments to ensure the efficient and effective provision of city services. Additionally, the Managing Director’s Office is involved with a number of other activities that include the following: coordinating inter-departmental responsibilities and ensuring accountability for the provision of services; reviewing, revising, and updating the city’s emergency operations plan to meet federal and state requirements; coordinating, evaluating, and reporting on emergency response management exercises involving departmental, commercial, private, and volunteer services; developing the chemical emergency response plan required by the Emergency Planning and Community Right-To-Know Act; coordinating grant management services for criminal justice agencies, and managing pertinent research, planning and development for criminal justice projects; managing the justice facilities and system improvement programs; optimizing costs and minimizing the use of energy at city facilities; and advising the police commissioner for the purpose of improving performance and improving community relations. The managing director is appointed by the mayor.

Name and address of department head  
Michael DiBerardinis, Managing Director  
Office of the Managing Director  
1430 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$ 84,842,438  
Water Operating Fund 138,550  
Grants Revenue Fund 51,779,282  
Capital Fund 19,451,014  
Total Appropriations \$156,211,284

Estimated Revenues:  
Non-Tax Revenue \$ 4,894,000  
From Other Governments 12,532,000  
Total Estimated Revenues \$17,426,000

Number of Full Time Employees:  
Civil Service 56  
Exempt 282  
Total Employees 338

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations are not properly prepared.</u> We noted an instance where the amount listed on the bank reconciliation did not accurately reflect the amount listed on the department’s accounting records.</p>	<p>Failure to properly perform bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly bank and fund reconciliations are prepared in accordance with standard accounting procedures of the city’s Finance Office [101017.01].</p>	<p>Monthly bank and fund reconciliations will be prepared and submitted accurately, in accordance with the relevant city standard accounting procedure.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the twelve petty cash bank and fund reconciliations tested during fiscal year 2017, we noted that seven bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be properly accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101015.01].</p>	<p>Monthly bank and fund reconciliations will be prepared and submitted on time, with a goal of submission on before the 15<sup>th</sup> of every subsequent month, in accordance with the relevant city standard accounting procedure.</p>
<p><u>Petty cash funds have been disbursed for unallowable purchases.</u> We previously reported that the department disbursed \$41 for a parking violation that was rejected for reimbursement by the city's Finance Office as an unallowable purchase. Parking violations are the responsibility of the employee. If the department has reason to believe that the ticket was issued in error or that business-related mitigating circumstances exist, requests may be made to the Bureau of Administration Adjudication (BAA) for administrative review per the Managing Director's Directive 64: City Vehicle Usage, Assignment, Parking Policies and Procedures.</p>	<p>Petty cash funds were used for unallowable expenditures.</p>	<p>We recommend that management request a reduction of its petty cash fund for the \$41 unallowable parking violation by completing form S.A.P. 4.1.1.d Exhibit A [101015.03].</p>	<p>The MDO has resolved this parking violation issue with the Finance Department. No such payments have been issued since this one incident, which occurred several years ago. The MDO ensures all parking violations are handled by staff, per Directive 64.</p>
<p><b>REVENUE</b></p> <p><u>Revenue receipts are not deposited in a timely manner.</u> Of the five revenue receipts tested during fiscal year 2017, we noted that all five receipts, totaling \$863,930.13 were deposited over eighteen days after payment was received.</p>	<p>Untimely deposits of revenue receipts results in lost interest income to the city and increases the risk of misappropriation.</p>	<p>Management should minimize the length of time it takes to make a deposit with the city's Department of Revenue [101016.04].</p>	<p>The MDO will ensure checks are deposited in a timely manner moving forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Attendance records (such as timesheets, leave requests, overtime slips, and sick abuse letters) could not always be provided.</u> The Office of the Managing Director, (MDO), was unable to provide the following documents when requested:</p> <ul style="list-style-type: none"> <li>• Timesheets for one MDO employee, one Office of Sustainability employee, and five Murals Arts Program employees.</li> <li>• Leave requests for one MDO employee and five Mural Arts Program employees.</li> <li>• Overtime slips for five Mural Arts Program employees.</li> <li>• Sick abuse warning letters for two MDO employees.</li> </ul>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting department activities undermines the ability to effectively monitor and control department operations.</p>	<p>Management should maintain and safeguard documentary evidence such as sign-in sheets to support the validity of department transactions [101017.02].</p>	<p>In January 2017, OHR’s Shared Services Program was dissolved and the MDO’s Administrative Services Unit assumed responsibility for all departmental HR functions. Since this time, MDO HR staff has taken major strides forward to improve our files and staff documentation.</p>
<p><u>Payroll data entries were not adequately checked.</u> Attendance records, for two out of the five employees we selected for testing, did not reconcile with time recorded in the on-line payroll system. In one instance, an employee’s attendance record indicated usage of four days of sick time which were never recorded in the system. In another instance, an employee’s attendance record indicates usage of three days of administrative leave time and a partial day of sick time which were never recorded into the system.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101017.03].</p>	<p>MDO HR staff thoroughly reviews all attendance records before entering them. Regular communications are sent to MDO staff reminding them to turn in timesheets and for supervisors to approve them. In the instances noted where time sheets were late, the time was later recorded properly in the system and employees were charged for the proper leave time.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee travel expenses over \$100 were disbursed from petty cash.</u> The department reimbursed employees for travel expenditures above the authorized limit on three occasions for a total of \$866. Travel Reimbursement Limits specified in Standard Accounting Procedure 4.1.1. (Rev 1) states that reimbursements to employees for travel expenses previously incurred are allowable out of petty cash up to \$100 within the allowable expenditure classes. If the expenses incurred by an employee exceed \$100, the employee shall not receive any reimbursement through petty cash but may be reimbursed using the employee reimbursement form.</p>	<p>Petty cash funds were used for unallowable expenditures. In addition, there are expenditure processing controls in place for purchase above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>Management should reimburse employees for travel expenses through petty cash only if the total reimbursement is under \$100 in accordance with standard accounting procedures of the city Finance Office [101016.01].</p>	<p>Implemented.</p>
<p><u>Unexplained adjustments were made to the department's accounting records.</u> The department made several adjustments to their petty cash checkbook balance and was unable to explain the reason for the adjustments or provide any supporting documentation.</p>	<p>The unsupported adjustments to the checkbook resulted in an overage in the department's petty cash fund totaling \$1,956.65.</p>	<p>Management should ensure that all entries to the checkbook balance can be explained and properly supported. In addition, management should reverse all the unsupported entries to their accounting records that caused the overage in their petty cash fund balance [101016.02].</p>	<p>Implemented.</p>
<p><u>Duties for preparing, recording and reconciling revenue receipts were not adequately segregated.</u> During our review of the department's revenue receipts, we noted that only one employee was responsible for preparing collected amounts for deposit, recording receipt activity in departmental accounting records, and reconciling deposits.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign an individual other than the person receiving payments to record the receipts in the department's accounting records [101016.03].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Long outstanding petty cash checks were not deposited into the city’s Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$1,962.30, were not transferred into the City of Philadelphia’s Unclaimed Monies Fund. The city’s unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth’s Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city’s Finance Office [101015.04].</p>	<p>Implemented.</p>
<p><u>The department’s lateness policy still did not clearly establish progressive sanctions for violations of the policy.</u> Although the Managing Director’s Office has a lateness policy, the policy does not establish specific sanctions for repeated violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [101012.01].</p>	<p>We continue to believe that the Office of the Managing Director should establish specific sanctions for repeated violations of its lateness policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the department’s employees for potential lateness abuse.</p>

City of Philadelphia  
Police Department  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Police Department was established by the Philadelphia Home Rule Charter to serve as the city's chief law enforcement department. The department has the responsibility for preserving public peace, preventing and detecting crime, policing streets and highways, and aiding in the administration and enforcement of state laws and city ordinances within the City of Philadelphia. The department is headed by a Police Commissioner, appointed by the Managing Director with the approval of the Mayor.

Name and address of department head

Richard Ross Jr., Commissioner  
Police Department  
314 Police Headquarters  
8<sup>th</sup> and Race Streets  
Philadelphia, PA 19106

Appropriations:

General Fund	\$650,176,870
Grants Revenue Fund	20,914,938
Aviation Fund	15,837,136
Capital Fund	<u>30,175,771</u>
Total Appropriations	<u>\$717,104,715</u>

Estimated Revenues:

Non-Tax Revenue	\$ 4,270,000
From Other Governments	<u>22,715,000</u>
Total Estimated Revenues	<u>\$26,985,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	6,336
Civil Service - Civilian	823
Exempt - Civilian	<u>11</u>
Total Employees	<u>7,170</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$178.63 of petty cash funds on refreshments for meetings attended only by city employees.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101117.01].</p>	<p>Police Finance was notified in May 2017, that this type of petty cash expenditure was not allowed. Police will adhere to the policy going forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide evidence of overtime authorization for 20 of the 25 dates selected for testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101117.02].</p>	<p>Supervisory approval is required on all overtime “real time” as it is accrued. The PPD will ensure that supervisory approval occurs. The Standards and Accountability Division will perform audits to ensure that overtime is properly approved.</p>
<p><u>Attendance records, more specifically sick usage reports, could not be provided.</u> The department was unable to provide 2016 sick usage reports for any of the employees selected for testing.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting department activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence to support the validity of departmental transactions [101117.03].</p>	<p>The Police Department concurs with your findings and recommendations. At the time of the audit, OIT has issues retrieving 2016 reports. Those issues have since been resolved.</p>
<p><u>Payroll data entries for separated employees were still not always checked.</u> Final payroll checks were not properly calculated for one of the five employees tested. One separated employee was not timely removed from the payroll system and was compensated for one additional day after his separation.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$310.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [101116.03].</p>	<p>The department acknowledges this issue and will make every effort to prevent occurrences of this nature going forward. In reference to the separated employee who compensated for one additional day after separation, a payroll credit advice was completed to recover the overpayment from the employee’s pension.</p>
<p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for five of the sixteen civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101116.04].</p>	<p>The department acknowledges this issue and will implement procedures to ensure the timely filing of performance ratings for every employee.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Daily attendance record postings were not always properly authorized.</u> The Police Department uses its computerized Daily Attendance Report (DAR) System to maintain the daily payroll attendance records for all department personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, our review of 13 Police Department employees found 37 instances where DAR entries were not approved by a unit supervisor. We also noted 60 instances where Police Department employees who entered the attendance information in the DAR System also approved it. Finally, we found 8 instances where the employees entered, updated or approved their own time worked.</p>	<p>Errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate incompatible duties also provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll. Ultimately, employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Instruct unit personnel as to the proper procedures to be followed when processing DAR entries. Additionally, establish a centralized monitoring procedure where designated personnel would receive a report of all DAR entries not approved and follow up with all non-complying units. Lastly, the duties of entering payroll data into the DAR System should be segregated from the duties of performing supervisory reviews and approvals. A possible solution would be to reprogram the system so that the individual performing data entry could not also sign-off as the supervisor [101113.01].</p>	<p>The department runs a daily report of all DAR entries not certified and entries entered and certified by the same person. We use this report to follow up with all non-complying districts and units to ensure that proper procedures are followed. A memorandum is sent to all commanders annually. While the Police directive does require segregation of duties for entering and certifying the DARs, this does not always work operationally, due to the difficulties of supervisor availability and the necessity to meet payroll deadlines.</p>

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$1,340.13, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No 4.1.2 requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101116.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Unclaimed paychecks were not returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased.</u> On our testing date, we observed 18 unclaimed paychecks that were over one week old, with the earliest paycheck dated four months prior.</p>	<p>The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.</p>	<p>Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [101116.02].</p>	<p>Implemented.</p>



City of Philadelphia  
 Department of Streets  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Streets was established by the Home Rule Charter to be responsible for all functions relating to over 2,575 miles of streets, roads, and highways in the City of Philadelphia. A commissioner, appointed by the city’s managing director with the approval of the mayor, directs the department. Powers and duties of the Department of Streets include: designing, constructing, repairing, and maintaining streets and roads within the city of Philadelphia, and drives within Fairmount Park; installing, maintaining, and operating equipment for lighting city streets; cleaning city streets; removing and disposing refuse; administering and enforcing statutes, ordinances, and regulations for maintaining the cleanliness of city streets; developing regulations governing traffic and parking as authorized by statute or ordinance; and performing all surveying functions for the city.

Name and address of department head  
 Carlton Williams, Commissioner  
 Department of Streets  
 Municipal Services Building, 7<sup>th</sup> Floor  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102

<u>Appropriations:</u>	
General Fund	\$125,560,192
County Liquid Fuels Tax Fund	4,500,000
Special Gasoline Tax Fund	33,770,000
Grants Revenue Fund	24,750,000
Capital Fund	<u>403,328,451</u>
Total Appropriations	<u>\$591,908,643</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$27,745,000
From Other Governments	<u>66,475,000</u>
Total Estimated Revenues	<u>\$94,220,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	1,668
Exempt	<u>13</u>
Total Employees	<u>1,681</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department’s Response
<p><b>PETTY CASH</b></p> <p><u>The department’s petty cash fund has not been properly reconciled.</u> During our review of the department’s petty cash records, we noted that the monthly bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> <li>A reimbursement voucher listed as in transit did not belong to the department, and was listed for the wrong amount.</li> </ul>	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city’s Finance Office [101217.01].</p>	<p>Streets will review monthly petty cash bank and fund reconciliation procedures and ensure proper controls are put in place for accurate reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>• Of the \$3,252.49 listed as bills to be vouchered, \$2,993.98 could not be substantiated by supporting documentation.</li> <li>• The bank reconciliation had \$1,511.27 listed as "Other" without any supporting documentation.</li> </ul>			
<p><u>Duties for preparing the petty cash fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also prepares the fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the petty cash fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101216.01].</p>	<p>Streets has since properly segregated the department's petty cash custodian and reconciliation roles.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year for \$214.43 was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No 4.1.2 requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the check outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101216.02].</p>	<p>Streets will place a stop payment order and draw a transfer check payable to the city's Unclaimed Monies Fund. Streets will also establish a regular monitoring procedure to identify and address any outstanding checks older than 90 days.</p>
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for refreshments at meetings where only city employees were present. The unallowable expenditures totaled \$996.86.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under the standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101216.03].</p>	<p>Streets currently prohibits the use of petty cash for refreshments at meetings and has communicated this to, and retrained petty cash administrators who are responsible to ensure that unallowable expenditures do not recur.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the fifth consecutive year, we are reporting that the city sick leave policy was not enforced.</u> All five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day, nor were they issued the required eighth-day notification letter informing them they were being placed on the list. Consequently, these five employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted the department was unable to provide a fifth day warning letter for three of the employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101215.03].</p>	<p>Streets will establish an internal auditing process to ensure that the city's sick leave policy is properly followed throughout the department.</p>
<p><u>Employee overtime was still not authorized.</u> Overtime was paid without evidence that management had approved the requests. The department could not provide us with approved authorizations forms for any of the twenty-five instances of overtime we tested.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101211.01].</p>	<p>Streets employees performing curbside collection and roadway maintenance are solicited for overtime work verbally in the field as required, precluding formal pre-approved documentation. An established multi-step supervisory review and verification process is in place which requires timesheets to be signed and approved by supervisors and subsequently authorized by senior management. Streets believes these controls are as effective as the recommended pre-approval process.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Recommendation</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Supervisory and executive approvals of payroll time record entries were not always segregated.</u> Auditor noted that in four of the nineteen pay periods tested, the same person performed both the supervisory and executive level reviews.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [101216.07].</p>	<p>Implemented.</p>
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101216.08].</p>	<p>Implemented.</p>
<p><u>Formal written procedures for the processing of revenues do not exist.</u> The department does not have formal written procedures that describe the process over the collection, timely deposit, and recording of collections in the accounting records.</p>	<p>Failure to establish formal written procedure for the collection and recording of revenues could create ambiguity about the proper procedures to be followed. Errors such as the misstatement of revenues and misappropriation of assets could occur in the processing of revenues.</p>	<p>Create and maintain formal written procedures that describe the process over the collection, timely deposit, and recording of collections in the accounting records [101215.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Fire Department  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Philadelphia Fire Department (PFD) was established by the Philadelphia Home Rule Charter to provide the following major functions: extinguish fires within the city and, upon request of the appropriate authorities, outside the city; administer the fire code relating to fire and explosion hazards; institute and conduct programs of public education in fire prevention and safety; train, equip, maintain, supervise, and discipline an adequate number of firefighters; and operate a fire alarm system. Additionally, the PFD is also charged with delivering pre-hospital emergency medical care and transportation. The PFD consists of four major divisions that include Emergency Medical Services, Operations, Technical Services, and Administrative Services. Each of these divisions has responsibility for carrying out the various functions of emergency medical services and fire fighting. The department operates out of 68 locations throughout the City of Philadelphia, with each fire station housing a variety of equipment including pumpers, ladders, and medic units. A fire commissioner and four deputies manage the department. The fire commissioner is appointed by the city's managing director.

<u>Name and address of department head</u> Adam Thiel, Commissioner Philadelphia Fire Department 240 Spring Garden Street Philadelphia, PA 19123	<u>Appropriations:</u> General Fund \$221,812,329 Grants Revenue Fund 22,819,198 Aviation Fund 6,726,366 Capital Fund <u>16,869,729</u> Total Appropriations <u>\$268,227,622</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$39,950,000 From Other Governments <u>22,819,000</u> Total Estimated Revenues <u>\$62,769,000</u>
		<u>Number of Full Time Employees:</u> Civil Service – Uniformed 2,418 Civil Service - Civilian 100 Exempt - Civilian <u>9</u> Total Employees <u>2,527</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>REVENUE</b></p> <p><u>Formal written procedures for the processing of EMS fees do not exist.</u> The department does not have formal written procedures that describe the process over the collections, deposit, and recording of EMS revenues in the city's accounting records.</p>	<p>In the absence of written procedures, there is a risk the EMS fees collected by the contractor may be incorrectly processed and not recorded.</p>	<p>Create and maintain formal written procedures that describe the process over the collection, deposit, and recording of EMS revenues in the city's accounting records [101315.02].</p>	<p>PFD fiscal staff is beginning to document these procedures, but has not completed the task due to staff vacancies and turnover. PFD staff will make every effort to complete this important task.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry and supervisory reviews of payroll time record entries were not always segregated.</u> For nine of the twenty pay periods tested in fiscal year 2017, the same person performed data entry and supervisor-level approvals of the Fire Department's payroll time records.</p>	<p>Failing to segregate incompatible duties and combing multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory level approvals of the bi-weekly payroll [101317.01].</p>	<p>PFD makes an effort to maintain check and balances that ensure posting and review occur independently. At times, supervisors may need to post routine transactions when their direct reports are out of the office, during periods of increased work load, or when positions are vacant. PFD will continuously evaluate our work processes to comply with auditing payroll standards.</p>
<p><u>For the fifth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the eleven civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101312.01].</p>	<p>PFD continues to face challenges in uploading the annual performance reports to become part of the employee electronic record. PFD's HR unit was allotted an additional position that will equip us to better manage and record performance evaluations.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for performing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the Fire Department's petty cash records, we noted that the Task Force fund's custodian also prepared the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations and an additional third person to complete the review in accordance with standard accounting procedures of the city's Finance Office [101316.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Reported Emergency Medical Services (EMS) fee collection amounts do not agree to the city's accounting records.</u> EMS fee collection reports, submitted by a contractor hired by the Fire Department to perform EMS billings and collections, do not reconcile with the amounts recorded in the city's accounting system. For the five months tested, we noted differences totaling \$12,716.</p>	<p>Failure to reconcile EMS fees collected by the contractor to the city's accounting records may result in the understatement and loss of revenue.</p>	<p>The EMS fees collected by the contractor should be reconciled to the city's centralized accounting system (FAMIS) [101315.01].</p>	<p>Implemented.</p>
<p><u>City sick leave policy was still not enforced.</u> Two of the eight employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records, nor were they issued the required eighth-day notification letter. These employees, and another who was placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these three employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence and subject to discharge after the fifth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101313.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Public Health  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Public Health (DPH) was established by the Philadelphia Home Rule Charter to preserve and improve the health and well-being of the citizens of Philadelphia by supplying an available, accessible, and comprehensive system of health care. Other responsibilities include: the administration and enforcement of statutes, ordinances, and regulations relating to public health; the institution and conduct of programs to promote public education in all matters concerning public health; the establishment, maintenance and operation of health centers, stations, clinics, laboratories, and other health facilities; and the compilation, analysis, maintenance, and reporting of statistics and data concerning births, stillbirths, and deaths. A commissioner and three deputies manage the affairs of the DPH. These executives are appointed by the city’s managing director, with the approval of the mayor. In accordance with the Home Rule Charter, the commissioner is made chairman of the Board of Health because the board is attached to the DPH and the regulations promulgated by the board will be the regulations of the department. The commissioner is assisted by three other specialized agencies acting in an advisory capacity: (1) the Air Pollution Control Board, (2) the Family Medical Care Board (also known as Community Health Advisory Committee), and (3) the Medical Examiner’s Advisory Committee.

Name and address of department head  
 Thomas Farley, MD, MPH  
 Health Commissioner  
 Department of Public Health  
 Room 600 Municipal Services Bldg.  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102-1679

<u>Appropriations:</u>	
General Fund	\$123,844,038
Grants Revenue Fund	83,689,068
Acute Care Hospital Fund	159,747,736
Capital Fund	<u>30,970,240</u>
Total Appropriations	<u>\$398,251,082</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$ 14,895,000
From Other Governments	<u>141,314,000</u>
Total Estimated Revenues	<u>\$156,209,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	831
Exempt	<u>21</u>
Total Employees	<u>852</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department’s petty cash fund has not been properly reconciled.</u> During our review of the Program Fund, we noted that monthly fund reconciliations were not properly prepared. The following items were erroneously included in the fund reconciliations:</p>	<p>Failure to reconcile the account properly has resulted in a net shortage \$4,598.36. Not submitting expenditures for reimbursement on a timely basis increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process.</p>	<p>Management should ensure that petty cash expenditures are submitted for reimbursement in a timely manner [101417.01]. Additionally, any overages or shortages should be evaluated by the appropriate supervisory level employee for process.</p>	<p>The department’s petty cash fund shortages and poor reconciliation practices dates back several years, and were cleared in mid FY 2017 with the Treasurer, Finance and the state in accordance with city policies.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>• Checks totaling \$3,996.39, dating back to December 2015, have not been submitted for reimbursement.</li> <li>• Checks totaling \$613.63 have been submitted for reimbursement, but were rejected by Finance.</li> </ul>	<p>Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>further investigation in accordance with standard accounting procedures of the city's Finance Office [101417.02].</p>	
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> During our testing of the department's attendance records, we observed that 13 out of 51 attendance records evidenced signatures of approval from supervisors who were not present on the dates of the attendance records.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should only approve daily attendance records on the days they were present and can properly account for their employees' time [101417.03].</p>	<p>Health HR has partnered with OnePhilly's Oracle Time and Labor team to begin recording time in Oracle. Oracle requires that every employee have a supervisor as well as a backup supervisor for the approval of daily attendance records, including leave requests, which can be approved in advance. Should a supervisor not be present on a specific day, the attendance record for the employee will be routed to the backup supervisor.</p>
<p><u>City sick leave policy was still not enforced.</u> Four of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101415.08].</p>	<p>Previously, one individual was responsible for all undocumented sick leave. Beginning January 2018, a training procedure was developed, and this task was delegated to all payroll clerks to ensure that employees are monitored and properly accounted for.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>We also noted that the department did not issue the required eighth-day notification letter to one employee informing them they were being placed on the excessive use of sick leave list.</p>			
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101416.01].</p>	<p>Implemented.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight petty cash bank and fund reconciliations tested during fiscal year 2016, we noted six bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to perform monthly bank and reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101415.01].</p>	<p>Implemented.</p>
<p><u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, dating back to 2005, totaling \$8,352, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101415.05].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Employee evaluations were still not recently performed.</u> The department was unable to provide recent employee performance evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [101415.07].	Implemented.

City of Philadelphia  
 Department of Behavioral Health and Intellectual Disabilities Services  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Behavioral Health and Intellectual Disabilities Services (DBH/IDS) was established in 2004 by executive order. The major objective of the DBH/IDS is to assure the availability of state mandated mental health services to residents of Philadelphia. Services include residential housing, vocational rehabilitation, intensive case management, employment, and emergency services aimed at providing supportive environments for both consumers and their families. DBH/IDS collaborates with other service systems in both program development and service delivery efforts, especially when the consumer is receiving care from more than one service system. Additionally, DBH/IDS attempts to foster community understanding and acceptance of individuals with disabilities in order to improve opportunities for community based services for consumers. The DBH/IDS brings together the following three agencies to form a single entity: the Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs, and Community Behavioral Health (a nonprofit corporation serving as the city's managed care organization for Medicaid patients). These three components of the system collaborate in a range of functions, including: fiscal and administrative oversight of programs and services; policy analysis and planning; quality improvement; monitoring of treatment providers; and authorization of services. In addition, the department also provides services for persons with intellectual disabilities by acting as an administrative organization for the state to ensure compliance with state directives and mandates. DBH/IDS management consists of a commissioner appointed by the mayor, two deputies, a medical director, and a chief financial officer.

Name and address of department head  
 David T. Jones, Commissioner  
 Department of Behavioral Health and  
 Intellectual Disabilities Services  
 1101 Market Street, 7<sup>th</sup> Floor  
 Philadelphia, PA 19107

Appropriations:  
 General Fund \$ 14,136,076  
 Grants Revenue Fund 261,487,062  
 Health Revenue Fund 1,302,000,000  
 Total Appropriations \$1,577,623,138

Estimated Revenues:  
 Non-Tax Revenue \$ 2,000,000  
 From Other Governments 1,561,487,000  
 Total Estimated Revenues \$1,563,487,000

Number of Full Time Employees:  
 Civil Service 232  
 Exempt 15  
 Total Employees 247

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u>            In two instances, overtime was paid without appropriate approval. The approvals were made by a contracted non-city employee who did not possess the authority to approve overtime.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101517.01].</p>	<p>DBHIDS has reminded all staff of the payroll processing requirements, including reiterating the rule that overtime must be pre-approved by supervisors. Violations will be monitored and addressed if necessary.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not enforced.</u> None of the five employees tested, who used eight or more days of undocumented sick leave, were placed on the Excessive Use of Sick Leave List or penalized according to the City's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the department was unable to provide a fifth day warning letter for two of the employees, or an eighth day sick abuse letter for four of the employees selected for testing.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101512.01].</p>	<p>Beginning January 24, 2018, all payroll clerks will receive training to address this issue. This will help ensure monitoring of employees' sick leave and adherence to the sick leave policy.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The department could not always provide formal approved leave requests for four of the six employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].</p>	<p>It continues to be challenging to maintain 100% compliance when all leave time is captured via paper attendance records and leave slips. To help address this issue, DBHIDS has identified three units to participate in the OnePhilly Oracle Time and Labor Pilot (OTL) to record time in Oracle, expected to begin in February 2018, with the intention of implementing department-wide. Oracle's OTL will begin to reduce dependence on paper records and ensure accurate data and proper approvals.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>For the fourth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101510.04].	Implemented.

City of Philadelphia  
 Department of Parks and Recreation  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Parks and Recreation was established by a 2008 amendment to the Philadelphia Home Rule Charter that merged the operations of the Fairmount Park Commission with the Recreation Department. As part of the Charter referendum, the former Fairmount Park Commission became the Commission on Parks and Recreation.

The Department of Parks and Recreation has the power and duty to: formulate and conduct a comprehensive and coordinated program of cultural and physical recreational activities; manage and operate all city recreational facilities and all parks and public squares; construct, maintain, improve and repair such facilities, parks and squares; preserve, manage, and operate historical shrines not otherwise entrusted; and plan for the acquisition of buildings and grounds of historical significance. A commissioner, appointed by the managing director with the approval of the mayor, heads the department. The commissioner appoints a deputy commissioner of recreation and a deputy commissioner of parks to manage operations of the city’s recreation programs and parks, respectively.

The Commission on Parks and Recreation consists of fifteen members, nine appointed by the mayor from a list of nominations submitted by City Council, and six serving ex officio. The latter members are the president of City Council, the executive director of the City Planning Commission, the water commissioner, the streets commissioner, the public property commissioner, and the parks and recreation commissioner. The commission reviews and makes recommendations to the mayor for land transactions involving the parks or recreation facilities. The commission’s functions also include assisting and advising the parks and recreation commissioner, enhancing the image of the parks and recreation facilities, and expanding and diversifying sources of funding.

Both the Philadelphia Museum of Art and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Department of Parks and Recreation for Fiscal Year 2017.

<u>Name and address of department head</u> Kathryn Ott Lovell, Commissioner Department of Parks and Recreation 1515 Arch Street, 10 <sup>th</sup> Floor Philadelphia, PA 19102	<u>Appropriations:</u> General Fund                   \$ 62,726,898 Grants Revenue Fund        12,237,484 Capital Fund <u>142,586,793</u> Total Appropriations <u>\$217,551,175</u>	<u>Estimated Revenues:</u> Non-Tax Revenue             \$ 1,769,000 From Other Governments <u>12,237,000</u> Total Estimated Revenues    \$ <u>14,006,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                   604 Exempt <u>32</u> Total Employees <u>636</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not properly prepared for the department's petty cash account for the Program Fund. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> <li>• A voided, but reimbursed check for \$50.50 was incorrectly deducted from expenses waiting to be vouchered.</li> <li>• Seven petty cash checks totaling \$1092.42, dating back to July 2011, have not been submitted for reimbursement. The department could not provide documentation supporting these checks.</li> <li>• A long-standing shortage of \$198.76 has not been addressed according to accounting procedures.</li> </ul>	<p>Failure to reconcile the account properly has resulted in a net shortage of \$1,240.68. Not submitting expenditures for reimbursement timely increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>Management should ensure that petty expenditures are properly documented and submitted for reimbursement in a timely manner [101616.05]. Additionally, any overages or shortages should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101616.03].</p>	<p>The department agrees with the current recommendation and will handle any variances according to standard accounting procedures. Additionally, the department will prepare regular fund reconciliations and ensure supporting documentation is maintained.</p>
<p><u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the Administrative and the Program Division's petty cash funds, dating back to 2004, totaling \$461, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance standard accounting procedures of the city's Finance Office [101615.02].</p>	<p>We agree with the recommendation and process for Unclaimed Monies and will issue the stop payment order and deposit the appropriate amount into the city's Unclaimed Monies Fund. The fund custodian will also work with the unit manager to develop an effective tracking process in order to ensure this issue does not recur.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for two of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [101616.06].</p>	<p>A process has been implemented and a staff member assigned to ensure yearly compliance. 83% of permanent staff have a current performance evaluation on file, and the department will work toward the goal of 100%.</p>
<p><u>Employee attendance records are still not properly used to document employee attendance.</u> We noted that two out of six employees we selected for testing were completing their weekly time reports incorrectly. In one instance, an employee was completing his weekly time report before the time had been worked, and another employee failed to date his timesheet on two occasions.</p>	<p>Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.</p>	<p>Require employees to contemporaneously complete their weekly time reports [101615.06].</p>	<p>Supervisors and employees have received instruction on the correct completion of time reports. Payroll clerks are reviewing all time reports and requiring corrections as needed. An internal periodic audit process will be implemented.</p>
<p><u>For the fifth consecutive year we are reporting that the city sick leave policy was still not enforced.</u> Four employees, none of whom had been placed on the excessive use of sick leave list for using eight or more undocumented sick days, continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the department did not issue the five-day notification letter warning two employees nearing their eighth uncertified sick day or the eight-day notification letter informing three of the employees that they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time and/or seeking overtime to make up the wages lost by their absences.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including notification requirements, employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101612.01].</p>	<p>We agree with the recommendation and are in the process of reeducating the department on this policy. A document has been developed to track sick abuse placements and policy violations. New five and eight day notifications have been drafted and an internal communication policy has been implemented between the payroll and HR staff to ensure the discipline for policy violations is issued timely and consistently.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The department could not provide formal approved leave requests for nine of the seventeen days selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101610.03].</p>	<p>We agree with the recommendation and will continuously work with supervisors and employees to ensure the appropriate leave requests are submitted.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$1,425.68 of petty cash funds on food and refreshments for meeting and training sessions attended only by city employees.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases which are not permitted under standard accounting procedures of the city's Finance Office.</p>	<p>Management should ensure that petty cash funds are properly authorized and disbursed only for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101616.01].</p>	<p>Implemented.</p>
<p><u>Petty cash funds have been commingled.</u> During our review of petty cash, we observed the department transferred \$500 from the Administrative petty cash fund to the Program petty cash fund.</p>	<p>Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [101616.02].</p>	<p>Implemented.</p>
<p><u>Petty cash disbursements lacked required prior approval.</u> During our review of the Administrative fund's petty cash expenditures, we noted sixteen expenditures totaling \$2,847.58 that were not approved prior to the purchase of goods or services.</p>	<p>Failure to obtain prior approval of petty cash purchases increases the risk that petty cash funds could be used for unauthorized purchases and may result in the expenditure of unnecessary taxpayer dollars.</p>	<p>Management should ensure that petty cash expenditures are properly authorized in accordance with standard accounting procedures of the city's Finance Office [101616.04].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Duties for processing revenues were not adequately segregated.</u> One employee handles all aspects of the revenue process: receiving, recording and depositing cash receipts.</p>	<p>Failure to segregate incompatible duties increases the opportunities for a person to perpetuate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the duties of receiving, recording and depositing revenues to separate employees [101615.04].</p>	<p>Implemented.</p>
<p><u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved it in advance. The department could not provide approved overtime authorization forms for 11 of the 25 sample dates selected for testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101613.02].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The department may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101611.01].</p>	<p>We continue to believe that the Department of Parks and Recreation should implement an employee lateness policy to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the department's employees for potential lateness abuse.</p>

City of Philadelphia  
 Department of Public Property  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Public Property was established by the Philadelphia Home Rule Charter to centralize a variety of functions related to the city government’s physical plant, communications, power systems, and city-owned transit facilities. Within the scope of its functions under the Charter, the Department of Public Property exercises the following powers and performs the following duties: supervision over the construction, maintenance, and repair of city facilities; acquisition and disposition of city-owned or leased real estate; assignment of space in city buildings to executive and administrative agencies; and supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city’s managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value.

<u>Name and address of department head</u> Bridget Collins-Greenwald, Commissioner Department of Public Property City Hall, Room 790 Philadelphia, PA 19107	<u>Appropriations:</u> General Fund \$193,379,491 Water Fund 4,042,633 Aviation Fund 26,900,000 Capital Fund <u>31,829,642</u> Total Appropriations <u>\$256,151,766</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$13,475,000 From Other Governments <u>18,000,000</u> Total Estimated Revenues <u>\$31,475,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 180 Exempt <u>17</u> Total Employees <u>197</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department’s Response
<p><b>PETTY CASH</b></p> <p><u>Employee travel expenses over \$100 were disbursed from petty cash.</u> The department reimbursed an employee for travel expenditures exceeding the authorized limit. Travel Reimbursement Limits specified in Standard Accounting Procedure 4.1.1.d (Rev. 1) states that reimbursements to employees for travel expenses previously incurred are allowable out of petty cash up to \$100. If the expenses incurred by an employee exceed \$100, the employee shall not receive any reimbursement through petty cash but may be reimbursed using the employee reimbursement form.</p>	<p>Petty cash funds were used for unallowable expenditures. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>Management should reimburse employees for travel expenses through petty cash only if the total reimbursement is under \$100 in accordance with standard accounting procedures of the city’s Finance Office [102017.01].</p>	<p>DPP has issued a policy to all employees regarding reimbursement for education and travel expenses that adheres to the travel reimbursement limits in the Standard Accounting Procedure 4.1.1. d.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed that the department disbursed petty cash funds for monthly services for an alarm monitoring service. Even though the city's Finance Office approved the expenditure, payments for services made on a recurring basis should either be made through a direct purchase agreement or through a contract with an existing city vendor.</p>	<p>The improper use of petty cash funds circumvents the city's budgeting controls included in the procurement process and increases the risk that unauthorized expenditures could occur without detection.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [102017.02].</p>	<p>The payment for the alarm monitoring service has been incorporated into the lease agreement.</p>
<p><u>Duties for performing the petty cash fund reconciliation were still not adequately segregated.</u> During our review of the petty cash records for the Department of Public Property's Capital Program Division, we noted that the petty cash custodian also prepared the fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.01].</p>	<p>Previously, the department had three petty cash funds, but the department has now consolidated them, so going forward, the responsibilities will be performed by separate individuals.</p>
<p><u>Monthly petty cash fund reconciliations had still not been independently reviewed and approved.</u> During our review of the petty cash records for the Department of Public Property's Administration Division, we noted that the petty cash custodian also reviewed and approved the fund reconciliations.</p>	<p>Failure to independently review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a time manner.</p>	<p>Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.02].</p>	<p>Previously, the department had three petty cash funds, but the department has now consolidated them, so going forward, the responsibilities will be performed by separate individuals.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> We noted that for two of the twenty-five dates selected for testing, two employees approved their own overtime slips.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102016.01].</p>	<p>We have taken the necessary measures to tighten the review of signatures on the overtime slips. We have added an additional level of managerial review.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Employee evaluations were still not recently performed.</u> The department could not provide a recent performance evaluation for four of the five civil service employees we tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102015.03].	Implemented.

City of Philadelphia  
 Department of Human Services  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Human Services (DHS) traces its origin to the Department of Public Welfare under the Charter of 1919. With the adoption of the Philadelphia Home Rule Charter of 1951, it was established as a department under the managing director with the sole duty of carrying out public welfare functions. Powers and duties of DHS include: receiving, caring for, and placing children who are dependent, mentally challenged, neglected, incorrigible, and delinquent; investigating from time to time the manner in which those placed are being cared for; approving or disapproving billings to the city for maintenance of city residents in state institutions or in private facilities; transmitting to the Revenue Department amounts received for care and placement; and supervising the Youth Study Center including the determination of capacity, type, and proportion of persons to be received therein. DHS is directed by a commissioner who is appointed by the city's managing director with the approval of the mayor.

Name and address of department head  
 Cynthia Figueroa, Commissioner  
 Department of Human Services  
 1515 Arch Street, 8<sup>th</sup> Floor  
 Philadelphia, PA 19102

Appropriations:  
 General Fund \$103,219,500  
 Grants Revenue Fund 567,959,046  
 Total Appropriations \$671,178,546

Estimated Revenues:  
 Non-Tax Revenue \$ 9,363,000  
 From Other Governments 562,946,000  
 Total Estimated Revenues \$572,309,000

Number of Full Time Employees:  
 Civil Service 1,484  
 Exempt 80  
 Total Employees 1,564

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight banks and fund reconciliations tested during fiscal year 2017, we noted four bank and fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102217.01].</p>	<p>Effective July 1, 2017, all bank and fund reconciliations for petty cash and imprest accounts are performed by the Fiscal Operations Unit. All bank and fund reconciliations are prepared within thirty days after the end of the month.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the custodian for the Juvenile Justice petty cash account prepared all eight of the bank and fund reconciliations tested.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare and review the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102216.03].</p>	<p>Effective July 1, 2017, a person other than the petty cash and imprest account custodians is responsible for all bank and fund reconciliations for these accounts, ensuring adequate segregation.</p>
<p><u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit an Agency Request for Petty Cash and Imprest Changes form and a Petty Cash Change of Custodian form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102216.04].</p>	<p>Effective July 1, 2017, during the monthly reconciliation process, Fiscal Operations staff confirm that no changes have been made to the physical custody and operation of the petty cash and/or imprest accounts. A Petty Cash Change of Custodian form is being sent to the Finance Office to document the change referenced in the finding.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the seven civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [102217.02].</p>	<p>The DHS Human Resources unit will continue to send notifications regarding performance evaluation on an annual basis and send regular reminders during the deadline period.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not enforced.</u> One of the four employees tested was not placed on the Excessive Use of Sick Leave List after her eighth undocumented sick day. Consequently, this employee, as well as one additional employee who was placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the department was unable to provide an eighth day sick abuse letter for one of the five employees tested.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102212.02].</p>	<p>DHS partially disagrees with this finding. In the first case, a review of the record shows that the policy was applied appropriately. After placement on the list, the employee was issued a warning after the first violation, and subsequently was not paid for a total of four violations pursuant to the policy. DHS agrees that there was a delay in notifying the other employee of her 5<sup>th</sup> day violation. To improve in this area, DHS has assigned additional staff to perform this function, which will result in more timely notification and enforcement of the policy.</p>

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee travel expenses over \$100 were disbursed from petty cash.</u> During our review of petty cash expenditures, we observed the department issued a travel expense reimbursement in the amount of \$458.97.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [102216.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$808.56, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the Sap increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia- Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102216.02].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year, we are reporting that supervisory and executive approvals of payroll time records entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for fifteen of the twenty periods tested.</p>	<p>Failure to segregate incompatible duties and combing multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102210.02].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia Prison System  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Philadelphia Prison System was established as a separate department by Executive Order 5-88 dated April 6, 1988. Prior to that time, the prison system had been part of the Department of Human Services. The mission of the prison system is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society. A commissioner, who is appointed by and reports to the managing director, is responsible for the overall administration of the entire prison system. The prison commissioner is also accountable to a seven-member Board of Trustees whose members include the commissioner of the city's Department of Human Services (ex officio) and six citizens appointed by the mayor. The Philadelphia Prison System operates five major correctional facilities in Northeast Philadelphia, as well as several smaller Alternative and Special Detention facilities in various locations of the city. Each prison facility is under the direction of a warden, who is assisted by one or more deputy wardens and support staff.

Name and address of department head  
Blanche Carney, Commissioner  
Philadelphia Prison System  
7901 State Road  
Philadelphia, PA 19136-3407

Appropriations:  
General Fund                   \$258,831,670  
Grants Revenue Fund           30,000  
Capital Fund                    28,984,183  
Total Appropriations           \$287,845,853

Estimated Revenues:  
Non-Tax Revenue               \$ 450,000  
From Other Governments       635,000  
Total Estimated Revenues       \$1,085,000

Number of Full Time Employees:  
Civil Service                    2,238  
Exempt                            18  
Total Employees                 2,256

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed correctly.</u> During our review of the department's records, we observed that the book balance did not accurately reflect the actual checkbook balance. We also noted that the bank balance per the fund reconciliation did not match the bank balance per the bank reconciliation.</p>	<p>Failure to properly prepare bank and fund reconciliations increases the risk that error or irregularities may have occurred and remain undetected.</p>	<p>Management should provide training to the individual preparing the department's petty cash bank and fund reconciliations to ensure they are properly performed [102317.01].</p>	<p>Management has provided training to ensure that the individual responsible properly prepares petty cash bank and fund reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Duties for preparing the fund reconciliations were not segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also reviewed the monthly fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to review the fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102317.02].</p>	<p>Fund reconciliations duties are now segregated.</p>
<p><u>Petty cash purchases exceeded the \$500 spending limit.</u> Payments totaling \$1,300 were issued to fund a culinary arts program.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from paying invoices over the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office [102316.02].</p>	<p>Management no longer allows invoices greater than \$500 to be paid out of the petty cash fund.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The department could not provide a recent performance evaluation for two of the seven civil service employees tested in fiscal year 2017.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102317.03].</p>	<p>Beginning in June 2017, the HR Manager reminds the executive team that performance evaluations are due Sept. 1. Human Resources sends out weekly reports beginning in July of every year to the executive staff of the PDP which shows performance report submission. At the end of calendar year 2016 we were at a 98.42% for reports submitted for employees. The two missing reports have been located and placed in the employee's personnel file.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was not enforced.</u> Four of the five employees tested were not placed on the Excessive Use of Sick Leave list after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. In addition, one of the four employees with more than eight undocumented sick days was not provided a fifth-day warning letter after using their fifth undocumented sick day.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102313.03].</p>	<p>Corrective action has recently been taken to avoid error in issuance of notices pertaining to the city sick leave policy for employees. We hired a Clerk III in June of 2016 to properly track and enforce the sick abuse policy. Corrective action will be taken to ensure the process is followed.</p>

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Petty cash funds have been commingled.</u> Expenditures for Philacorp, totaling \$4,400, were paid using the Prison petty cash fund during the month we tested.</p>	<p>Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [102316.01]</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Homeless Services  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of Homeless Services (OHS), formerly known as the Office of Supportive Housing, was established to provide the leadership, planning, and resource mobilization to make homelessness in Philadelphia rare, brief and non-recurring. These services encompass prevention efforts, shelter care, comprehensive case management, and referral services to a variety of assistance programs dealing with problems such as substance abuse, mental-health ailments, and life-skill deficiencies. Services can range from providing one night of shelter to victims of fire to year-round housing for chronically needy individuals. Many of the services are provided by third parties with which OHS contracts. The overall goal of OHS is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OHS also operates Riverview, a personal care boarding home for low income people with physical or mental disabilities that require assistance with the activities of daily living. OHS is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity.

Name and address of department head  
Elizabeth Hersh, Director  
Office of Homeless Services  
1030 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$46,657,206  
Grants Revenue Fund 47,452,717  
Capital Fund 5,373,736  
Total Appropriations \$99,483,659

Estimated Revenues:  
Non-Tax Revenue \$ 770,000  
From Other Governments 47,452,000  
Total Estimated Revenues \$48,222,000

Number of Full Time Employees:  
Civil Service 143  
Exempt 30  
Total Employees 173

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Petty cash fund reconciliations are not properly prepared.</u> During our review of the most recent fund reconciliation for the Riverview Home, we noted that the amount listed as bills to be vouchered did not agree to the documentation used to support the amount. If the correct amount was used, the reconciliation would have reflected a shortage of \$107.37.</p>	<p>Failure to properly reconcile the petty cash fund indicates that errors or irregularities may have occurred and remain undetected, and that the fund is not being properly handled. In addition, a shortage of \$107.37 was not detected or reported.</p>	<p>An appropriate person must properly prepare the department's monthly petty cash fund reconciliation [102417.01], and if a shortage exists, it should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102417.02].</p>	<p>Agreed. The petty cash custodian now manages the Riverview petty cash account through QuickBooks. The administrative officer is responsible for completing a monthly reconciliation of the petty cash account which is reviewed by the director of Riverview. OHS will be submitting a formal request to Finance using S.A.P. 4.1.1.d Exhibit A for a special payment to cover this shortage.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>Additionally, the OHS budget officer will provide technical support to ensure that this does not happen again.</p>
<p><u>Petty cash disbursements lacked required prior approval.</u> During our review of the Riverview Home account, we noted three payments totaling \$710.97, that were disbursed without prior approval.</p>	<p>Failure to obtain prior approval of petty cash purchases increases the risk that petty cash funds could be used for unauthorized purchases and may result in the expenditure of unnecessary taxpayer dollars.</p>	<p>Management should ensure that all petty cash disbursements are properly authorized in accordance with standard accounting procedures of the city's Finance Office [102416.01].</p>	<p>Agreed. The Riverview director will review and approve all petty cash requests before any disbursements are made to ensure compliance with standard accounting procedures set forth by the city's Finance Office.</p>
<p><u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash funds.</u> The employee responsible for issuing checks from the Adult Services petty cash fund was not the employee listed in the city's accounting system (FAMIS). The employee responsible for issuing checks and submitting for reimbursement should match the name that is listed in FAMIS. According to the standard accounting procedures of the city's Finance Office, the department head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102416.02].</p>	<p>In accordance with standard accounting procedures, OHS has submitted a request for a new petty cash custodian. The request was approved and the employee is now listed in the city's accounting system.</p>
<p><u>Petty cash funds are not adequately safeguarded to protect against loss.</u> Petty cash funds are kept in an envelope inside of a locked cabinet that is used for purposes other than petty cash.</p>	<p>Failure to properly safeguard cash and checks could lead to the loss or misappropriation of the funds.</p>	<p>Management should ensure the cash and checkbook are maintained inside a locked metal cash box in accordance with standard accounting procedures of the city's Finance Office [102416.03].</p>	<p>OHS has taken the proper steps to ensure that cash and checkbooks are maintained in a metal locked box.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures for Riverview and the Adult Services funds, we observed that the department disbursed petty cash funds for unallowable expenditures. We noted payments for services made on a recurring basis in the amount of \$355.44. Payments for recurring services should either be made through a direct purchase agreement or through a contract with an existing city vendor. We also noted an unallowable disbursement for an employee's professional license in the amount of \$95. Lastly, a disbursement for office chairs exceeded the \$500 limit for petty cash expenditures.</p>	<p>The improper use of petty cash funds circumvents the city's budgeting controls included in the procurement process and increases the risk that unauthorized expenditures could occur without detection.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [102416.04].</p>	<p>The new petty cash custodian has attended training provided by the Finance Department and is currently following approved disbursement procedures. Additionally, the Director of the Riverview Home will review and sign off on all authorized petty cash requests.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Two of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. One employee did not receive a letter notifying them of their placement on the sick abuse list, while another employee received a letter but was not placed on the sick abuse list. Consequently, these employees continued to use and be paid for sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102417.03].</p>	<p>Agreed. OHS understands the importance of the City's Sick Leave Policy and will improve by enforcing the city's Sick Leave Policy along with the applicable penalties to prevent this from occurring again.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee evaluations were not recently performed.</u> The department could not provide a recent performance evaluation for two of the seven civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective action.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102417.04].</p>	<p>Agreed. OHS understands the importance performing annual performance reports and will take the necessary steps to ensure that annual performance reports are prepared as required.</p>

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year for \$225, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102416.05].</p>	<p>Implemented.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the nine bank and fund reconciliations tested during fiscal year 2016, we noted four bank and fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102415.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Since our 2011 report, we have reported that a formal lateness policy was not established and communicated to employees.</u> While the department has a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to include progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [102411.02].</p>	<p>We continue to recommend that the lateness policy should define progressive sanctions for violations. Because after six years, management has made a conscience decision not to implement our recommendation, we will no longer comment on this condition in future reports. However, we will continue to monitor the department's employees for instances of excessive lateness.</p>

City of Philadelphia  
Office of Fleet Management  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of Fleet Management (OFM) was established under Executive Order 5-93, signed by the mayor on April 6, 1993. OFM supports the operations of other city departments and agencies by ensuring that the city’s fleet of vehicles and special equipment is available, dependable, and safe to drive. Responsibilities of the OFM include purchasing, maintaining, repairing, and disposing of all city vehicles, as well as establishing and keeping a vehicle management information system operative. OFM comprises four divisions: Operations, Bureau of Quality Assurance, Administrative Services, and Information Services. The department conducts business at 77 sites, including 15 garages, 60 fuel sites, a suite of administrative offices, and a sales lot. The fleet manager (a deputy managing director) oversees OFM with the assistance of a deputy and three directors.

Name and address of department head  
Christopher Cocci, Fleet Manager  
Office of Fleet Management  
100 South Broad Street, 3<sup>rd</sup> Floor  
Philadelphia, PA 19110

Appropriations:

General Fund	\$ 61,145,887
Water Fund	8,732,957
Aviation Fund	8,245,188
Capital Fund	<u>27,590,154</u>
Total Appropriations	<u>\$105,714,186</u>

Estimated Revenues:

Non-Tax Revenue	\$3,650,000
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Number of Full-Time Employees:

Civil Service	340
Exempt	<u>4</u>
Total Employees	<u>344</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>A petty cash purchase again was split in an effort to evade the \$500 spending limit.</u> The department circumvented the \$500 petty cash expenditure limit established by the Director of Finance, by splitting \$900 and \$700 payments into multiple payments to the Commonwealth of Pennsylvania for waste hauler permits.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city’s purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city’s Finance Office [102515.01].</p>	<p>Generally, OFM adheres to the petty cash spending policy. In reference to the waste hauler permit fee to the Commonwealth of Pennsylvania, OFM issues petty cash checks to obtain waste hauler permits, which enable OFM to put the new trash compactors into service in a timely fashion to support the Street Department’s trash collection operations. At present OFM is working with Accounting and the Treasurer’s Office to set-up an imprest fund account to process all payments to the Commonwealth of Pennsylvania.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<b>(continued)</b> OFM expects to start the new procedure by the third quarter of FY18.
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that:</p> <ul style="list-style-type: none"> <li>• 3 records (6%) were approved by supervisors on days that they were not present.</li> <li>• 1 record (2%) did not receive an authorizing signature.</li> <li>• 13 records (26%) showed the supervisor approving his/her own time.</li> </ul>	Employee may erroneously be paid for time not worked or failed to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102517.01]. The payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [102517.02].	OFM's current policy is that, the employee time in attendance records must be reviewed and approved by the supervisors. To address the auditor's observation, OFM reiterated the policy with all supervisory personnel.
<p><u>Employee overtime was not properly authorized.</u> For nine of the twenty-five requests for overtime we tested, overtime was approved by employees of the same supervisory rank and title. In addition, four instances of overtime showed evidence of employees approving their own overtime.</p>	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102516.01].	OFM's current policy is that all overtime must be approved by the immediate supervisor. To address the auditor's observation, OFM reiterated the overtime policy with all employees and supervisors.
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Petty cash disbursements still lacked supporting documentation.</u> Fleet management was unable to provide the EZ – Pass logs used to track and record the daily usage of EZ – Pass transponders used by Mayor's Office and Police Department vehicles.</p>	Failure to obtain the proper supporting documentation for petty cash disbursements could lead to unauthorized EZ – Pass use and the expenditure of unnecessary taxpayer dollars.	Management should ensure that all petty cash disbursements are supported by proper documentation in accordance with standard accounting procedures of the city's Finance Office [102515.02].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Employee evaluations were still not recently performed.</u> The department could not provide a recent performance evaluation for two of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective action.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102513.01].	Implemented.

City of Philadelphia  
 Department of Licenses and Inspections  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Licenses and Inspections (L&I) was established by the Philadelphia Home Rule Charter of 1951. It has the power and duty to perform the following functions: administer and enforce all statutes, ordinances, and regulations pertaining to building safety, sanitation, signs, and zoning; issue all licenses required to be obtained from the City of Philadelphia; conduct all inspection functions to determine whether any person or owner of any property is violating the conditions of any license, or whether any property owner is violating any statute, ordinance or regulation; train and maintain a competent force of inspectors; enforce violations found as a result of any inspection; revoke, suspend or cancel any license when the holder is violating the conditions thereof; and make special inspections on request where unlawful conditions are believed to exist. The department is headed by a commissioner appointed by the managing director with the approval of the mayor.

In connection with the powers and duties of L&I, the Charter also established three boards; the Board of License and Inspection Review, the Zoning Board of Adjustment, and the Board of Building Standards. The Board of License and Inspection Review provides citizens adversely affected by the issuance, refusal, suspension, revocation, or cancellation of any license, an orderly due process for a review of actions taken against them. Upon hearing the evidence, the Board renders its decisions in writing. The Zoning Board of Adjustment hears and decides appeals on zoning matters and on special exceptions to the zoning ordinance, and authorizes variances from zoning ordinances when conforming to the ordinances will result in unnecessary hardship. The Board of Building Standards advises the Commissioner of L&I on the interpretation of the city's building code and any regulations relating to building safety and sanitation; suggests changes to regulations; and proposes new and substitute materials for building construction, as well as new methods of construction.

Name and address of department head  
 David Perri, Sr., Commissioner  
 Department of Licenses and Inspections  
 11<sup>th</sup> Floor, Municipal Services Building  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102-1687

Appropriations:  
 General Fund \$34,229,465  
 Grants Revenue Fund 4,500,000  
 Community Development Fund 514,818  
 Total Appropriations \$39,244,283

Estimated Revenues:  
 Non – Tax Revenue \$54,961,000  
 From Other Governments 5,015,000  
 Total Estimated Revenues \$59,976,000

Number of Full Time Employees:  
 Civil Service 337  
 Exempt 17  
 Total Employees 354

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for two of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102616.01].</p>	<p>This recommendation will be implemented. For calendar year 2017, 60% of employees received an annual performance report, a 6% increase from 2016. The department will focus its efforts to achieve 100% compliance.</p>
<p><u>For the fifth consecutive year, we are reporting that city sick leave policy was not enforced.</u> Three of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. These employees, as well as two additional employees who were correctly placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the department could not provide the required eighth-day notification letter to two of these employees informing them they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102612.02].</p>	<p>This recommendation will be implemented. The department had made a personnel change in the payroll unit which will improve the enforcement of the city's sick leave policy. The department will continue its enhanced efforts to enforce the sick leave policy.</p>

City of Philadelphia  
Philadelphia Water Department  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Philadelphia Home Rule Charter established the Philadelphia Water Department which is one of the 10 operating departments under the direction of the managing director. The department's responsibilities include: operating and maintaining the city's water supply and stormwater system, which includes constructing, maintaining, repairing and improving the city's water supply facilities; operating and maintaining the city's sewage system and wastewater treatment plants; investigating and adopting methods for improving the quality of the water supply; and fixing and regulating rates and charges for supplying water and sewage disposal services. A commissioner and three deputies manage the department.

Name and address of department head  
Debra McCarty, Commissioner  
Philadelphia Water Department  
ARAMARK Tower, 5<sup>th</sup> Floor  
1101 Market Street  
Philadelphia, PA 19107

Appropriations:  
Water Fund \$ 384,113,280  
Water Residual Fund 34,724,000  
Capital Fund 732,780,874  
Total Appropriations \$1,151,618,154

Estimated Revenues:  
Non-Tax Revenue \$ 40,988,000  
From Other Governments 1,000,000  
From Other Funds 119,583,000  
Total Estimated Revenues \$161,571,000

Number of Full Time Employees:  
Civil Service 2,054  
Exempt 13  
Total Employees 2,067

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly bank and fund reconciliations were not properly prepared for the department's petty cash account for the Program Fund. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> <li>The amount listed on Material Management's bank reconciliation as balance per books does not match the amount in the checkbook.</li> </ul>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered.</p>	<p>Management should ensure that the petty cash account is properly reconciled and that any overages or shortages are evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102817.01].</p>	<p>Effective with the July 2017 monthly petty cash reconciliations, PWD Management reassigned the duties related to the preparation of the monthly bank and fund reconciliations. Designated supervisory staff within the PWD Accounting Unit will review monthly reconciliations to ensure compliance with the city's standard accounting procedures.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>• Material Management has \$245 listed on the fund reconciliation as reimbursements in transit that is not supported by any documentation.</li> <li>• Meter Shop lists \$234 as other additions and adjustments that is not supported by any documentation.</li> <li>• Facilities Management list \$53.39 as an erroneous bank deposit but could not provide supporting documentation.</li> </ul>			<p><b>(continued)</b></p> <p>For the items that have been cited as unsupported, these amounts represent service charges (prior to July 2008 from the bank, for which the city has not been reimbursed). Because the time period exceeds the city's retention policy, the supporting documentation has not been retained on file.</p>
<p><u>An overage exists in the department's petty cash account.</u> During our review of petty cash, we noted that the department's Administration petty cash fund has an unexplained overage of \$1,921.94.</p>	<p>Failure to return excess petty cash funds to the Department of Revenue unnecessarily complicates the bank fund reconciliation process.</p>	<p>We recommend that management deposit the overage with the Department of Revenue in accordance with standard accounting procedures of the city's Finance Office [102817.02].</p>	<p>After the audit, PWD Accounting investigated and researched the fund's supporting documentation. It has been determined that the overage is valid and will be deposited with the Department of Revenue. Going forward, supervisory staff within the PWD Accounting Unit will review and investigate any overage/shortage in the department's multiple petty cash funds</p>
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds in the amount of \$349 for the purchase of a microwave oven. While the Office of Finance approved he reimbursement, the expenditure is deemed an inappropriate use of taxpayer dollars per standard accounting procedure 4.1.1.d.</p>	<p>The improper use of petty cash funds may result in certain purchases which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [102817.03].</p>	<p>PWD management issued communication to the multiple petty cash custodians, providing guidance on allowable/unallowable petty cash purchases.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven petty cash bank and fund reconciliations tested during year 2017 for the Bureau of Laboratory Services, four bank and fund reconciliations were prepared thirty days after the end of the month. In addition, twelve bank and fund reconciliations tested for Water Conveyance, nine were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102816.01].</p>	<p>Effective with the July 2017 monthly petty cash reconciliations, PWD management reassigned the duties related to the preparation of the monthly bank and fund reconciliations. Since then, PWD accounting has noticed an improvement in the timeliness of monthly reconciliations for the various petty cash funds. Designated supervisory staff in the PWD Accounting Unit will monitor the monthly reconciliations to ensure timeliness.</p>
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also prepared the monthly bank and fund reconciliations for the Bureau of Laboratory Services, Operations, Collectors, Meter Shop, Facilities Management, and the Information System and Technology petty cash funds.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102815.02].</p>	<p>As previously noted, PWD management reassigned the duties related to the preparation of the monthly bank and fund reconciliations. For each petty cash fund, an employee, separate from the petty cash process, was assigned to prepare the monthly bank reconciliations. Staff in the PWD Accounting Unit will now prepare the monthly fund reconciliations to ensure proper segregation of duties.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Our review of the department's petty cash records indicated that four checks outstanding for more than one year totaling \$527.27 were not deposited into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2., requires all moneys that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year, in accordance with standard accounting procedures of the city's Finance Office [102815.03].</p>	<p>In addition to investigating petty cash fund overages and shortages, supervisory staff in the PWD Accounting Unit will monitor petty cash checks that are outstanding for more than one year. Management will ensure that the department is compliant with the city's standard accounting procedure for unclaimed monies. Since the audit, PWD Accounting investigated the checks that were outstanding for more than a year. For two of the checks (\$21.49), the payees confirmed that the checks were no longer needed, therefore these checks have since been voided by the department. For the other two outstanding checks, a check was submitted to the City's Unclaimed Monies Fund in the amount of \$505.78.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not always provide formal approved leave requests for eight of the fourteen dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102817.04].</p>	<p>Employees tested utilized a combination of compensatory, vacation, and certified sick leave. Use of sick leave requires that notification of leave requests are made no later than an hour after an employee's normal starting time/shift. Requests for leave usage other than sick leave are to be approved prior to the leave being taken. Department managers and supervisors have been instructed to receive and retain written and approved documentation for staff leave requests.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entries for separated employees were not always checked.</u> Our testing of the Water Department's payroll records revealed a separated employee remained on the city's payroll and was paid for two days after his termination date.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid \$246.93.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [102817.05].</p>	<p>Upon separation, an employee's personnel file and time records are reviewed in order to complete the separation process. During this process, the employee's online payroll records are reviewed for accuracy. For this occasion, it was noted during this review that the employee was overpaid in error and a Payroll Credit Advice (PCA) was subsequently prepared. PWD management has since communicated with its timekeepers the proper procedures to reduce the risks of overpaying separated employees.</p>
<p><u>City sick leave policy was not enforced.</u> Three of the five employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records. These employees, as well as the two employees who were placed on the abuse list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these five employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence and a ten-day suspension after the fourth occurrence. Furthermore, the department could not provide us with the eighth-day notification letter informing three employees that they were being placed on the excessive use of sick leave list nor could they provide the fifth day warning letter for three employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102817.06].</p>	<p>PWD will continue to monitor the enforcement of the city's sick leave policy. It should be noted that 3 of the 5 employees have since been separated for attendance issues.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the thirteen civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective action.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102816.03].</p>	<p>Implemented.</p>
<p><u>Payroll attendance records were not authorized by supervisory personnel.</u> Timecards for two of the thirteen employees selected for testing were not approved by a unit supervisor.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102816.04].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Records  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Records was established by the Philadelphia Home Rule Charter and charged with the creation, maintenance, retention, and disposition of city records. More specifically, it is responsible for: establishing standards and procedures for record keeping and records systems for all departments, boards, commissions, and agencies of the City of Philadelphia; recording legal documents, maintaining real property database records, maintaining the city’s tax maps, collecting city and state realty transfer taxes, collecting various fees, and providing copies of police and fire records; managing the citywide acquisitions of reprographic and filing equipment, conducting records-management studies, creating and managing citywide records-retention schedules, designing and controlling city forms, and managing the city’s archives and records center; and creating and maintaining photo records of city activities, providing official city identification cards, providing quick-copy duplicating services, and producing engineering-size reproductions. A commissioner, appointed by the mayor, heads the department.

Name and address of department head  
 James Leonard, Commissioner  
 Department of Records  
 Room 160 City Hall  
 Philadelphia, PA 19107

Appropriations:  
 General Fund \$4,767,214  
 Capital Fund 7,864,114  
 Total Appropriations \$12,631,328

Estimated Revenues:  
 Non-Tax Revenue \$30,300,000

Number of Full Time Employees:  
 Civil Service 57  
 Exempt 3  
 Total Employees 60

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> For four of the twenty pay periods tested in fiscal year 2017, duplication was evident among the data entry, supervisory, or executive approvals of payroll time record entries. In three pay periods, the same individual performed the supervisory and executive-level approvals of the bi-weekly payroll in the on-line system. While in another pay period, the same individual performed the data entry and the supervisory approval.</p>	<p>Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [103117.01].</p>	<p>During FY17, the Records Department was part of the HR Strategic Services Cluster and as such did not perform the data entry and the supervisory and executive level approvals of the bi-weekly payroll. These functions are now performed on behalf of the Records Department by the Office of the Chief Administrative Officer, where a different individual performs each level of the approval process.</p>

City of Philadelphia  
Office of the Director of Finance and Sinking Fund Commission  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide a department and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. The Office of the Director of Finance supports a number of department divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor’s Office of Grants, and the Administrative Systems Modernization project (OnePhilly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The office of the Director of Finance established a dedicated administrative service center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Youth Commission, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the department. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director whose salary is budgeted in the Office of the City Treasurer.

Name and address of department head

Rob Dubow, Director of Finance  
Office of the Director of Finance  
Municipal Services Building, 13<sup>th</sup> Floor  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Matthew Bowman, Executive Director  
Sinking Fund Commission  
Municipal Services Building, 6<sup>th</sup> Floor  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:

**Finance**

General Fund	\$1,418,067,880
Water Fund	120,465,262
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	203,800,585
Aviation Fund	65,852,271
Community Development Fund	24,082,031
Acute Care Hospital Fund	343,264
Capital Fund	<u>40,550,799</u>
Total Finance	<u>1,874,162,092</u>

**Sinking Fund Commission**

General Fund	\$ 275,339,734
Water Fund	207,371,679
Aviation Fund	139,626,331
Car Rental Tax Fund	<u>6,000,000</u>
Total Sinking Fund	<u>628,337,744</u>

Total Appropriations \$2,502,499,836

Estimated Revenues:

**Finance**

Non-Tax Revenue	\$ 18,245,000
From Other Governments	757,060,000
Revenue From Other Funds	<u>18,731,000</u>
Total Estimated Revenues	<u>\$794,036,000</u>

Number of Full Time Employees:

**Finance**

Civil Service	74
Exempt	<u>31</u>
Total Employees	<u>105</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that the monthly fund reconciliations are not always prepared with the correct reconciled bank balance.</p>	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may not be detected in a timely manner.</p>	<p>Management should provide training to the individual responsible for reconciling the petty cash fund to ensure it is completed in accordance with standard accounting procedures of the city's Finance Office [103517.01].</p>	<p>Staff who are responsible for preparing the reconciliations have met with General Accounting staff and received additional guidance on the proper preparation of the reconciliations reports. This will ensure the documents are completed in accordance with the city's standard accounting procedures.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year for \$50.90, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the check outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [103517.02].</p>	<p>A stop payment was issued for this check on 3/30/17. Another check was issued that subsequently cleared. Going forward, staff will review for outstanding checks and act quickly to resolve them. Any outstanding checks unclaimed for more than one year will be deposited in the Unclaimed Monies Fund in accordance with the standard accounting procedure.</p>
<p><u>Petty cash account balances were not updated in FAMIS to reflect department level changes.</u> The Mayor's Office of Community Empowerment and Opportunity, City Council, and Department of Health submitted documentation to the Financial Verification unit of the Finance Department for changes made to their authorized petty cash balances in adherence with the standard accounting procedures of the city's Finance Office. The requested changes were not made to the city's accounting system. According to Finance's procedures, the department head is required to notify the</p>	<p>Failure to appropriately track changes to petty cash account balances increases the risk that the funds are not accounted for properly. In additions, errors and irregularities may go unnoticed.</p>	<p>Management should promptly update FAMIS to reflect changes from properly submitted Agency Request for Petty Cash and Imprest Changes forms whenever the petty cash balances changes, in accordance with standard accounting procedures of the city's Finance Office [103517.03].</p>	<p>These procedures have been reviewed with appropriate accounting staff and they have been instructed to increase efforts to ensure balances are updated as soon as Agency Request for Petty Cash Changes forms are received from departments and approved by the director of accounting. Regarding the City Council finding, there was no Agency Request for Petty Cash1031</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>city's Finance Office of any request to change the amount of the department's petty cash balance.</p>			<p>Changes form submitted. Rather than reduce the balance, City Council recently reimbursed the petty cash account to restore the balance to the approved amount of \$5,000 using their Employee Benefit Fund.</p>
<p><u>Petty cash custodian records were not updated in FAMIS to reflect department level changes.</u> The Mayor's Office of Community Empowerment and Opportunity, Philadelphia Prison System, Office of Homeless Services, City Planning Commission, Commission on Human Relations, and First Judicial District submitted the required documentation regarding petty cash custodian changes to the Financial Verification unit of the Finance Office in adherence with the standard accounting procedures of the city's Finance Office. The requested changes were not made to the city's accounting system. According to Finance's procedures, the department head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should promptly update FAMIS to reflect changes from properly submitted Agency Request for Petty Cash and Imprest Change of Custodian forms whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [103516.01].</p>	<p>Upon receipt of the departmental petty cash custodian change forms, it is Finance policy to complete all changes timely in FAMIS. Finance will further its efforts to strengthen communication with the departments, as well as between the units within the Accounting Division to ensure the proper paperwork is completed and changes are properly documented. As an added step, Accounting will notify the departments when the custodian change has been updated in FAMIS.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 48 daily attendance records, we noted that 29 records (61%) showed the supervisor approving his/her own time.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [103517.04].</p>	<p>Unfortunately, with paper time sheets and a workforce dispersed throughout many different floors/buildings, it is almost impossible to separate out all supervisors, direct their time sheets to an alternate location, and have an individual at a higher level sign off on their daily time sheet. There is some level of trust that the supervisors are accurately documenting their time. This is mitigated in the case of exempt employees who complete a two-week timesheet in addition to the dailies. A supervisor never approves their own two-week time sheets. It is always signed off on by a higher-level supervisor. In the future when we move to an Oracle timekeeping product or move to time clocks, this practice will be prevented with the ability of supervisors to approve in an electronic system and not have to rely on paper time sheets being gathered from multiple locations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for four of the twenty pay periods tested. For another two pay periods, the individual who entered the payroll data into the on-line payroll system also performed the supervisory review. In addition, the department also maintained responsibility for the processing of the Treasurer's payroll, where the same employee performed the supervisory and executive level approvals for four pay periods and the posting and supervisory review for two pay periods.</p>	<p>Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [103516.02].</p>	<p>We have a lead and a backup person for payroll entry, and three other individuals who have authority to perform the entry and sign off at any of the other two approval levels. On occasion, if we are short on staff, the person who does the entry may perform the supervisory level approval or one person may sign off at both the supervisory and executive levels. We are aware that this presents a conflict and try to avoid this as much as possible. Unfortunately, with a small staff and a limited time to complete payroll entries to meet the regular deadline, it is sometimes necessary for one person to perform a duty at more than one level.</p>
<p><b>OTHER EXPENDITURES</b></p> <p><u>The Office of the Director of Finance (Finance) approved payment vouchers without the appropriate management level of authorization.</u> During our current review, we noted that of the 12 payment vouchers tested for the Department of Public Health, Finance approved eight that exceeded \$500,000 and were not approved by the department head or their properly authorized deputy, totaling \$100.5 million. In addition, of the five payment vouchers reviewed for the Philadelphia Prisons Department, two also exceeded \$500,000 and were not properly approved totaling \$2.3 million. According to finance's standard accounting procedures, any document, other than payroll, with a transaction value more than \$500,000 requires the signature of a commissioner, director, board chairman or their properly authorized deputy.</p>	<p>Failure to verify the proper management authorization prior to approving payment vouchers increases the risk that unauthorized expenditures may be approved and not be detected in a timely manner.</p>	<p>Finance should only approve payment vouchers above the \$500,000 limit when there is proper departmental approval [103517.05].</p>	<p>Procedures have been reviewed and reinforced again with the Financial Verification staff, reminding them of the requirement to verify that vouchers exceeding \$500,000 have the required authorized signature level.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Travel expenses using the city's American Express account, were still not properly reviewed and approved.</u> City departments use the American Express account to pay for travel expenses incurred for city business. The Finance Office is responsible for reviewing and approving the travel authorization forms that collectively support the monthly payment to American Express. Our detailed testing of two monthly travel payments found that the Finance Office did not:</p> <ul style="list-style-type: none"> <li>• Sign the two payment vouchers to document their review and approval of the disbursements. Signatures were missing from the other ten monthly vouchers, as well.</li> <li>• Ensure that the travel authorization forms included signatures from authorized department officials, who attest to the necessity of the travel expense. For the two months tested, 31 forms were signed by an employee who was not authorized to approve department expenditures.<sup>2</sup></li> <li>• Verify that the authorization forms included valid reasons for incurring the travel expenses. We found 11 travel authorization forms, in the two months tested, with missing or unclear reasons why the travel was necessary.</li> </ul>	<p>Failure to properly review and approval travel vouchers increases the risk of undetected errors and provides opportunities for employees to incur unallowed and/or unauthorized travel expenses.</p>	<p>All travel authorization forms should be reviewed and approved by Finance officials prior to payment. This review should include ensuring that department officials properly approve the travel forms and verifying that the American Express account is used for valid purposes [103516.04].</p>	<p>The Accounting Division issued a citywide memo on November 3, 2017 notifying departments to take corrective action. Departments were advised that travel authorization forms must be approved by an authorized signer for the departments (one that is listed on the green signature cards) and that the business purpose of travel must be clearly stated on the form. Along with the memo, a new travel authorization form was developed and distributed. The form more clearly indicates that the signatory on the form must be on the authorized signature file and requests the reason for the travel. Staff were also re-instructed on the proper review procedures for travel-related vouchers.</p>

<sup>2</sup> Per Standard Accounting Procedure E-0911, the city requires the use of Signature Authorization Cards to designate employees, of an administrative or executive rank, authorized to approve disbursement of department funds. The employees in question were not included on their respective department's signature cards.

City of Philadelphia  
 Department of Revenue  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Department of Revenue was established by the Philadelphia Home Rule Charter to be responsible for: billing and collecting real estate taxes; collecting income and other taxes; reading water meters and billing and collecting water and sewer rents due to the city; and collecting fees for all city licenses and permits. Under the 1965 Supplement to the Charter, the Department of Revenue is charged with collecting taxes receivable for the benefit of the School District of Philadelphia. The director of finance with the approval of the mayor appoints the revenue commissioner.

<u>Name and address of department head</u> Frank Breslin, Commissioner Department of Revenue Municipal Services Building, 6 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$ 30,203,839 Water Fund 18,490,846 Grants Revenue Fund 21,425,000 Acute Care Hospital Fund 45,000 Total Appropriations <u>\$70,164,685</u>	<u>Estimated Revenues:</u> Tax Revenue \$3,194,234,000 Non-Tax Revenue 648,015,000 From Other Governments <u>39,744,000</u> Total Estimated Revenues <u>\$3,881,993,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 563 Exempt <u>78</u> Total Employees <u>641</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Department failed to deposit petty cash overage.</u> During our review of petty cash expenditures, we noted that the department was reimbursed in the amount of \$3,323 for 112 checks that were voided by the department.</p>	<p>Failure to return excess petty cash funds primarily caused by the reimbursement of voided checks, resulted in an overage of \$3,323. In addition, carrying a fund overage unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management deposit the overage in accordance with standard accounting procedures of the city's Finance Office [103617.01].</p>	<p>The department deposited the overages in the beginning of FY18. The department will ensure that overages are properly submitted and has retrained the staff responsible for handling petty cash to follow the standard accounting procedures of the city's Finance Office.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the six petty cash bank and fund reconciliations tested during fiscal year 2017 for The Legal Services Division, four bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103616.01].</p>	<p>The department began using QuickBooks software in FY18 as a record keeping tool and to aid in more timely processing of monthly petty cash reconciliation. The staff has been retrained in all petty cash procedures according to the standard accounting procedures of the city's Finance Office.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$296.70, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [103616.02].</p>	<p>The department has placed a stop payment order on all outstanding checks that are over 1 year and will transfer funds to the City of Philadelphia-Unclaimed Monies Fund immediately. The department will ensure that it complies with standard accounting procedures going forward.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Two of the five employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records. These employees, and one other who was placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy could not provide us with the eight-day letter. The department should have counseled these three employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103616.03].</p>	<p>The department will ensure the city's sick policy is enforced. The department has retrained all HR personnel staff to follow these procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>the third occurrence, and a ten-day suspension after the fourth occurrence. Furthermore, the department notification letter informing these three employees that they were being placed on the excessive use of sick leave list.</p>			
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved the requests for two of the thirty-eight sample dates selected for testing. Additionally, the department could not provide approved overtime authorization forms for four sample dates.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved by supervisory personnel. Documentation of approved overtime should include the name of the employee, as well as the number of hours to be worked [103616.04].</p>	<p>Implemented.</p>
<p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of ninety daily attendance records, five records were approved by supervisors on days that they were not present.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [103616.05].</p>	<p>Implemented.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The department could not always provide formal approved leave requests for seven of the nine employees (or 16 of 24 sample dates) selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103615.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Procurement Department  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Procurement Department was established by the Philadelphia Home Rule Charter to function as a centralized purchasing department with the responsibility for purchasing all goods and services for all departments, agencies, boards and commissions that are supported by funds from the city treasury. The department is also responsible for awarding contracts on all public works projects, arranging for disposal of surplus and unserviceable personal property, and maintaining records of all equipment (personal property) owned by the city. The Procurement Department commissioner is appointed by the finance director with the approval of the mayor, and is responsible for the department's operations.

<u>Name and address of department head</u> Trevor J. Day, Commissioner Procurement Department 120 Municipal Services Bldg. 1401 John F. Kennedy Boulevard Philadelphia, PA 19102 - 1685	<u>Appropriations:</u> General Fund Water Fund Total Appropriations	\$4,869,720 <u>82,098</u> \$ <u>4,951,818</u>	<u>Estimated Revenues:</u> Non-Tax Revenues	\$ <u>514,000</u>
			<u>Number of Full Time Employees:</u> Civil Service Exempt Total Employees	44 <u>5</u> <u>49</u>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the four civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [103816.01].	Implemented.



City of Philadelphia  
Office of the City Treasurer  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the City Treasurer was established by the Philadelphia Home Rule Charter to be the official custodian of all city cash and securities. The powers and duties of the Treasurer's Office include: maintaining control and managing deposits with banks designated by City Council; disbursing funds upon proper authorization and overseeing the distribution of checks; reconciling city bank accounts; generating reports on receipts, deposits, transfers, withdrawals and investments; investing funds in excess of immediate requirements; and overseeing and managing the city's debt. The city treasurer, appointed by the finance director, manages the department.

Name and address of department head  
Rasheia R. Johnson  
City Treasurer  
640 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102-1681

Appropriations:  
General Fund \$1,180,726  
Total Appropriations \$1,180,726

Estimated Revenues:  
Non-Tax Revenues \$ 4,785,000  
From Other Governments 4,909,000  
Total Estimated Revenues \$9,694,000

Number of Full Time Employees:  
Civil Service 8  
Exempt 6  
Total Employees 14

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not authorized.</u> Overtime was paid without evidence that the employee's request was approved. The department was unable to provide approved overtime authorization forms for five of the eighteen instances tested.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104017.01].</p>	<p>This was an isolated incident with the handling of time for a temporary employee. In the future, CTO will ensure that proper documentation is provided for all overtime work.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for two of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104017.02].</p>	<p>The Treasurer's Office will work with Finance's Administrative Services Center to set up a more prompt and standard communication plan regarding leave request forms in the coming year.</p>
<p><u>For the fifth consecutive year, we reported that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy. Additionally, during our review of selected pay periods tested, we noted fifteen instances of lateness of ten minutes or more, with no consequences to the employee for not reporting to work in a timely manner.</p>	<p>The department may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [104012.02].</p>	<p>The Treasurer's Office has established a formal flex time and lateness policy that has been verbally communicated to employees during monthly staff meetings. We will work in conjunction with Finance to formally document the policy and with Labor as necessary before distributing it to all employees.</p>



<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> For five of the twenty pay periods tested in fiscal year 2016, the same individual performed the data entry, supervisory, and executive-level approvals of the bi-weekly payroll in the on-line system. For four pay periods, the same individual performed the data entry and the supervisory approval.</p>	<p>Failure to segregate incompatible duties and combing multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104116.01].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year, we are reporting the department's lateness policy does not establish progressive sanctions for violations of the policy.</u> While the written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.</p>	<p>The department may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines progressive sanctions for violations of the policy [104110.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Director of Commerce  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the Director of Commerce (Commerce) was established by the Philadelphia Home Rule Charter. The power and duties of Commerce include: promoting and developing the city’s commerce and industry and encouraging the increased use of port and airport facilities; maintaining and operating the city’s port and airport facilities; and when authorized by City Council, acquiring or constructing additional facilities. Commerce carries out many of its economic development activities through contracts with various quasi-public agencies. The mayor appoints a commerce director to head the department. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately.

<u>Name and address of department head</u> Harold T. Epps Director of Commerce 1515 Arch Street – 12 <sup>th</sup> Floor Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$23,164,148 Hotel Tax Fund 63,954,000 Grants Revenue Fund 10,342,515 Community Development Fund 6,650,955 Capital Fund <u>155,798,350</u> Total Appropriations <u>\$259,909,968</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$ 302,000 From Other Governments 16,994,000 Hotel Room Rental Tax <u>63,954,000</u> Total Estimated Revenues <u>\$81,250,000</u>
		<u>Number of Full Time Employees:</u> Civil Service Exempt 14 Total Employees <u>27</u> <u>41</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank reconciliations have still not been performed in a timely manner.</u> Of the eight petty cash bank reconciliations tested during fiscal year 2017, we noted four bank reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash reconciliations are timely prepared in accordance with standard accounting procedures of the city’s Finance Office [104215.01].</p>	<p>As we reported at the time of the audit, the only months we did not do reconciliations was when there were no transactions. However, out of abundance of caution we have begun to do reconciliations even in months when there are no transactions and so will be doing monthly reconciliations from now on.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Duties for preparing fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the petty cash custodian prepared all nine of the petty cash fund reconciliations tested.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the monthly fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [104215.02].</p>	<p>Commerce recognizes that this is an important issue, so going forward we will assign a separate person from the custodian to perform the reconciliations of the petty cash fund as we do with other funds.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not being authorized by supervisory personnel.</u> In our review of the Office of the Director of Commerce's attendance records, we noted that there was no supervisory signature indicating approval of the bi-weekly attendance records for two of the eight employees tested.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [104217.01].</p>	<p>Two of the employees tested were assigned to other departments (Airport and DHCD). Commerce recognizes that the timely and correct approval of the attendance record is important and will ensure that this is done more diligently going forward.</p>
<p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent performance evaluations for two of the four civil service employees tested in fiscal year 2017.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104215.03].</p>	<p>The two employees are assigned to the Airport and DHCD but Commerce will continue to emphasize the importance of the performance evaluations to the other agencies to ensure their timely and thorough completion.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>The petty cash custodian still did not properly safeguard the petty cash fund.</u> During our review of the department's petty cash records we noted that an individual, other than the authorized petty cash custodian, was responsible for the custodial duties including fund disbursement and check signing.	Failure to properly safeguard the fund increases the risk that petty cash fund is not secure or accounted for properly.	Management should ensure that the petty cash custodian is responsible for disbursing petty cash funds [104215.02].	Implemented.

City of Philadelphia  
Division of Aviation  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Division of Aviation (DOA), established by the 1951 Philadelphia Home Rule Charter under the city’s Commerce Department, operates Philadelphia International Airport and the Northeast Philadelphia Airport. Its functions include maintaining, improving, repairing, and operating city airport facilities and equipment. Additionally, when authorized by City Council, the DOA can acquire, design, and construct facilities. The department may also grant leases and licenses for the use of airport facilities. The DOA consists of five major units including: Property Management and Business Development; Finance and Administration; Marketing and Public Affairs; Operations and Facilities; and Planning and Environmental Stewardship. It operates principally out of Philadelphia International Airport and the Northeast Philadelphia Airport, but also has several maintenance and warehouse facilities around the vicinity of Island Avenue. A chief executive officer appointed by the mayor, and four deputy directors manage the department.

Name and address of department head  
Chellie Cameron, Chief Executive Officer  
Division of Aviation  
Philadelphia International Airport  
Terminal D, Third Floor  
Philadelphia, PA 19153

Appropriations:  
Aviation Fund                   \$ 193,568,090  
Capital Fund                    764,005,928  
Total Appropriations         \$957,574,018

Estimated Revenues:  
Non-Tax Revenues             \$415,988,000  
From Other Funds             1,500,000  
From Other Governments     4,500,000  
Total Estimated Revenues    \$421,988,000

Number of Full Time Employees:  
Civil Service                   750  
Exempt                         15  
Total Employees               765

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department’s petty cash account does not reconcile.</u> The combination of an invoice in the amount of \$196, which was rejected by Finance for reimbursement, and a reimbursement for a check in the amount of \$219, that was subsequently voided by the department, created an overall overage in the department’s petty cash account.</p>	<p>The combination of a failure to return excess petty cash funds to the Department of Revenue, the improper use of petty cash funds resulting in Finance rejecting the expenditure for reimbursement, and several other minor, miscellaneous items created an overage in the account.</p>	<p>Management should deposit the excess funds with Department of Revenue in accordance with standard accounting procedures [104317.01], as well as refrain from approving petty cash expenditures for unallowable purchases [104317.02].</p>	<p>We acknowledge that this action was delayed and in the future, will make sure to deposit excess funds, if any, at the fiscal year end. Please note, this was sent to the Revenue Department on 9/27/17.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>Regarding the unallowable purchases, going forward, all Petty Cash Policies and Procedures will be reviewed with appropriate personnel to mitigate any occurrences going forward.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was excessive and lacked proper documentation.</u> We noted that a payroll clerk was paid excessive overtime both in cash and compensatory time during a seven-month period. The overtime was paid without written approval. In addition, for the two sample pay periods we tested, the employee was paid overtime on days where he did not work a full work day. After the Controller's Office brought this matter to management's attention, the employee was subsequently terminated.</p>	<p>The employee was paid for 197 days of overtime totaling \$42,000 and 32 days of compensatory time during the seven-month period without proper documentation to support it. Our calculations for the two sample pay periods indicate that the employee was overpaid more than \$10,000.</p>	<p>Management should not only enhance controls by ensuring that all overtime is properly approved in writing by supervisory personnel, but also perform an analysis of overtime worked during each pay period for reasonableness and accuracy [104317.03].</p>	<p>In addition to reviewing all policies and procedures with staff, HR is developing procedures to ensure that this type of occurrence will not happen again. We expect to have these updated procedures in place by fiscal year end.</p>
<p><u>Employee overtime was still not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide overtime authorization forms for twenty-four of the forty-three samples selected for testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104316.02].</p>	<p>PHL will review overtime procedures with all employees and will send quarterly reminders to supervisors and managers regarding the overtime slip requirement (already scheduled for calendar 2018). HR is currently evaluating all units distributing overtime to develop a consistent process across the board in addition to scheduling a review for payroll unit employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not enforced.</u> Three of the five employees tested were not penalized according to the City's Sick Leave Rules and Regulations after being placed on the Excessive Use of Sick Leave List. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [104313.01].</p>	<p>PHL continues to train all administrative and payroll staff on current sick leave rules and regulations. The Employee Relations Unit is currently reviewing and updating all policies and procedures to ensure consistency and effectiveness.</p>
<p><u>Employee evaluations were still not recently performed.</u> The department was unable to provide recent employee performance evaluations for seven of the nine civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104310.01].</p>	<p>Although the Airport continues to improve the percentage of evaluations prepared each year, PHL will continue to train employees and emphasize the importance of preparing performance evaluations. This will be done in conjunction with additional emails and communication with supervisors and managers.</p>

City of Philadelphia  
Law Department  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Law Department was established by the Philadelphia Home Rule Charter to serve as the legal advisor to the mayor, City Council, and all agencies of city government in civil matters. Other responsibilities include representing the city in litigation, preparing and approving contracts and bonds, investigating alleged violations of statutes and ordinances, and drafting ordinances. The Home Rule Charter mandates that the city solicitor shall be a lawyer admitted to practice before the Supreme Court of Pennsylvania and shall have at least five years of experience in the active practice of law. The city solicitor is appointed by the mayor, with the advice and consent of the majority of the members of city council. The city solicitor, with the written approval of the mayor, appoints the first deputy city solicitor, and the chairs of the corporate and tax group, the social services group, and the litigation group.

<u>Name and address of department head</u> Sozi Pedro Tulante, City Solicitor Law Department 17 <sup>th</sup> Floor, One Parkway Building 1515 Arch Street Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$16,592,715 Water Fund 3,240,830 Aviation Fund 2,020,599 Community Development Fund <u>154,637</u> Total Appropriations <u>\$22,008,781</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$400,000 From Other Governments <u>155,000</u> Total Estimated Revenues <u>\$555,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 30 Exempt <u>142</u> Total Employees <u>172</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$717.12, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [104417.01].</p>	<p>This function was performed at the end of fiscal 17 and, moving forward, will be done twice a year; in January and July.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$973 of petty cash funds to purchase refreshments for internal meetings, attended only by city employees.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [104417.02].</p>	<p>Our unit has been retrained and will be using the Employee Benefit Fund for this type of expenditure in the future.</p>
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not properly prepared for the department's Program Fund petty cash account. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> <li>• Thirteen voided, but reimbursed checks totaling \$348.20 were not returned to the Department of Revenue.</li> <li>• Twenty-three petty cash checks totaling \$3,139.18, dating back to February 2011, have not been submitted for reimbursement.</li> </ul>	<p>Failure to reconcile the account properly has resulted in a net shortage of \$2,790.98. Not submitting expenditures for reimbursement timely increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicating the reconciliation process.</p>	<p>Management should ensure that petty cash expenditures are submitted for reimbursement in a timely manner. Also, if any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office. Finally, the \$348.20 in reimbursed voided checks should be returned to the Department of Revenue [104416.01].</p>	<p>Overage checks are returned to Revenue every other month. The \$3,139.18 in expenses were never reimbursed because of their age and lack of supporting paperwork. However, a S.A.P 4.1.1. d Exhibit A was completed on August 15, 2017 and forwarded to Finance for approval.</p>
<p><u>Petty cash purchases exceeded the \$500 spending limit.</u> The department purchased various records from the PA Department of Health-Vital Records Division on twelve occasions totaling \$10,355. Although the city's Finance Office approved the expenditures, this practice violates the Finance Office's standard accounting procedures for the use of petty cash funds.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management submit to the city's Finance Office a Special Need for Purchasing Exception (S.A.P. 4.1.1.d exhibit A) for the specific purpose of obtaining the various documents required for the department's legal proceedings where these documents are typically needed on an urgent basis [104416.02].</p>	<p>At the previous suggestion of Finance a S.A.P. 4.1.1.d Exhibit A was completed to set up an imprest fund in August 2017 and forwarded to the department.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>REVENUE RECEIPTS</b></p> <p><u>Revenue was not properly recorded in the city's accounting system.</u> A deposit summary for \$1,516.32 was incorrectly recorded under the source code for Court Awarded Damages.</p>	<p>Revenue recorded for Court Awarded Damages was overstated by \$1,516.32.</p>	<p>Management should reconcile the revenue recorded in the city's accounting system with their department records to ensure that all revenue is properly recorded [104417.03].</p>	<p>This function is already performed. Given the size of our department we were unable to track down who made that one-time deposit on our behalf.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was still not enforced.</u> While the Law Department adopted the city's Sick Leave Abuse policy for its civil service employees, exempt employees are not subject to the same policy and continued to use and be paid for uncertified sick leave without being subject to the same sanctions and disciplinary measures. Of the 61 department employees meeting and exceeding the city's eight-day limit on undocumented sick leave for calendar year 2016, 60 were classified as exempt. Four employees, each of whom used more than 20 undocumented sick days received \$10,791 in paid sick leave. Additionally, the lone civil service employee exceeding the eight-day limit on undocumented sick leave was not penalized correctly. More specifically, the employee's pay was docked for sick leave subsequent to her placement on the sick abuse list, however the employee was not suspended in a timely manner based on the city's sick leave rules and regulations.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.</p>	<p>We continue to recommend that the Law Department design, implement and enforce a sick leave policy for its exempt employees and correctly enforce the policy in place for civil service employees. The policy for exempt employees should be specific in terms of defining abuse, include employee counseling and specify the sanctions that will occur when abuse takes place [104413.01].</p>	<p>Ad Board rules do not require the sick leave policy for exempt employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for three of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104411.02].</p>	<p>All employees are reminded to submit this information. We will stress the importance with senior management.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for processing personal services expenditures were still not adequately segregated.</u> The employee who obtains and distributes paychecks also maintains the employee folders and approves appointments, terminations and rate changes.</p>	<p>Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Duties for processing personal services expenditures should be adequately segregated [104415.03].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year we are reporting that supervisory and executive level approvals of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for six of the twenty pay periods tested.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [104410.03].</p>	<p>Implemented.</p>



City of Philadelphia  
Office of the Inspector General  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the Inspector General (OIG) was established by Executive Order in May 1984 to constitute an investigative arm within the executive branch of Philadelphia government. The OIG is designated as an independent executive office with authority to receive and investigate criminal and/or serious integrity-related complaints of fraud, corruption, and abuse involving city employees and officials, and others doing business with the City of Philadelphia. The OIG's mission is to enhance public confidence in the integrity of the city government by establishing and implementing procedures for reporting, investigating, and resolving complaints of fraud, corruption, and abuse of office; to provide leadership and guidance in recommending programs and policies which educate and raise awareness of all city officials and employees to integrity and ethics-related issues; and to provide assistance to the respective department and department heads on all integrity and ethics-related matters through its support of the City-wide Integrity Officer System. An inspector general, who is appointed by and reports directly to the mayor, manages the department.

Name and address of department head  
Amy L. Kurland, Inspector General  
Office of the Inspector General  
The Curtis Center  
601 Walnut Street, Suite 300 East  
Philadelphia, PA 19106

Appropriations:  
General Fund                    \$1,668,811

Estimated Revenues:                    \$ -0-

Number of Full Time Employees:  
Exempt    19

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide authorized leave request for three of the five employees tested.</p>	<p>Failure to obtain formal leave request may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104817.01].</p>	<p>We are correcting the observations/condition.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of OIG attendance records, we noted that there was no supervisory signature indicating approval of the bi-weekly attendance records for two of the five employees.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [104817.02]. The payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [104817.03].</p>	<p>We are correcting the observations/condition.</p>
<p><u>Payroll data entries were not adequately checked.</u> We noted that with four of the eight sample employees tested, the daily attendance records were not properly posted to the on-line payroll system. On ten occasions, four employees were incorrectly charged for vacation time taken.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104817.04].</p>	<p>We are correcting the observations/condition.</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed that a separated employee remained on the city's payroll and was paid for ten days after their termination date. The department subsequently discovered the error prior to mailing the employee's check and a payroll credit advice was properly prepared.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.</p>	<p>Require that employees assigned to approve the bi-weekly payroll spot check the appropriateness of payroll data entries, and ensure that the payroll time records accurately reflect the status of all separated employees [104815.01].</p>	<p>We are correcting the observations/condition.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For two of the twenty pay periods we tested in fiscal year 2016, the same person performed both data entry and the supervisory level approval of payroll. For another pay period, one person performed all three duties: data entry, supervisory review, and executive approval.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104812.01].</p>	<p>Implemented.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> There was duplication in payroll signoff for four of the twenty pay periods we tested. During two pay periods, the same individual performed supervisory and executive-level approvals of the bi-weekly payroll in the on-line system. For another pay period the same individual performed posting and supervisory reviews of the payroll time records. Finally, for one pay period the same individual performed the data entry as well as the supervisory and executive-level approvals of the bi-weekly payroll in the on-line system.</p>	<p>Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104917.02]</p>	<p>HR staff have already implemented this change. Administrative Services Specialists handle data entry, supervisory approval is handled by the HR administrator or HR manager, and executive approval is handled by the HR manager, or administrative services director.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian prepared four of the eight bank and fund reconciliations tested.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105117.01].</p>	<p>There were two employees performing petty cash duties. However, due to the unforeseen resignation of an employee, there was only one person performing the petty cash duties. There are now two fully trained employees in petty cash. This will allow for the separation of duties in accordance with standard accounting procedures of the city's Finance Office.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed that a separated employee remained on the city's payroll for ten days after their termination date. The department subsequently discovered the error prior to the employee receiving their direct deposit payment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [105117.02].</p>	<p>Employees must be active to receive their last paycheck and terminal leave. Upon our review of time records, the error was discovered. In addition, effective July 1, 2017 the PCPC became part of the Department of Planning and Development, which will provide additional assistance to prevent such errors from recurring.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for six of the nineteen pay periods tested for the Historical Commission.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105117.03].</p>	<p>The Historical Commission has only two authorized payroll signers. If one of those signers was unavailable, a signer may need to sign off for two approval levels.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>For the seventh consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for two of the twenty pay periods tested. In addition, for another two pay periods the same employee performed both the posting and executive level approvals.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105110.04].</p>	<p>An evaluation of the department's staff who are authorized to access payroll records, indicates that it is not practical for the department to implement our recommendation. Therefore, we will no longer report on this condition.</p>

City of Philadelphia  
The Free Library of Philadelphia  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Free Library of Philadelphia (Library), initially created through private donations, was established as a nonprofit corporation under state law in 1891. In 1894, the City of Philadelphia established a public library system as a branch of city government. This action permitted the existing library system to receive city appropriations. Because the Library consists of two distinct entities, the nonprofit corporation and the city department, it is organized under two governing boards: the Board of Directors of the Free Library of Philadelphia Foundation and the Board of Trustees of The Free Library of Philadelphia. The Board of Directors manages the affairs of the corporation and controls several collections and the major portion of all endowments benefiting the Library. The Board of Trustees is the public board responsible for the operation of the city's library system. The mission of the city department is to: provide to all segments of the city's diverse population a comprehensive collection of recorded knowledge, ideas, artistic expression, and information in a variety of media, including current technology; assure ease of access to these materials; and provide programs to stimulate the awareness and use of these resources. A president/director is appointed by and serves at the discretion of the Board of Trustees.

Name and address of department head  
Siobhan A. Reardon, President and Director  
The Free Library of Philadelphia  
1901 Vine Streets  
Philadelphia, PA 19103-1189

Appropriations:  
General Fund \$40,080,990  
Grants Revenue Fund 8,270,929  
Capital Fund 18,335,255  
Total Appropriations \$66,687,174

Estimated Revenues:  
Non-Tax Revenue \$1,484,000  
From Other Governments 8,271,000  
Total Estimated Revenues \$9,755,000

Number of Full Time Employees:  
Civil Service 665  
Exempt 5  
Total Employees 670

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$46, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105216.01].</p>	<p>After the check was sent to employee's work location, she went out on maternity leave and did not cash the check, which was returned to Accounting uncashed. We subsequently voided the check and reissued a new check to the employee. We will revise our procedures to properly comply with the Finance directive.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> During our review of the department's attendance records, we noted that employees approved their own time records on sixteen of the twenty-three samples selected for testing.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [105217.01].</p>	<p>Recommendation accepted. FLP will implement separate weekly timesheets for supervisors and have their cluster leaders sign off on them.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide authorized leave requests for five of the nineteen leave request samples selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105217.02].</p>	<p>Recommendation accepted. FLP Human Resources will reissue a directive to all supervising staff advising them of the need to approve and attach all employee leave usage slips to the timesheets.</p>
<p><u>Employee overtime still was not properly authorized.</u> In our review of the department's overtime records, we noted that in eight of the twenty-five samples selected for testing, an employee had approved their own time.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [105215.02].</p>	<p>Recommendation accepted. FLP Human Resources will inform all supervisors that they must fill out a separate overtime timesheet and with the supervisor's signature authorizing the overtime.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For four of the nineteen pay periods tested in fiscal year 2016, the same employee performed both the supervisory and executive level approvals in the on-line system. In addition, for three pay periods, the same person entered the payroll data and performed the supervisory level review.</p>	<p>Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105216.02].</p>	<p>Implemented.</p>
<p><u>Revenue was still not recorded in the proper fiscal period.</u> Library fine revenue during fiscal year 2016 was not validated and recorded in the city's accounting system until fiscal year 2017.</p>	<p>Revenue recorded in fiscal year 2016 was understated by \$23,000.</p>	<p>Management should determine what caused the Library fine revenue to be incorrectly recorded and take appropriate corrective action to prevent such errors from occurring in the future [105215.01].</p>	<p>Implemented.</p>
<p><u>Since our 2011 report, we have reported that the department's lateness policy did not establish progressive sanctions for violations.</u> While the department had a written lateness policy, the policy did not establish sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [105211.03].</p>	<p>We continue to recommend that the lateness policy should define progressive sanctions for violations. Because after six years, management has made a conscience decision not to implement our recommendation, we will no longer comment on this condition in future reports. However, we will continue to monitor the department's employees for instances of excessive lateness.</p>



<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also prepared the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105415.01].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year, we are reporting that payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For the twenty pay periods tested in fiscal year 2016 we observed:</p> <ul style="list-style-type: none"> <li>• Six pay periods when the same employee performed the supervisory and executive-level approvals of the bi-weekly payroll.</li> <li>• One pay period in which the same employee entered the bi-weekly payroll into the payroll system and then completed the supervisory approval.</li> <li>• One pay period when the same employee performed data entry, as well as the supervisory and executive level approvals of the bi-weekly payroll, thereby performing all three duties.</li> </ul>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105410.03].</p>	<p>Implemented.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>A review of the monthly bank reconciliations was not always performed.</u> During our review of the department's records, we noted that four of the eight bank reconciliations tested showed no evidence of review.</p>	<p>Failure to properly review bank reconciliations increases the risk that errors or irregularities may have occurred and remain undetected.</p>	<p>Management should assign a third person, other than the custodian and reconciliation preparer, to review the bank reconciliation. When the review is completed the reconciliation should be signed by the responsible official [105617.01].</p>	<p>OHR is a participant in the Finance Department's Administrative Services Center (ASC). OHR management has met with the ASC staff to discuss roles and clarify responsibilities so that this does not recur in the future.</p>
<p><u>Monthly fund reconciliations have not been performed correctly.</u> During our review of the department's records, we observed that the bank balance per the fund reconciliation did not match the bank balance per the bank reconciliation.</p>	<p>Failure to properly prepare fund reconciliations increases the risk that errors or irregularities may have occurred and remain undetected.</p>	<p>Management should provide training to the individual preparing the department's petty cash fund reconciliation to ensure they are properly performed in accordance with standard accounting procedures of the city's Finance Office [105617.02].</p>	<p>OHR's long term administrative officer retired in April 2017. When errors that occurred after that point were identified and brought to the attention of OHR management, action was taken and all reconciliations were reviewed and corrected by October 2017. The successor employee is now fully trained on the correct processes.</p>
<p><u>Monthly petty cash bank reconciliations have not been performed correctly.</u> During our review of the department's records, we observed that the book balance was being carried from month to month, and did not accurately reflect the actual checkbook balance.</p>	<p>Failure to properly prepare bank reconciliations increases the risk that errors or irregularities may have occurred and remain undetected.</p>	<p>Management should provide training to the individual preparing the department's petty cash fund reconciliation to ensure they are properly performed in accordance with standard accounting procedures of the city's Finance Office [105616.01].</p>	<p>OHR's long term administrative officer retired in April 2017. When errors that occurred after that point were identified and brought to the attention of OHR management, action was taken and all reconciliations were reviewed and corrected by October 2017. The successor employee is now fully trained on the correct processes.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>			
<p><u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved it. The department was unable to provide approved overtime authorization forms for an employee in the Procurement Department for four of the twenty-five sample dates selected for testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [105617.03].</p>	<p>The majority of OHR's overtime is related to testing, and managers specifically assign employees to work on test administration. OHR will include the HR manager, who supervises OHR's payroll staff, in emails sent to staff notifying them of their assignments, and retain these emails to provide evidence that overtime has been authorized.</p>
<p><u>The on-line payroll time records were still not reviewed to ensure that separated employees were removed in a timely manner.</u> Our testing revealed that three separated employees, in the Procurement Department, the Mayor's Office of Education, and the Managing Director's Office, were incorrectly paid after their termination dates. While the errors were subsequently corrected, we deem these incidents as a weakness in the department's internal control process.</p>	<p>Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.</p>	<p>Require the employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [105616.02].</p>	<p>Payroll staff have been instructed to run the Missing Timecard Report in Oracle Time and Labor four times per pay period in order to provide sufficient time to follow up on any employee issues such as an unexpected separation that could impact accurate payroll processing.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for any of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105615.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared for some of the departments within the Shared Services Program.</u> OHR could not provide authorized leave requests for three out of five employees tested for the Department of Public Property.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105612.02].	Implemented.



<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>For the fifth consecutive year, we are reporting that payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> During our review of fiscal year 2017, we noted OHR and certain departments within the Shared Services Program, failed to segregate bi-weekly payroll duties. Table 1 illustrates the segregation of duty exceptions for the following agencies within the Shared Services Program, as well as for the Office of Human Resources.</p>	<p>Failing to segregate incompatible duties and combing multi-level reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105611.01].</p>	<p>Implemented.</p>
<p><b>Table 1: Segregation of Duty Exceptions</b></p>			
<p style="text-align: center;"><b>Number of occurrences</b></p>			
<b>City department</b>	<b>Payroll data entry and supervisory approval</b>	<b>Payroll data entry and executive approval</b>	<b>Supervisory and executive approval</b>
Mural Arts	7	1	2
Public Property	1	0	2
Fleet Management	1	0	2
OHR	4	0	1
Civil Service Commission	4	0	1
<p><b>Source: Prepared by the Office of Controller</b></p>			



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$74.50, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2 requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105916.01].</p>	<p>We will submit the necessary documents to be validated by the Revenue Department in accordance with the Unclaimed Money Procedure and will continue to follow that process going forward.</p>
<p><b>REVENUE RECEIPTS</b></p> <p><u>Instructions to standardize the real estate valuation assessments process (precepts) were not updated annually.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and produces in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be updated and re-issued annually. The last year precepts were issued was for tax year 1992.</p>	<p>Without clear guidance, improper re-assessments may occur without detection.</p>	<p>Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania's legislative code at 72 P.S. §5341.7 [105912.01].</p>	<p>The update of the precepts document is 80% complete, and we expect to complete the update in 2018. We are including specific process and policies that ensure accuracy and uniformity regarding OPA internal policies, procedures and re-assessments.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was still not enforced.</u> Two of the five employees we selected for testing who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These two employees continued to be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [105915.02].</p>	<p>We changed the reporting responsibility of the timekeeper to directly report to the HR Manager. The timekeeper has had a refresher on the sick leave policy and we anticipate full compliance with the city sick leave policy.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>Employees are subject to discharge after the fifth occurrence. We also noted that the department could not provide us with the fifth-day warning letter for one of the employees tested.</p>			
<p><u>For the fifth consecutive year, we are reporting that supervisory and executive approvals of payroll time record entries were not always segregated.</u> For four of the twenty pay periods tested in fiscal year 2017, the same employee performed both the supervisory and executive level approvals of payroll.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [105912.02].</p>	<p>OPA has a small administrative team that is responsible for payroll. We have cross-trained the entire administrative staff to be able to process payroll. We have multiple people with the ability to approve at each level. On occasion, if one of the parties is unavailable someone may need to sign-off at two levels.</p>





Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Petty cash fund was not maintained at an adequate level to meet the needs of the department.</u> The department did not submit any request for reimbursements for the entire fiscal year. On two separate occasions, the department's bank account was overdrawn.</p>	<p>Failure to timely submit reimbursement requests could result in a fund balance that is not adequate to meet the daily needs of the department.</p>	<p>Management should ensure that all request for reimbursements are made timely, in accordance with standard accounting procedures of the city's Finance Office [106817.02].</p>	<p>The office's unplanned personnel shift led to a gap in petty cash maintenance levels. With implemented personnel corrections and new accounting procedures in place, the Register of Wills can say with confidence that all requests for reimbursement will be made in a timely fashion and with greater oversight.</p>
<p><u>An overage exists in the department's petty cash account.</u> Our review of the department's petty cash indicated an overage in the amount of \$187. Upon further review, we found that the overage was caused by the previously noted two overdrafts of the account, which were subsequently brought back to zero when the petty cash custodian deposited his own money. Additionally, an expenditure normally processed through the petty cash account was paid for by an employee and submitted for reimbursement when the account balance was zero.</p>	<p>Failure to reconcile the petty cash fund indicates that errors or irregularities have occurred and remain undetected, and may also indicate that the funds is not being properly handled.</p>	<p>Management should ensure that its employees refrain from depositing personal funds to replenish its petty cash fund, as required by the standard accounting procedures of the city's Finance Office [106817.03].</p>	<p>An overage is present due to the overdraft deposits. After an internal audit, the Register of Wills has not located the expenditure which was allegedly submitted for reimbursement. The Register of Wills has subsequently appointed a new custodian and reviewer familiar with standard accounting procedures.</p>
<p><b>REVENUE</b></p> <p><u>Revenue receipts could not be sufficiently verified for accuracy.</u> Despite numerous attempts to obtain the information, the department could not provide us with the supporting documentation required to verify the deposit amounts recorded in the city's accounting system. While the department provided us with summary report information, detailed records were not made available to the auditors to substantiate the amounts.</p>	<p>Selected revenue receipts could not be fully verified for accuracy and completeness. Without the requested documentation, auditors were unable to verify that the samples selected for testing were accurately recorded in the city's accounting system.</p>	<p>We recommend that the department maintain and safeguard all revenue receipt documentation so that amounts deposited in the city's accounting system can be verified for accuracy and completeness [106817.04].</p>	<p>During the time in which the detailed records were requested, the Register of Wills was also undergoing a state audit, which led to the selected receipts being unavailable at the time of the request. The Register of Wills has appointed a new finance team that will be able to achieve simultaneous requests from multiple agencies.</p>

City of Philadelphia  
 District Attorney's Office  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The District Attorney's Office (DA) represents the citizens of Philadelphia and the Commonwealth of Pennsylvania in criminal proceedings throughout the Philadelphia and Commonwealth court system. On behalf of the City and County of Philadelphia, the DA prosecutes trial and appellate level litigation of all criminal and some ancillary civil matters that arise within the jurisdiction. Together with the Police Department and the Courts, the DA represents one facet of Philadelphia's criminal justice system. The DA is also responsible for preparing an annual County Asset Forfeiture Report and a Federal Drug Forfeiture Report of confiscated property obtained through drug seizures.

Name and address of department head  
 Kelley Hodge, Interim District Attorney  
 District Attorney's Office  
 Three South Penn Square  
 Philadelphia, PA 19107-3499

Appropriations:  
 General Fund \$36,944,070  
 Grants Revenue Fund 16,032,028  
 Total Appropriations \$52,976,098

Estimated Revenues:  
 Non-Tax Revenue \$10,002,000  
 From Other Governments 6,146,000  
 Total Estimated Revenues \$16,148,000

Number of Full Time Employees:  
 Civil Service - Uniformed 49  
 Civil Service - Civilian 69  
 Exempt 448  
 Total Employees 566

Observation Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also reviewed the monthly fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to review the fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106916.02].</p>	<p>Previously, the fund reconciliations were being performed by another staff member, however, the fund reviews were being performed by the custodian of the account. We made the change immediately upon this being brought to our attention during the audit. The incompatible duties are now segregated.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$665.50 of petty cash funds on refreshments for training sessions attended only by city employees.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases which are not permitted under standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [106916.03].</p>	<p>Prior to the audit, we were unaware refreshments for staff training sessions were not permitted and upon notification, this practice immediately ceased. Traditionally, our office was not included in procedural trainings provided by the city, presumably because we are considered an independent department and were exempt from many of the required city procedures. More recently we have implemented procedures to improve the operations of the office.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry and supervisory approvals of payroll time record entries were not always segregated.</u> For six of the twenty pay periods tested in fiscal year 2017, the same individual performed the data entry and supervisory approval of the bi-weekly payroll in the on-line system.</p>	<p>Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory level approvals of the bi-weekly payroll [106917.01].</p>	<p>Staffing shortages caused this problem in the past. Additional staff will be cross-trained to prevent the need for supervisory personnel to perform data entry role in payroll.</p>
<p><u>Employee evaluations were not recently performed.</u> The department could not provide a recent performance evaluation for two of the four civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [106917.02].</p>	<p>Civil service performance evaluations are conducted annually for all civil service employees. From time to time, because of a change in assignment of the employee or his/her supervisor or the resignation of his/her supervisor, the evaluations are not completed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not enforced.</u> The District Attorney's Office still has not designed and implemented a sick leave policy for its staff, most of whom are classified as exempt employees. While the District Attorney's exempt staff is not subject to the same policy for its civil service employees, we noted that of the 64 department employees meeting or exceeding the city's eight-day limit on undocumented sick leave for calendar year 2016, 60 were classified as exempt. Three employees used over 20 days of undocumented sick days each, totaling \$16,538 in paid sick leave. Additionally, two of the five civil service employees tested did not receive a fifth day warning letter after reaching five undocumented sick days.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by the city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [106915.01].</p>	<p>Sick abuse letters are prepared on a weekly basis for civil service employees and sanctions are enforced when applicable. Exempt employees have a separate established leave policy. The process for sending sick abuse warnings was somewhat disrupted by the medical leave of the payroll clerk. We have since cross-trained employees and do not expect to overlook sick abuse markers in the future.</p>
<p><u>For the fifth consecutive year, we are reporting that employee overtime was not authorized.</u> Overtime was paid without evidence that management approved the requests. The department could not provide approved authorization forms for 13 of the 23 sample dates selected during our testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [106912.01].</p>	<p>Overtime is approved in advance by the deputy district attorney of that division. In 2016, there was a standing approval since 2008 for 5 hours per week overtime for legal services clerks in the Juvenile Unit. The employee enters his or her overtime hours on the time sheet and the appropriate supervisors approves the time entered by signing the bottom of the timesheet. The standing approval for the Juvenile Unit is no longer in practice.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The department may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [106912.02].</p>	<p>The department has not encountered widespread issues with lateness and does not plan to create or implement a lateness policy at this time. The department has and will continue to discipline those employees who are chronically late.</p>
<p><u>For the sixth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide authorized leave requests for any of the five employees tested.</p>	<p>Failure to obtain formal leave requests result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106911.01].</p>	<p>Our office policy doesn't require leave request slips. Leave is requested of the unit chief in advance, usually via email. All leave is approved by unit chiefs via timesheet approval. The written requests are not submitted to or stored by Human Resources.</p>
<p><u>For the sixth consecutive year, we are reporting that documentation supporting personnel time in the field was incomplete.</u> When employees work outside the office, management does not require that they complete a field destination sheet that would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [106911.02].</p>	<p>Many employees split time between the main office and courthouse, with the office considered the primary workplace, and the courthouse a secondary workplace. Whether at the office, the courthouse or en route, employees are considered working and are paid for their time.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> The employee performing the duties of the custodian was not the person listed in the city's accounting system (FAMIS). The person responsible for issuing checks and submitting for reimbursements should match the name that is listed in FAMIS.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [106916.01].</p>	<p>Implemented.</p>
<p><u>Daily attendance record postings were not always properly authorized.</u> In our review of 80 daily attendance records, we noted that:</p> <ul style="list-style-type: none"> <li>• 34 records (43%) showed the supervisor approving his/her own time.</li> <li>• 10 records (13%) were not approved at all.</li> <li>• 8 records (10%) were approved by supervisors on days that they were not present.</li> </ul>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>The payroll unit should be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [106916.04]. Supervisors should review and formally approve (by signing the attendance record) time worked by employees [106915.05]. Finally, management should appoint other individuals to approve attendance records in the absence of unit supervisors [106916.06].</p>	<p>Implemented.</p>
<p><u>For the sixth consecutive year, we are reporting that payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [106910.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Sheriff  
Findings and Recommendations  
Fiscal Year 2017

Functions

The Office of the Sheriff was created by Article 9, Section 4 of the Pennsylvania constitution and established as part of the Philadelphia city-county government through the adoption of the Home Rule Charter of 1951. The sheriff is the highest elected law-enforcement official of the city. He is also a member of the Jury Selection Board. The responsibilities of the Sheriff's Office include the following: transporting and escorting prisoners to and from Philadelphia courtrooms; providing courtroom security for Municipal and Common Pleas Courts; conducting real and personal property sales, as well as collecting and disbursing fees and funds related to such activities; and serving and executing writs and warrants and enforcing injunctions. The sheriff, with the assistance of an executive staff, oversees various organizational divisions that include: Internal Affairs, Criminal Operations, Civil Operations, Training, Finance, and Human Resources.

Name and address of department head  
Honorable Jewell Williams, Sheriff  
Office of the Sheriff  
100 South Broad Street – 5<sup>th</sup> Floor  
Philadelphia, PA 19110

<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
General Fund	<u>\$20,142,275</u>	Non-Tax Revenue	<u>\$9,796,000</u>
<u>Number of Full Time Employees:</u>			
		Civil Service	326
		Exempt	<u>41</u>
		Total Employees	<u>367</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash continued to remain missing.</u> In previous years, the Sheriff's Office paid employees for travel expenses by making advances from its petty cash account. No documentation for these costs was ever submitted from these employees. In our fiscal years 2006 and 2005 audit report, we recommended that action should be taken to recover the amounts directly from the employees. Our current year testing found the \$10,000 of petty cash funds remained missing.</p>	<p>By not holding someone accountable for the department's petty cash fund, \$10,000 remains missing.</p>	<p>We recommend that the Sheriff's Office solicit the city's Finance Office assistance to resolve the missing petty cash funds [107015.01].</p>	<p>The Sheriff does not have a petty cash account. Previous sheriffs did employ a petty cash account that is now subject to a federal criminal proceeding. Resolution of the missing \$10,000 must wait until the trial is over. The Director of Finance has been made aware of this.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>OTHER EXPENDITURES</b></p> <p><u>Employee travel reimbursements were not properly reviewed for propriety.</u> Newly hired deputies in the Sheriff's Office are required to travel to Penn State for 760 hours of basic training in accordance with the Sheriff and Deputy Sheriff Education and Training Act (1984 Act 2) of the Commonwealth of Pennsylvania. In our testing of six deputies' travel reimbursements for this training, we noted that:</p> <ul style="list-style-type: none"> <li>• Routes travelled did not reflect the shortest distance between travel points or official mileage points (when toll roads are used), as required by the city's Administrative Board regulations for travel reimbursement.</li> <li>• The reimbursement vouchers and supporting expense worksheets did not contain evidence of prior management approval, as required by the city's Administrative Board for travel outside of the city and costing over \$500.</li> <li>• Travel reimbursements were not submitted timely, often delayed by up to ten months after the training was received.</li> </ul> <p>Additionally, Sheriff's Office management was unable to provide us with a comprehensive list of employees attending this training by date, which made it difficult to determine if the employees were incurring travel expenses or carpooling with other deputies.</p>	<p>Failure to properly review employee reimbursements increases the risk of undetected errors and provides opportunities for a person to misrepresent expenses on the reimbursable expense vouchers. We found that the six deputies we tested received mileage reimbursements exceeding what was allowed by Administrative Board regulations totaling \$4,032.</p>	<p>Prior to reimbursement, vehicle expense worksheets supporting the mileage recorded on an employee expense voucher should be reviewed by the Sheriff's accounting unit to ensure that the correct rates and mileage calculations are used [107016.01]. Additionally, approval for travel outside of the city should be pre-approved by management in accordance with Administrative Board Rule #2 [107016.02]. Travel reimbursements should also be submitted on a timely basis to ensure that the expenditures are paid with the correct year's appropriations [107016.03]. Finally, Sheriff management should maintain a list of deputies attending basic training, and the dates they are scheduled, so that they can match the list against all travel reimbursements to ensure that deputies are only requesting reimbursements for required training and only legitimate expenses associated with using their own vehicle [107016.04].</p>	<p>Mileage and rates are reviewed by Procurement before submitted for payment. Deadlines for submittal have been shortened. Training keeps list of deputies attending courses at Penn State and approve reimbursements prior to submittal for payment. A Sheriff's van now transports deputies to and from Penn State. This eliminates mileage reimbursement.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Supervisory and executive approvals of payroll time record entries still were not always segregated.</u> For six of the twenty pay periods tested in fiscal year 2016, the same individual performed both the supervisory and executive-level approvals of the bi-weekly payroll in the on-line payroll system.	Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [107015.02].	Implemented.

City of Philadelphia  
City Commissioners Office  
Findings and Recommendations  
Fiscal Year 2017

Functions

The City Commissioners Office was originally created as a county office under Article 9, Section 4 of the State Constitution. It became part of city government by way of the 1951 City-County Consolidation Amendment to the State Constitution. In addition, the 1963 amendment to the First Class City Home Rule Act gave City Council the power to pass legislation with regard to operations of the City Commissioners Office. These enactments were further enabled by the 1965 City-County Consolidation Ordinance of City Council. The City Commissioners Office is responsible for voter registration and conducting local elections. Its three commissioners, two of whom currently serve as chair and vice-chair, are elected to a four year term. The commissioners are also members of the County Board of Elections.

Name and address of department head  
Honorable Anthony Clark, Chair  
City Commissioners Office  
City Hall, Room 132  
Philadelphia, PA 19107

Appropriations:  
General Fund \$ 10,039,785  
Grants Revenue Fund 900,000  
Total Appropriations \$10,939,785

Estimated Revenues:  
Non-Tax Revenue \$ 25,000  
From Other Governments 900,000  
Total Estimated Revenues \$925,000

Honorable Al Schmidt, Vice-Chair  
City Commissioners Office  
City Hall, Room 134  
Philadelphia, PA 19107

Number of Full Time Employees:  
Civil Service 78  
Exempt 16  
Total Employees 94

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>A shortage exists in the department's petty cash account.</u> During our review of petty cash, we noted that the department's petty cash fund has had a shortage of \$1,962.55. Additionally, the department was unable to provide any documentation that would enable us to determine the cause of the shortage.</p>	<p>Failure to investigate and carry shortages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [107317.01].</p>	<p>We agree with the recommendation, but disagree that there is a shortage of \$1,962.55. A supervisory level employee will now review any overages or shortages, if they exist.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly bank reconciliations lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that none of the seven bank reconciliations tested had any indication that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the petty cash custodian and preparer to review the reconciliation. This review should be evidence by a signature in accordance with the standard accounting procedure of the city's Finance Office [107317.02].</p>	<p>We agree with this recommendation. In September 2017, we took steps to ensure that monthly bank reconciliations are reviewed by a third person other than the petty cash custodian or preparer.</p>
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [107316.01].</p>	<p>In principle, we agree with this recommendation and have taken steps to implement it. When emergencies occurred that could jeopardize election operations, we received approval from the city's Finance Office to use petty cash expenditures on a case-by-case basis.</p>
<p><u>Monthly fund reconciliations still have not been performed.</u> Since 2008, when the current petty cash custodian assumed responsibility for the fund, we noted no monthly fund reconciliations were prepared at the time of our audit.</p>	<p>Failure to timely perform monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [107315.01].</p>	<p>We agree with this recommendation and have taken steps to ensure that monthly petty cash fund reconciliations are timely prepared.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> For five of the twenty-five requests for overtime we tested, an employee was approving their own time. Additionally, in one instance an employee was erroneously paid for ten hours of overtime while only being approved to work for two hours of overtime.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [107317.03].</p>	<p>We agree with this recommendation and will take steps to make sure that all overtime is properly approved.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>For the sixth consecutive year, we are reporting payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For seven of the twenty pay periods tested, the same employee performed the data entry, provided the supervisory review and supplied the executive level approval of the on-line payroll records. On another occasion, a different employee performed both the data entry and the supervisory review. Finally, on another occasion, a third employee performed data entry and provided the executive level approval, despite the employee not having the required security level to perform the approval task.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [107310.07]. Ensure that the person performing the executive level approval has the appropriate security level to perform this risk [107316.02].</p>	<p>Implemented.</p>

City of Philadelphia  
 First Judicial District of Pennsylvania  
 Findings and Recommendations  
 Fiscal Year 2017

Functions

The Philadelphia court system originates in various Commonwealth of Pennsylvania laws. The Pennsylvania Constitution of 1968 and the Judiciary Act of 1976 established the Common Pleas and Municipal Courts. In June 2013, the Pennsylvania General Assembly abolished the Philadelphia Traffic Court and transferred its jurisdiction to the Municipal Court. These courts are part of the state’s unified judicial system and constitute Pennsylvania’s First Judicial District (FJD). Among the primary responsibilities of the FJD are trial jurisdiction for civil and criminal cases and adjudication of traffic violations. Other responsibilities include domestic relations matters, juvenile cases, estate and trust matters, landlord and tenant matters, and code enforcement cases. An eight-member administrative governing board is responsible for the daily operations of the FJD.

Name and address of department head  
 Honorable Sheila Woods-Skipper, President Judge  
 First Judicial District of Pennsylvania  
 City Hall, Room 386  
 Philadelphia, PA 19107

Appropriations:  
 General Fund \$110,303,140  
 Grants Revenue Fund 47,610,184  
 Total Appropriations \$157,913,324

Estimated Revenues:  
 Non-Tax Revenue \$ 40,788,000  
 From Other Governments 55,087,000  
 Total Estimated Revenues \$95,875,000

Number of Full Time Employees:  
 Civil Service 4  
 Exempt 2,356  
 Total Employees 2,360

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department’s petty cash funds, we noted that on five occasions, the petty cash custodian reviewed the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare and review the bank reconciliations in accordance with standard accounting procedures of the city’s Finance Office [108417.01].</p>	<p>The custodian and reconciliation duties have been segregated and assigned to separate individuals as of April 2016.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight bank and fund reconciliations tested during fiscal year 2017, we noted five bank and fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [108417.02].</p>	<p>FJD will issue a reminder to reiterate that each department has thirty days after the end of the month to prepare bank and fund reconciliations. Each department will submit their bank and fund reconciliations to the Office of Budget and Fiscal before submission to the city's Finance Department to ensure timely submissions.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of the department's attendance records, we noted that of the forty-seven records tested, twenty-nine (62%) showed the supervisor approving his/her own time.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [108417.03].</p>	<p>Effective October 2017, all supervisors will post time and attendance on a separate timesheet which is approved by their supervisor. Supervisors are only approving the timesheets of their staff and no longer approving their own timesheets.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal approved leave requests were not provided for paid leave taken by any of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval [108415.03].</p>	<p>Effective November 2017, the FJD began using a uniform department wide employee self-service system to request all leave time. The new system routes employee leave requests to the supervisor for approval and then to the timekeeper to post the leave. This system alleviates the previous varied methods used by different offices.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Revenue was received but not recorded in the city's accounting system.</u> A Traffic Court wire transfer for traffic fines was received by the Treasurer's Office, but was not recorded in the city's accounting system.	Revenue recorded in fiscal year 2016 was understated by \$101,948.53.	Management should determine what caused the Traffic Court fee revenue to not be recorded and take appropriate corrective action to prevent such errors from occurring in the future [108416.01].	Implemented.



