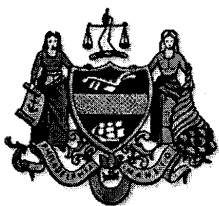


ANNUAL AUDITOR'S REPORT
ON
PHILADELPHIA CITY AGENCIES
FISCAL YEARS 2014 and 2013



CITY OF PHILADELPHIA

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City Controller

GERALD V. MICCIULLA
Deputy City Controller

June 18, 2015

Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, Room 1330
Philadelphia, PA 19102 - 1685

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal years 2014 and 2013 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 agencies marked with an asterisk occurred under the administration of a previous agency head.

We discussed our findings and recommendations with management of the city agencies 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 agencies.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Alan Butkovitz".

ALAN BUTKOVITZ
City Controller

cc: Honorable Michael A. Nutter, 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 AGENCIES

EXECUTIVE SUMMARY

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 agencies 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 agency 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 expenditure activities that the Office of the Finance Director needs to address with agency heads (see Appendix I). Highlights of the deficiencies include:

- For the fourth consecutive year, nearly 48 percent of all city agencies still lacked written policies that defined lateness or prescribed the consequences of arriving late to work. Half of these agencies were also lax in requiring their employees to properly submit leave requests for paid time off, leaving themselves exposed to higher risks for employee abuse of city time. Two of these agencies, Office of Innovation and Technology and the Free Library, could not provide any documentation authorizing paid time off for the employees we tested.
- On-line payroll time records were not always reviewed to ensure separated employees are removed from active status on the on-line payroll system. A separated employee from the Board of Revision of Taxes remained on the city's payroll and was paid for eleven days after their termination date. This money, totaling \$2,107, remains unrecovered.
- The city's sick leave policy was still not enforced in fifteen city agencies. Most notably in City Council, where its employees were not subject to the same sick abuse sanctions as their civil service counterparts, two employees each used over thirty undocumented sick days totaling almost \$29,000 in paid sick leave.
- The duties of entering payroll and the supervisory and executive-level reviews of payroll entries still were not segregated for 38 percent of city agencies. While this percentage has improved over the previous year, lack of segregation of duties exposes the agencies to a high level of risk for undetected errors and provides opportunities for a person to perpetrate and conceal irregularities relating to data entered to the payroll system.

A number of city agencies took corrective action on some of the prior year conditions. Noteworthy of mentioning is the Board of Ethics, Department of Public Property, Department of Records, and the Office of the Director of Commerce, each of whom implemented all of 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

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 agency, 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

Agency heads and their deputies are responsible for the effective and efficient management of their agency's operations. The findings and recommendations section of this report includes a discussion of the functions of each city agency examined, the fiscal appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year. Because we examined the financial affairs for fiscal years 2014 and 2013, amounts have been provided for each of these years.

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, agency 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.

City of Philadelphia
City Council
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

City Council is the legislative body of the Philadelphia city government responsible for legislating all municipal matters. It executes the legislative function by enacting and amending ordinances. Council enacts ordinances dealing with a wide scope of city matters, such as public health, public safety, zoning, budgeting, building and housing, and the regulation of business, trades, and professions. To aid in the performance of its legislative functions, Council conducts investigations and inquiries into those matters requiring its attention. These investigations are authorized by resolutions. Council's investigatory power is important since it is the principal means for the legislative body to check on the administrative operations. Council has 17 seats. Ten members are elected from each of the city's 10 Council districts and seven members are elected from the city at large. Council members serve a four-year term concurrent with the Mayor's. The Council elects a president from among its members. Council employees, with the exception of the Chief Clerk (who is selected by the entire Council) and the staff of the individual council members, are appointed by the Council President. The significant difference between fiscal years 2014 and 2013 appropriations is due to a transfer of \$20,000,000 to the Philadelphia School District authorized by Bill No. 120556-A.

Name and address of agency head
Honorable Darrell L. Clarke, President
City Council
Room 494, City Hall
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	<u>\$15,814,559</u>	<u>\$35,549,272</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Exempt	<u>169</u>	<u>173</u>		<u>\$-0-</u>	<u>\$-0-</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100111.01].	No response was received by management.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
City sick leave policy was still not enforced. City Council still had not designed and implemented a sick leave policy for its staff, all of whom are exempt. While Council's staff is not subject to the same policy enforced against Civil Service employees; we noted in calendar year 2013, that 77 of the 169 full-time City Council employees reached or exceeded the eight-day limit on undocumented sick leave, as set forth in the city's policy for curbing sick-leave abuse. Two employees in particular, each of which used over thirty undocumented sick days, totaled almost \$29,000 in paid sick leave.	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.	We 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 occur when abuse takes place [100111.05].	No response was received by management.
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For eleven of the forty-six pay periods tested, the same payroll unit employee performed data entry into the payroll system and then completed the supervisory approval of the payroll. Additionally, we noted another eleven pay periods where the supervisory and executive level approvals of the payroll entries were performed by the same employee. We further observed on four occasions, the same employee carried out the data entry, the supervisory level approval and the executive level approval of the payroll, thereby performing all three duties.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll whenever possible [100111.06].	No response was received by management.
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Formal employee requests for compensated absences were not required by management for five of the six employees tested.	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 Finance Office [100110.01].	No response was received by management.

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of Innovation and Technology (OIT), formerly known as the Division of Technology, 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 agency.

Name and address of agency head

Adel W. Ebeid, Chief Innovation Officer
Office of Innovation and Technology
1234 Market Street, Suite 1850
Philadelphia, PA 19107

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 84,994,181	\$ 70,044,250
Water Fund	17,621,132	16,971,132
Grants Revenue Fund	56,455,880	39,640,951
Aviation Fund	7,268,577	6,727,567
Capital Fund	<u>49,575,000</u>	<u>47,982,000</u>
Total Appropriations	<u>\$215,914,770</u>	<u>\$181,365,900</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	177	190
Exempt	<u>165</u>	<u>136</u>
Total Employees	<u>342</u>	<u>326</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 76,419,000	\$56,148,000
From Other Governments	790,000	2,783,000
From Other Funds	<u>48,924,000</u>	<u>35,701,000</u>
Total Estimated Revenues	<u>\$126,133,000</u>	<u>\$94,632,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>The agency's lateness policy did not define consequences of lateness or establish progressive sanctions for violations.</u> While the agency had a written lateness policy, the policy did not define the consequences of lateness or establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences of lateness and repeated violations of the lateness policy, the agency 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 the consequences of lateness and the progressive sanctions for violations of the policy [100410.02].</p>	<p>OIT's Policy Steering Committee will revise the lateness policy to define the consequences of lateness and establish specific sanctions for repeated lateness violations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by all six employees we tested.	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 [100410.06].	OIT's Policy Steering Committee will develop a policy defining the process for leave requests to be formally submitted and approved.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Reconciliation of franchise fee revenue was still not performed.</u> OIT personnel could not provide evidence that franchise fees due the city per the franchisees' audit reports were reconciled to revenue amounts recorded in the city's books and records.	Failure to reconcile franchise fees due to the city, per the franchisees' audit reports, to the city's records may result in the understatement and loss of revenue.	The franchise fees due the city based on the audit reports of gross revenues should be reconciled to the city's books and records and, where applicable, reviewed for reasonableness using comparable measurement criteria [100411.01].	Implemented.
<u>Employee evaluations were not performed.</u> The agency could not provide a recent performance evaluation for four out of the five 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 performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [100410.03].	Implemented.

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency 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 2013 and fiscal 2014 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation, Mayor's Office of Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes.

Name and address of agency head
Honorable Michael A. Nutter, Mayor
Office of the Mayor
City Hall, Room 215
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$10,806,864	\$ 8,609,498
Water Fund	310,500	236,348
Grants Revenue Fund	1,844,253	2,645,443
Aviation Fund	230,370	314,148
Total Appropriations	<u>\$13,191,987</u>	<u>\$11,805,437</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	1	1
Exempt	<u>83</u>	<u>73</u>
Total Employees	<u>84</u>	<u>74</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 47,000	\$ 000
From Other Governments	<u>1,844,000</u>	<u>2,645,000</u>
Total Estimated Revenues	<u>\$2,091,000</u>	<u>\$2,648,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Payroll attendance records were not authorized by supervisory personnel.</u> In our review of the Mayor's Office attendance records, we noted that there was no supervisory signature indicating approval of the individual employee bi-weekly attendance records for three of the seven employees we tested.	Employees 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 [100513.01]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [100513.02].	We will ensure that all timesheets are reviewed and approved in a timely fashion.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The agency was unable to provide formal approved leave requests for four of the seven 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 [100512.01].</p>	<p>It has been the Mayor's Office policy for people to e-mail the chief of staff or his assistant if they are going to be out of the office. Those e-mails are kept on file and routinely compared to timesheets to make sure they match. If there are any issues with an employee taking time off, it will be discussed with them prior to them taking any time.</p> <p>[Controller's Office Evaluation of Agency's Response: The Mayor's Office policy is not in accordance with the standard accounting procedures of the city's finance office. An e-mail notifying an employee's supervisor that they are taking paid leave time is not a properly approved leave request.]</p>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were again not always segregated.</u> For nine of the forty-six pay periods tested, the same individual performed both the supervisory and executive level approvals on the entries they input into the on-line payroll system. In addition, the same employee performed the supervisory and executive level approvals of the bi-weekly payroll for five pay periods and the data entry and supervisory level approval for four pay periods.</p>	<p>Failing to segregate 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 [100512.02].</p>	<p>Due to staff limitations, it is not always possible for us to have 3 separate people signing off on the payroll. Whenever possible, we do make every effort to ensure that each duty is segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement an employee lateness policy that clearly defines lateness and progressive sanctions for violating of the policy [100510.01].	We will update the policy.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Incompatible duties continued to weaken controls over cash receipts.</u> One employee handles all aspects of the revenue process: receiving, recording and depositing cash receipts. The same employee also functioned as the petty cash custodian.	Failure to segregate these duties increases the risk of undetected errors in both the revenue receipt and petty cash functions, and may provide an opportunity to perpetuate and conceal irregularities and commingle funds.	We recommend the duties of receiving, recording and depositing revenues be segregated, and the duties of the petty cash custodian be assigned to a different employee who is independent of the cash receipt function [100511.01].	Implemented.
<u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [100511.02].	Implemented.

City of Philadelphia
Office of Housing and Community Development
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of Housing and Community Development (OHCD) was created in 1974 to develop comprehensive strategies and programs for creating viable urban neighborhoods. The agency 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. OHCD'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 OHCD's plan and corresponding budget for community development activities. A director, appointed by the mayor, and two deputy directors manage the agency.

Name and address of agency head

Deborah McColloch, Director
Office of Housing and Community Development
1234 Market Street, 17th Floor
Philadelphia, PA 19107

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 3,020,000	\$ 2,520,000
Grants Revenue Fund	90,601,000	119,764,000
Community Development Fund	49,236,050	50,676,106
Housing Trust Fund	<u>21,500,000</u>	<u>15,500,000</u>
Total Appropriations	<u>\$164,357,050</u>	<u>\$188,460,106</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Exempt	<u>56</u>	<u>58</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 250,000	\$ 250,000
From Other Governments	<u>159,587,000</u>	<u>190,189,000</u>
Total Estimated Revenues	<u>\$159,837,000</u>	<u>\$190,439,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was still 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 agency 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 progressive sanctions for violations of the policy [100610.02].</p>	<p>Management continues to believe formal implementation of a documented lateness policy would be inopportune primarily due to union concerns regarding work rules. However, management asserts that employees who have lateness issues are subject to progressive disciplinary action.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Receipts still were not adequately safeguarded.</u> Checks received by the department were not restrictively endorsed before being deposited.	Failure to restrictively endorse checks needlessly exposes the agency to the risk of loss in the event that checks are lost, misplaced, or misappropriated.	Restrictively endorse all checks for deposit only to the credit of the City of Philadelphia immediately upon receipt [100611.02].	Implemented.

City of Philadelphia
Mayor's Office of Community Empowerment and Opportunity*
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Mayor's Office of Community Empowerment and Opportunity's (CEO), formerly known as the Mayor's Office of Community Services, 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 agency head

Eva Gladstein, Executive Director
Mayor's Office of Community Empowerment and Opportunity
1234 Market Street, 16th Floor
Philadelphia, PA 19107

Appropriations:

Grants Revenue Fund

FY 2014

\$8,690,533

FY 2013

\$8,407,338

Number of Full Time Employees:

FY 2014

Exempt

33

FY 2013

171

Estimated Revenues:

From Other Governments

FY 2014

\$8,447,000

FY 2013

\$8,408,000

Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
PERSONAL SERVICES			
<u>City sick leave policy was not enforced.</u> Of the three employees placed on the excessive use of sick leave list, none were penalized according to the city's Sick Leave Rules and Regulations. Specifically, two employees were paid for their first four occurrences of certified sick leave after their placement on the list. The other employee continued to be paid for uncertified sick leave after his placement on the list and was not suspended after his second occurrence.	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.	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 [100813.01].	CEO Human Resources staff has thoroughly familiarized themselves with the City's Sick Leave Rules and Regulations. Appropriate policies for employee notification, counseling and sanctions have been implemented.

Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not being authorized by appropriate supervisory personnel.</u> In our review of the CEO's attendance records, we noted that two employees not only approved their own daily attendance records but also approved the daily attendance records on days they were not present.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100813.02]. In addition, supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [100813.03].	Effective March 24, 2014 – all department supervisors are assigned a separate timesheet which is approved by the deputy director. This eliminates supervisors signing their own timesheet.
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> In September 2013, the CEO assumed responsibility for the posting and approval of its bi-weekly payroll, which was previously performed by the Managing Director's Office. For three of the seventeen pay periods tested during fiscal year 2014 in which the CEO performed these functions, we noted the same person performed both the supervisory and executive level approvals of the bi-weekly payroll. For two pay periods, the same individual entered the daily attendance records into the payroll system then entered the supervisory level approval on them.	Failing to segregate 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.	Assign different individuals to perform the data entry, the supervisory and the executive approvals of the biweekly payroll whenever possible [100813.04].	Supervisory and executive level payroll responsibilities have been segregated as recommended.

City of Philadelphia
Office of the Managing Director
Findings and Recommendations
Fiscal Years 2014 and 2013

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. The significant increase between fiscal years 2013 and 2012 appropriations is due to Administrative Order No. 02-2012, which transferred the budget for the payment of court appointed council for indigent representation from the city's Finance Department to MDO. The significant increase in Capital Fund appropriations between fiscal years 2014 and 2013 is due to the creation of the infrastructure for the city's Bike Share System.

Name and address of agency head

Richard Negrin, Esq., Managing Director
Office of the Managing Director
1401 John F. Kennedy Boulevard, 14th Floor
Philadelphia, PA 19102

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$74,017,212	\$69,476,562
Grants Revenue Fund	6,214,580	12,225,941
Capital Fund	<u>17,526,000</u>	<u>7,177,000</u>
Total Appropriations	<u>\$97,757,792</u>	<u>\$88,879,503</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	41	40
Exempt	<u>306</u>	<u>162</u>
Total Employees	<u>347</u>	<u>202</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 972,000	\$ 1,065,000
From Other Governments	<u>5,989,000</u>	<u>11,887,000</u>
Total Estimated Revenues	<u>\$6,961,000</u>	<u>\$12,952,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 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 city's sick leave policy.</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 [101013.01].</p>	<p>While the Managing Director's Office accepts the value in your recommendation we will consult with the Office of Human Resources to determine the best manner in which to enforce the policy for exempt or at will employees.</p> <p>[Controller's Office Evaluation of</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>In addition, 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. The employee is subject to discharge after the fifth occurrence. We also noted the agency did not issue the required fifth-day warning letter or the eighth-day notification letter informing the two employees that they were being placed on the excessive use of sick leave list.</p>			<p>[Agency's Response: The employees tested, who were not placed on the excessive use of sick leave list, were civil service employees.]</p>
<p><u>Documentation supporting personnel time in the field was incomplete.</u> When employees worked in a field location, management does not require that they complete a field destination sheet that would provide information on the employee's location, 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 [101013.02].</p>	<p>The Managing Director's Office accepts and will implement your recommendation regarding documentation of personnel in the field.</p>
<p><u>The agency's lateness policy did not define lateness or establish progressive sanctions for violations of the policy.</u> Although the Managing Director's Office created a lateness policy, the policy still did not clearly define lateness nor did it establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency 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>The Managing Director's Office has historically avoided implementing a lateness policy, as the nature of this office's work requires a flexible work schedule. A written policy for exempt or at will employees was developed in response to the audit findings and will be distributed to employees. This policy for exempt or at will employees reflects such flexibility and provides mention of progressive sanctions available to the manager not excluding disciplinary action.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entry, and supervisory and executive reviews of the bi-weekly payroll, for the Mayor's Office of Community Empowerment & Opportunity* (CEO) employee payroll time records, were not segregated.</u> During fiscal year 2012, the MDO was responsible for posting and approving the CEO's payroll time records. For all twenty-six pay periods during the fiscal 2012, the same employee alternately initiated entries to the payroll system based on employee timesheets, while also signing off in the system as performing the supervisory and executive-level reviews, thereby performing all three duties.</p> <p>* Formerly the Mayor's Office of Community Services</p>	<p>Failing to segregate duties and combining 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, the supervisory review and the executive-level review of the bi-weekly payroll whenever possible [101012.02].</p>	<p>On August 5, 2013, the duties of posting and approving the CEO's payroll time records were transferred from the MDO to the CEO, therefore this finding is no longer applicable.</p>

City of Philadelphia
Police Department
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Police Department was established by the Philadelphia Home Rule Charter to serve as the city's chief law enforcement agency. 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 agency head

Charles H. Ramsey, Commissioner
Police Department
Police Headquarters
750 Race Street, Room 307
Philadelphia, PA 19106

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$595,593,755	\$556,818,243
Grants Revenue Fund	36,080,097	32,430,816
Aviation Fund	14,632,054	14,148,410
Capital Fund	<u>48,042,000</u>	<u>46,101,000</u>
Total Appropriations	<u>\$694,347,906</u>	<u>\$649,498,469</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service - Uniformed	6,437	6,532
Civil Service - Civilian	792	819
Exempt - Civilian	<u>6</u>	<u>6</u>
Total Employees	<u>7,235</u>	<u>7,357</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 3,770,000	\$ 3,770,000
From Other Governments	<u>36,155,000</u>	<u>32,506,000</u>
Total Estimated Revenues	<u>\$39,925,000</u>	<u>\$36,276,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance record entries 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 agency personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, of fourteen sampled police officers, our review of fiscal 2014</p>	<p>Errors may occur and not be detected during the normal process of preparing payroll. Failure to segregate 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 fail 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</p>	<p>The Police Department will request a report of all DAR entries not certified and DAR entries entered and certified by the same person. We will use this report to follow up with all non-complying districts and units to ensure proper procedures are being followed. While our Police Directive does require segregating duties of entering and certifying DARs, we understand your recommendation to reprogram the system so that the individual performing data entry cannot also certify as the supervisor. While we believe this can</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
(continued) DAR System records found 57 instances when DAR entries were not approved by a unit supervisor. Also, for these fourteen officers, we noted 34 occurrences when the same Police Department employee both entered and approved the attendance information about the officers in the DAR System.		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].	(continued) be done programmatically, we do not feel it will work operationally, due to the difficulties of supervisors availability within respective units. The Department will also send out a reminder to all supervisors to abide by Police Directive 32 regarding entering and certifying of DARS.

City of Philadelphia
Department of Streets*
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head

David Perri, Commissioner
Department of Streets
Municipal Services Building, 7th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$115,560,689	\$111,818,101
County Liquid Fuels Tax Fund	4,950,000	4,950,000
Special Gasoline Tax Fund	25,469,000	23,469,000
Grants Revenue Fund	22,439,111	18,334,133
Capital Fund	<u>240,855,000</u>	<u>243,487,000</u>
Total Appropriations	<u>\$409,273,800</u>	<u>\$402,058,234</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	1,668	1,684
Exempt	<u>6</u>	<u>6</u>
Total Employees	<u>1,674</u>	<u>1,690</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$23,446,000	\$19,159,000
From Other Governments	<u>55,314,000</u>	<u>51,863,000</u>
Total Estimated Revenues	<u>\$78,760,000</u>	<u>\$71,022,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the nine 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 reports for all civil service employees by supervisory personnel [101213.01].	Streets has established a new process to track and manage the annual completion of employee performance evaluations.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee overtime was still not authorized.</u> Overtime was paid without evidence that management had pre-approved the requests. Management could not provide approved authorization forms for any of the six employees (eighteen sample dates) tested.	The risk of having employees 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.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101211.01].	Streets employees performing curbside collection and roadway maintenance and repair work are solicited for overtime work verbally while in the field as required, precluding any formal pre-approved documentation. An established multi-step supervisory review and verification process is in place for the majority of field staff. We will work to implement a similar process for all field units.
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The agency could not provide seventeen of the forty-seven approved leave requests selected for testing. On one occasion, an employee was not charged leave time when sick leave was taken.	Failure to obtain formal leave requests resulted in the failure of the agency recognizing leave time taken and an inaccurate employee paid leave balance. 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 [101210.01].	Streets will establish appropriate controls to track and manage submission of approved leave documentation.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>City sick leave policy was not enforced.</u> Of the five employees tested, one was not placed on the official excessive use of sick leave list and three were not penalized in accordance with the city's sick leave policies. Furthermore, the department could not provide us with the eighth-day notification letter for one of these employees, nor could they provide the fifth-day warning letters for two of the employees tested.	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.	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 [101212.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry, supervisory and executive reviews of payroll time record entries were still not always segregated.</u> Our payroll testing noted that for fourteen of the twenty-six payroll periods in fiscal 2012, the same payroll unit employee initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. We also observed two other instances where employees signed off as performing both the supervisory review and the executive approval.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll whenever possible [101210.02].	Implemented.

City of Philadelphia
Fire Department*
Findings and Recommendations
Fiscal Years 2014 and 2013

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; 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 two deputies manage the department. The fire commissioner is appointed by the city's managing director.

Name and address of agency head
Derrick J. V. Sawyer, Commissioner
Philadelphia Fire Department
240 Spring Garden Street, 2nd Floor
Philadelphia, PA 19123

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$197,180,578	\$189,305,204
Water Fund	15,768,780	8,415,993
Aviation Fund	6,203,000	6,203,000
Capital Fund	<u>12,399,000</u>	<u>11,002,000</u>
Total Appropriations	<u>\$231,551,358</u>	<u>\$214,926,197</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service – Uniformed	2,141	2,102
Civil Service - Civilian	101	92
Exempt - Civilian	<u>7</u>	<u>8</u>
Total Employees	<u>2,249</u>	<u>2,202</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$38,100,000	\$37,600,000
From Other Governments	<u>15,568,000</u>	<u>8,516,000</u>
Total Estimated Revenues	<u>\$53,668,000</u>	<u>\$46,116,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>City sick leave policy was not enforced.</u> Two of five employees tested who had eight or more undocumented sick days, were not 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 city's sick leave policy. One of the employees continued to use uncertified sick time and did not receive a suspension after the second uncertified sick leave occurrence. We also noted the agency did not issue to another employee, the fifth-day warning letter.	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.	The effective use of 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].	The Fire Department is currently reviewing internal procedures for processing documented and undocumented sick leave. There has been a high turnover of personnel, so all personnel are being trained on the city's sick leave policy.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee evaluations still were not recently performed.</u> Two of the six employees tested did not have a recent employee performance evaluation on file.	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 performance reports for all civil service employees by supervisory personnel [101312.01].	Performance Reports for all Fire civil service employees were filled out for 2014. The performance reports are currently being attached to their file in Oracle. Fire is committed to doing this annually.

City of Philadelphia
Department of Public Health*
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head

James W. Buehler, MD, MPH, Deputy Mayor,
Health & Opportunity – Health Commissioner
Department of Public Health
Municipal Services Bldg., 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$114,482,597	\$111,646,321
Grants Revenue Fund	79,144,332	78,853,185
Acute Care Hospital Fund	160,556,832	145,071,219
Capital Fund	<u>23,008,000</u>	<u>32,879,000</u>
Total Appropriations	<u>\$377,191,761</u>	<u>\$368,449,725</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	801	823
Exempt	<u>11</u>	<u>10</u>
Total Employees	<u>812</u>	<u>833</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 15,415,000	\$ 15,337,000
From Other Governments	<u>136,049,000</u>	<u>135,582,000</u>
Total Estimated Revenues	<u>\$151,464,000</u>	<u>\$150,919,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>The agency's lateness policy still did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours however, that document neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency 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 progressive sanctions for violations of the policy [101410.06].</p>	<p>PDPH believes that its existing policy is appropriate at this time because it gives management the opportunity to discipline when necessary without being locked into particular actions if there are other factors to consider; however, it also believes that continuous improvement is a prudent management approach.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			(Continued) [Controller's Office Evaluation of Agency's Response: By not defining lateness or addressing progressive sanctions for lateness, the agency is not ensuring fair discipline and not allowing an employee to know the consequences of bad behavior. In addition, having a comprehensive discipline program avoids possible legal complications.]
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
The city's sick leave policy still was not enforced. All five employees tested had eight or more undocumented sick days, but payroll records indicated that they were not placed on the excessive use of sick leave list or penalized in accordance with the city's sick leave policy. We also noted the department could not always provide us with documentation that it issued the required fifth day warning letter or the eighth day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list.	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.	The effective use of the sick leave policy relies upon the continuous notification to employees that policy sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [101410.04].	Implemented.

City of Philadelphia
Department of Behavioral Health and Intellectual Disabilities Services
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head

Arthur C. Evans, Jr., Ph.D., Commissioner
Department of Behavioral Health and Intellectual Disabilities Services
1101 Market Street, 7th Floor
Philadelphia, PA 19107

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 13,832,747	\$ 14,271,572
Grants Revenue Fund	253,738,329	257,742,064
HealthChoices Behavior Health Fund	<u>903,500,000</u>	<u>900,643,000</u>
Total Appropriations	<u>\$1,171,071,076</u>	<u>\$1,172,656,636</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	225	229
Exempt	<u>14</u>	<u>15</u>
Total Employees	<u>239</u>	<u>244</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 2,500,000	\$ 2,500,000
From Other Governments	<u>1,096,734,000</u>	<u>1,097,885,000</u>
Total Estimated Revenues	<u>\$1,099,234,000</u>	<u>\$1,100,385,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>City sick leave policy was still not enforced.</u> Three of the eight employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These employees continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy.	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.	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	Three employees tested who had eight or more undocumented sick days were Law Department staff, not under the supervision of the DBHIDS. DBHIDS has been designated only as the funding source. All five DBHIDS staff tested had appropriate sick leave warning notices.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>In addition, the agency 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. The employee is subject to discharge after the fifth occurrence. We also noted the agency did not issue the required fifth-day warning letter or the eighth-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.</p>		<p>and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101512.01]</p>	<p>[Controller's Office Evaluation of Agency's Response: During our testing, department management did not inform auditors that certain DBH/IDS employees were working in another city department and charged to DBH/IDS. Because this practice misstates the operating costs of each department involved, the Controller's Office recommends that the salary costs of all employees should be properly accounted for within the department or agency where they perform services. We will continue to report our findings of the employees we tested, to the department where the salary costs are charged.]</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency could not always provide formal approved leave requests for six of the nine 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>The department will address and re-issue updated leave request procedures which will be distributed to all employees, monitored, and enforced by supervisory and timekeeping personnel. DBHIDS managers and supervisors in particular, will receive additional training by departmental timekeepers to insure leave time procedures are consistently followed. The department will implement procedures to insure that designated staff will regularly conduct quarterly audits and check daily attendance sheets, record postings, and leave balances with the appropriate documentation. Spot checking of attendance sheets, record postings, and leave balances will be documented at regular intervals going forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's lateness policy did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours. However, it neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency 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 progressive sanctions for violations of the policy [101510.02].</p>	<p>DBHIDS adheres to the existing city-wide time and attendance policy and believes that its existing lateness policy is appropriate at this time because it provides management the flexibility to implement sanctions when necessary, without being locked into particular actions. If there are other factors to consider, however, we also believe that continuous improvement is a prudent management approach.</p> <p>[Controller's Office Evaluation of Agency's Response: By not defining lateness or addressing progressive sanctions for lateness, the agency is not ensuring fair discipline and not allowing an employee to know the consequences of bad behavior. In addition, having a comprehensive discipline program avoids possible legal complications.]</p>
<p><u>Employee evaluations were still not recently performed.</u> The department was unable to provide a recent employee performance evaluation for four out of the nine 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 performance reports for all civil service employees by supervisory personnel [101510.04].</p>	<p>It has been and continues to be a goal that all employee evaluations are performed yearly. The department's goal is 100% compliance. DBHIDS will develop a process with HR to provide a status to managers on submittal of performance evaluations to facilitate achieving the department's 100% compliance goal.</p>

City of Philadelphia
Department of Parks and Recreation
Findings and Recommendations
Fiscal Years 2014 and 2013

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 Years 2014 and 2013.

Name and address of agency head

Michael DiBerardinis, Deputy Mayor and Commissioner
Department of Parks and Recreation
1515 Arch Street, 10th Floor
Philadelphia, PA 19102

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 54,134,211	\$ 50,349,861
Grants Revenue Fund	9,394,621	9,330,082
Capital Fund	<u>177,873,000</u>	<u>162,504,000</u>
Total Appropriations	<u>\$241,401,832</u>	<u>\$222,183,943</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	614	583
Exempt	<u>11</u>	<u>11</u>
Total Employees	<u>625</u>	<u>594</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 2,069,000	\$ 2,144,000
From Other Governments	<u>9,394,000</u>	<u>9,230,000</u>
Total Estimated Revenues	<u>\$11,463,000</u>	<u>\$11,374,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Formal authorizations for separations from the payroll system could not always be provided by the agency.</u> For two of the four terminated employees we tested, the agency could not locate their Report of Separation in the Oracle System nor did they have a hard copy retained in the employees' personnel folders.	Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control departmental operations.	Reports of Separation should be maintained on file, either electronically or as a hard copy, in the employee's personnel file [101613.01].	The department's personnel unit will maintain hard copies of Reports of Separation and not rely solely on the Oracle System.
<u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved the requests. The agency could not provide approved authorization forms for eight of the twenty-one overtime authorizations we tested.	The risk of having employees 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 efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101613.02].	There is always approval of overtime and various methods are used. Moving forward supervisors will be encouraged to use overtime authorization forms in addition to any other approval methods.
<u>Attendance records (such as sign-in sheets or clock cards) could not always be provided.</u> For two of the seven employees tested, the agency could not provide a complete set of attendance records for the bi-weekly pay period.	Loss or original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control department operations.	Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of departmental transactions [101613.03].	The department currently has the ability to purge older records and better manage payroll documents. The payroll unit will concentrate on storing and safeguarding attendance records.
<u>City sick leave policy was still not enforced.</u> All five employees tested had eight or more undocumented sick days, but were not placed on the excessive use of sick leave list. In addition, the department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, and a three-day suspension after the third occurrence.	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.	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 [101612.01].	We concur with the recommendation and will continue to enforce the city's sick leave policy and notify employees.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>We also noted the agency did not always issue the required fifth-day warning letter or the eight-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.</p>			
<p><u>A formal lateness policy was still 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 agency 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>The department will work to develop a formal lateness policy according to the city regulations. We will ensure that policy is communicated to employees and will work with supervisors to enforce.</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency could not provide formal approved leave requests for four of the seven 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 [101610.03].</p>	<p>The recommendation is appropriate and the department will continue to emphasize to supervisors the need to have all authorized leave appropriately documented.</p>
<p><u>Employee evaluations still were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. The agency could not provide a recent performance evaluation for five of the seven 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 performance reports for all civil service employees by supervisory personnel [101610.04].</p>	<p>We agree with the recommendation and will strive to make annual performance reports a high priority. The department will continue its efforts toward full compliance.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Unclaimed paychecks were not adequately safeguarded.</u> Auditor observed two unclaimed paychecks dated seven weeks prior to our testing date, which should have been returned to the Treasurer's Office within one week.	Unclaimed paychecks could be stolen and/or misplaced.	Require someone to adequately safeguard unclaimed paychecks [101612.02].	Implemented.

City of Philadelphia
Department of Public Property
Findings and Recommendations
Fiscal Years 2014 and 2013

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; provision of telephone services for city facilities; 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.

Name and address of agency head
Bridget Collins-Greenwald, Commissioner
Department of Public Property
City Hall, Room 790
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$174,302,002	\$181,058,783
Water Fund	3,786,428	3,739,360
Grants Revenue Fund	-0-	25,000
Aviation Fund	26,900,000	26,900,000
Capital Fund	<u>33,560,000</u>	<u>38,488,000</u>
Total Appropriations	<u>\$238,548,430</u>	<u>\$250,211,143</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	158	148
Exempt	<u>13</u>	<u>10</u>
Total Employees	<u>171</u>	<u>158</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 9,600,000	\$ 8,500,000
From Other Governments	<u>18,000,000</u>	<u>18,025,000</u>
Total Estimated Revenues	<u>\$27,600,000</u>	<u>\$26,525,000</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The agency's lateness policy did not establish progressive sanctions for violations.</u> While the department had a written lateness policy did not establish sanctions for repeated lateness violations.	By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency 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.	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 [102011.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation in support of the sale of real estate was still incomplete.</u> Management provided a copy of a checklist used for selling real estate. However, the document did not sufficiently detail all steps required in the process of selling real estate to indicate that the necessary steps were addressed and completed.	The lack of documentation may result in substantial noncompliance with existing laws and regulations.	The existing checklist should be revised to include all steps required in the process of selling real estate, and all related documentation to evidence the performance of each step should be obtained and retained by the department [102010.01].	No longer applicable. Public Property no longer directly handles the sale of real estate. The Philadelphia Redevelopment Authority now manages the sale of vacant and surplus properties for the City of Philadelphia.

City of Philadelphia
Department of Human Services*
Findings and Recommendations
Fiscal Years 2014 and 2013

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. Amounts reported as Estimated Non-Tax Revenues for FY 2014 and 2013 are misstated due to Finance Office errors. Actual final budgeted amounts should have been reported as \$5,000,000 for both fiscal years 2014 and 2013.

Name and address of agency head
Vanessa Garrett Harley, Commissioner
Department of Human Services
1515 Arch Street, 8th Floor
Philadelphia, PA 19102

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 98,338,951	\$111,037,535
Grants Revenue Fund	552,239,129	544,774,305
Capital Fund	<u>4,129,000</u>	<u>16,328,000</u>
Total Appropriations	<u>\$654,707,080</u>	<u>\$672,139,840</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	1,495	1,482
Exempt	<u>69</u>	<u>67</u>
Total Employees	<u>1,564</u>	<u>1,549</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 9,355,000	\$ 34,000
From Other Governments	<u>547,235,000</u>	<u>594,604,000</u>
Total Estimated Revenues	<u>\$556,590,000</u>	<u>\$594,638,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets. Our limited testing of randomly selected payroll entries disclosed an employee was not charged for three vacation days and a sick day.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102213.01].	The HR manager and/or the HR professional will perform a spot check each pay period. This will consist of randomly selecting a unit and reviewing a minimum of 5 timecards. The fiscal officer and/or the finance deputy commissioner will also conduct a check on a separate unit each pay period.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee evaluations were still not always performed.</u> The agency could not provide a recent performance evaluation for three out of the six 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 performance reports for all civil service employees by supervisory personnel [102212.01].	The HR office will continue to send out reminders to all staff regarding established deadlines. The HR office will provide directors with a list of any outstanding evaluations under their chain command. Any evaluations not submitted timely will be provided to each deputy commissioner to address.
<u>City sick leave policy still was not enforced.</u> All five employees tested had eight or more undocumented sick days, but were not placed on the excessive use of sick leave list. These employees continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. In addition, the agency 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 agency did not issue the eighth-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.	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.	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].	Shortage of staff in the HR office has resulted in neglect in this area. The HR office is currently working on filing its vacancy and will have a staff person dedicated to managing this function and performing it in a timely manner.
<u>Daily attendance sheets were still not used contemporaneously.</u> Our testing of payroll records found that employees in three payroll units (Family Center Unit, Sex Abuse Unit, and Community Based Prevention Services Unit) were not consistently signing out and back in for lunch.	Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.	Require employees to contemporaneously sign the attendance sheets [102210.01].	The HR office will re-issue expectations around timekeeping and stress the requirement to sign in and out.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were again not always segregated.</u> For nine of the forty-six pay periods tested, the same employee performed the supervisory-level approval on the bi-weekly payroll entries they input into the on-line payroll system. The same employee performed the supervisory and executive-level approvals of the bi-weekly payroll for seven pay periods. On another occasion, the same employee performed all three duties — data entry, supervisory approval, and executive-level approval.</p>	<p>Failing to segregate 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 [102210.02].</p>	<p>Due to shortage of staff, the payroll supervisor assumed responsibility for both time entry and approval. Effective immediately, the HR manager will approve at the supervisory level. An HR professional will be alternate in the absence of the HR manager. The budget officer will approve at the executive level.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries for separated employees were not always checked.</u> One of the five separated employees tested received a full bi-weekly salary for the period after her date of separation. The department recovered most of the erroneous disbursement from the employee's terminal leave and the remaining amount was deducted from the employee's pension.</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 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 [102212.03].</p>	<p>Implemented.</p>

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Philadelphia Prison System was established as a separate agency 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 city's 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 agency head
Louis Giorla, Commissioner
Philadelphia Prison System
7901 State Road
Philadelphia, PA 19136-3407

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$238,804,784	\$227,850,603
Grants Revenue Fund	650,000	1,311,112
Capital Fund	<u>32,513,000</u>	<u>21,346,000</u>
Total Appropriations	<u>\$271,967,784</u>	<u>\$250,507,715</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	2,258	2,245
Exempt	<u>3</u>	<u>3</u>
Total Employees	<u>2,261</u>	<u>2,248</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 550,000	\$1,011,000
From Other Governments	<u>1,175,000</u>	<u>1,275,000</u>
Total Estimated Revenues	<u>\$1,725,000</u>	<u>\$2,286,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entry, and 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 in fiscal year 2014. On another occasion, the same employee performed the supervisory level approval on the bi-weekly payroll entry he input into the on-line payroll system.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102313.01].	Three levels of approval have been instituted and were in place at the time of audit. Any deviations for exigent circumstances will require written approval from the Commissioner. [Controller's Office Evaluation of Agency's Response: Audit evidence indicated that the three levels of payroll time record entry approval were not

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
(continued)			always segregated. No written approvals for deviations of the policy were furnished to auditors.]
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide eight of the seventeen approved leave requests selected for testing.	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 requests forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102313.02].	Departmental policy requires the submission of leave requests to account for all absences. Payroll staff will notify departmental employees where requests have been submitted and counseling or, if necessary, disciplinary action will be taken.
<u>City sick leave policy was not enforced.</u> Of the five employees tested, none were penalized in accordance with the city's sick leave policy. Specifically, employees continued to use and be paid for both certified and uncertified sick leave after using eight days of uncertified sick leave, which is a violation of the city's sick leave policy. In addition, 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.	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.	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 [102313.03].	Applicable discipline has been applied to employees who were found non-compliant in the audit. The current clerk is being retrained in the process and a second staff member has been assigned to ensure that errors will be avoided.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee time cards and data entry postings were not adequately checked.</u> Our testing of payroll records for five randomly selected employees noted one instance where a unit supervisor approved a bi-weekly time card that lacked a swipe out entry, and one instance where overtime reflected on a time card was incorrectly posted to the payroll system by the payroll unit.	Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.	Unit supervisors should ensure that only properly completed time cards are authorized [102310.01].	Implemented.

City of Philadelphia
Office of Supportive Housing
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of Supportive Housing (OSH) was established to deliver services to the city's homeless. 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 OSH contracts. The overall goal of OSH is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OSH 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. OSH is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity.

Name and address of agency head
Marie Nahikian, Director
Office of Supportive Housing
Municipal Services Building, 10th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$43,616,630	\$39,640,736
Grants Revenue Fund	49,352,513	49,588,030
Capital Fund	<u>3,568,000</u>	<u>3,936,000</u>
Total Appropriations	<u>\$96,537,143</u>	<u>\$93,164,766</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	151	151
Exempt	<u>3</u>	<u>3</u>
Total Employees	<u>154</u>	<u>154</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 1,615,000	\$ 1,615,000
From Other Governments	48,758,000	48,993,000
Total Estimated Revenues	<u>\$50,373,000</u>	<u>\$50,608,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entry, and the supervisory and executive approvals of payroll time record entries, were still not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eight of the forty-six pay periods tested. For another pay period, the individual that entered the payroll data into the on-line payroll system also performed the supervisory review.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102411.01].	OSH, as a small agency, recognizes this is a challenge of having appropriate personnel always available in a timely manner. This will be corrected by adding signers at the executive level; signers at the data entry & supervisory level is mitigated by the return of one payroll clerk who had been on extended leave.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Lateness policy still did not establish progressive sanctions for violations.</u> While the agency had a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.	By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency 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.	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].	OSH has minimal lateness issues due to existence of flexible work schedules which allows employees a two hour window. Publishing written progressive sanctions for lateness violations will require consultation regarding labor agreements.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting personnel time in the field was incomplete.</u> When employees work outside the office, management does not require them to complete a field destination sheet that would provide information on where they are working, as well as a telephone number in the event they must be contacted.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	Require employees to use in/out procedures and field destination sheets [102412.01].	Implemented.

City of Philadelphia
Office of Fleet Management*
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Christopher Cocci, Fleet Manager
Office of Fleet Management
100 South Broad Street, 3rd Floor
Philadelphia, PA 19110

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$56,444,779	\$55,374,814
Water Fund	8,509,626	8,509,626
Aviation Fund	8,108,573	8,108,573
Capital Fund	<u>4,451,000</u>	<u>3,599,000</u>
Total Appropriations	<u>\$77,513,978</u>	<u>\$75,592,013</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	325	344
Exempt	<u>1</u>	<u>1</u>
Total Employees	<u>326</u>	<u>345</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	<u>\$3,425,000</u>	<u>\$2,945,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> Four of the six employees tested did not have a recent employee evaluation on file.	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 performance reports for all civil service employees by supervisory personnel [102513.01].	In previous years, OFM's annual performance evaluation completions were around 90%. OFM will take measures to perform employee evaluations for all employees.

City of Philadelphia
Department of Licenses and Inspections
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Carlton Williams, Sr., Commissioner
Department of Licenses and Inspections
Municipal Services Building, 11th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1687

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$23,178,703	\$22,239,182
Grants Revenue Fund	4,500,000	8,892,414
Community Development Fund	<u>517,647</u>	<u>517,647</u>
Total Appropriations	<u>\$28,196,350</u>	<u>\$31,649,243</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	302	298
Exempt	<u>8</u>	<u>9</u>
Total Employees	<u>310</u>	<u>307</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$46,939,000	\$44,958,000
From Other Governments	<u>5,018,000</u>	<u>9,410,000</u>
Total Estimated Revenues	<u>\$51,957,000</u>	<u>\$54,368,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Documentation supporting personnel time in the field was incomplete.</u> When employees work in a field location, management does not require that they complete a field	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [102613.01].	This recommendation will be implemented.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
(continued) destination sheet that would provide information on the employee's location, as well as telephone number in the event they must be contacted.			
<u>City sick leave policy was still not enforced.</u> Four of the five employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list according to the on-line payroll records. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, 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.	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.	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].	This recommendation will be implemented. The department will continue to enforce the city wide sick leave policy.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Approved leave requests could not be provided for four of the seven employees tested. In addition, another employee's leave request did not agree to the leave time taken per the employee's attendance record and payroll time record.	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 [102612.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>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.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102612.03].	Implemented.
<u>Expenditure file documentation did not always include evidence of the receipt of goods and services.</u> Our testing found that the department did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services for three of seven expenditures selected for testing.	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.	Maintain and safeguard documentary such as invoices and receiving reports in order to support the validity of departmental transactions [102612.04].	Implemented.
<u>Billings to property owners for abatement costs were still overstated.</u> Billings to property owners for clean and seal abatement costs were overstated due to an error in the billing system that incorrectly added an additional half-hour for each employee and truck assigned to a clean and seal job. Therefore, property owners were overcharged an average of 34 percent of the bill on the four invoices we tested.	Property owners were inaccurately billed for abatement work performed.	The abatement billing system should be reviewed to ensure that only authorized costs are included in the billings to property owners [102610.05]	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were still not performed.</u> Recent performance evaluations could not be provided for three of the ten civil service employees 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 performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102610.06].	Implemented.
<u>Supervisory and executive approvals of payroll time record entries were still not always segregated.</u> For nine of the twenty-six pay periods in FY 2012, the same person performed both the supervisory and executive approvals of the bi-weekly payroll.	Combining multi-level approvals undermines the objective of the review and approval process. It increases the risk of errors going undetected during the bi-weekly payroll preparation process.	Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [102610.08].	Implemented.

City of Philadelphia
Philadelphia Water Department
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Howard M. Neukrug, P.E., Commissioner
Philadelphia Water Department
ARAMARK Tower
1101 Market Street, 5th Floor
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Water Fund	\$ 336,270,850	\$ 335,863,350
Water Residual Fund	20,740,000	72,605,000
Capital Fund	<u>856,019,000</u>	<u>849,895,000</u>
Total Appropriations	<u>\$1,213,029,850</u>	<u>\$1,258,363,350</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	1,953	1,912
Exempt	<u>10</u>	<u>9</u>
Total Employees	<u>1,963</u>	<u>1,921</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 36,880,000	\$ 38,500,000
From Other Governments	1,350,000	1,500,000
From Other Funds	<u>100,436,000</u>	<u>113,895,000</u>
Total Estimated Revenues	<u>\$138,666,000</u>	<u>\$153,895,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the eleven 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 performance reports for all civil service employees by supervisory personnel [102812.01].	PWD records indicate that the 2014 file rate for over 1900 employee evaluations exceeds 85%. The primary reason the evaluations tested were not on file when originally requested is the result of the processing time involved for each evaluation. After an evaluation is completed by the unit it is transmitted to Water Personnel where it is reviewed for completeness, scanned and uploaded into Oracle. Depending on the staff's other

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			(continued) work obligations, it can take from several days to months to complete the uploading process.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employees earning emergency duty pay continue to be overpaid.</u> The payroll unit was not effectively monitoring and enforcing civil service regulations for employees designated by the department as emergency duty employees. A civil service regulation allows emergency duty employees to be paid an additional pay step increase throughout the year to respond to emergency situations outside of normal working hours. The same regulation prohibits these employees from also earning compensatory time.	The lack of adherence to civil service regulations has allowed emergency duty employees to be systematically overcompensated for the same hours worked. This abusive practice has resulted in the unnecessary expenditure of taxpayer money.	Prohibit emergency duty employees from earning compensatory time or any other premium time in accordance with civil service regulations. The practice of paying two premium pay rates for the same hours worked should be ceased immediately [102810.02].	Implemented.

City of Philadelphia
Department of Records
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head

Joan Decker, Commissioner
Department of Records
Room 160 City Hall
Philadelphia, PA 19107

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 4,026,317	\$ 4,009,212
Capital Fund	727,000	711,000
Total Appropriations	<u>\$4,753,317</u>	<u>\$4,720,212</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	57	58
Exempt	1	1
Total Employees	<u>58</u>	<u>59</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	<u>\$29,400,000</u>	<u>\$28,000,000</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting personnel time in the field was incomplete.</u> When employees worked in a field location, management does not require that they complete a field destination sheet that would provide information on the employees' location, as well as a telephone number in the event they must be contacted.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	Require employees to use call in/out procedures and field destination sheets [103112.01].	Implemented.
<u>Untimely deposits of revenue receipts.</u> Revenue receipts were not always deposited timely.	Untimely deposits of revenue results in lost interest income to the city and increases the risk of misappropriation.	Deposit all revenue receipts within two business days [103111.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Electronically transferred monies were not verified by matching to city bank account and revenue records</u> – The Records Department in its daily settlement process inferred but did not confirm that the city actually received electronically transferred revenue from title companies.	Deposit errors may occur and not be detected, and the city may not receive all revenues properly due. Posting errors may occur and not be detected resulting in misclassified revenues.	Daily settlement reconciliation procedures should verify that electronically transferred monies were actually recorded and properly classified by the city [103110.01].	Implemented.

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide an agency and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. 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 agency. 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 agency head
Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, 13th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Charles Jones, Executive Director
Sinking Fund Commission
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Finance		
Civil Service	91	86
Exempt	82	77
Total Employees	<u>173</u>	<u>163</u>

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Finance		
General Fund	\$1,323,060,093	\$1,238,540,187
Water Fund	118,912,000	105,698,000
Special Gasoline Tax Fund	1,000,000	1,000,000
Grants Revenue Fund	100,000,796	100,700,132
Aviation Fund	60,475,000	52,732,843
Community Development Fund	24,225,697	24,580,688
Acute Care Hospital Fund	333,168	313,781
Capital Fund	<u>33,341,000</u>	<u>33,486,000</u>
Total Finance	<u>\$1,661,347,754</u>	<u>\$1,557,051,631</u>

Sinking Fund Commission		
General Fund	\$ 226,258,358	\$ 222,473,567
Water Fund	205,354,755	201,986,322
Aviation Fund	135,848,692	112,549,385
Car Rental Tax Fund	<u>5,000,000</u>	<u>5,000,000</u>
Total Sinking Fund	<u>572,461,805</u>	<u>542,009,274</u>
 Total Appropriations	 <u>\$2,233,809,559</u>	 <u>\$2,099,060,905</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Finance		
Finance Non-Tax Revenue	\$ 20,408,000	\$ 14,460,000
From Other Governments	591,387,000	571,272,000
From Other Funds	18,480,000	17,707,000
Sinking Fund Commission	<u>0</u>	<u>0</u>
Total Estimated Revenues	<u>\$630,275,000</u>	<u>\$603,439,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE RECEIPTS <u>The Code Violations Unit of the Office of the Director of Finance is using an outdated Policy & Procedures Manual for processing payments.</u> The manual, dated April 2006, does not include procedures for processing customer on-line credit card payments, which the city began accepting in 2010.	There is a risk that on-line payments may be incorrectly processed in the absence of written procedures.	We recommend that the Code Violations Unit update their Policy & Procedures Manual to include procedures for processing on-line credit card payments [103513.01].	The Code Violations Unit agrees with the recommendation and will update the Policy & Procedures Manual to include the on-line credit card processing.
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not provide any approved leave requests for six of the nine employees selected for testing.	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 the city's standard accounting procedures [103513.02].	The department policy was updated to require the submission of leave requests to account for all absences. Previously, employees were not required to submit formal leave requests for sick time. Finance will work to ensure that this policy is consistently enforced.
<u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103510.05].	A department lateness policy has been developed and is currently under review.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry, and supervisory review of payroll time record entries still were not always segregated.</u> For twelve of the twenty-six pay periods in fiscal 2012, a Finance Office employee performed data entry of employee daily attendance into the payroll system while also performing the supervisory-level review for both the Finance Office and the Office of Innovation and Technology.	Failing to segregate duties and combining 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.	Assign different individuals to perform the data entry and the supervisory review of the bi-weekly payroll whenever possible [103510.02].	Implemented.

City of Philadelphia
Department of Revenue*
Findings and Recommendations
Fiscal Years 2014 and 2013

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.

Name and address of agency head
Clarena I. W. Tolson, Commissioner
Department of Revenue
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 20,560,621	\$ 19,337,750
Water Fund	16,078,970	15,707,456
Grants Revenue Fund	21,150,000	21,150,000
Acute Care Hospital Fund	45,000	35,000
Total Appropriations	<u>\$57,834,591</u>	<u>\$56,230,206</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	505	501
Exempt	<u>8</u>	<u>11</u>
Total Employees	<u>513</u>	<u>512</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Tax Revenue	\$2,925,048,000	\$2,761,728,000
Non-Tax Revenue	595,014,000	571,214,000
From Other Governments	<u>39,362,000</u>	<u>35,362,000</u>
Total Estimated Revenues	<u>\$3,559,424,000</u>	<u>\$3,368,304,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE RECEIPTS <u>Water billings for sheriff sale properties still were incorrect.</u> Our review of the Water Revenue Bureau's billing records disclosed the automated billing system failed to ensure that penalties, incurred prior to a sheriff sale, are not transferred to the new owner.	Improper billings place an unfair and unlawful burden on property owners. In addition, water related receivables are misstated on the city's books and records.	Ensure the integrity of the billing process by pursuing software changes that will prevent the issuance of incorrect billings to new owners of sheriff-sale properties [103610.01].	With the recent completion of the upgrade to the water billing system, Basis2, programmers anticipate developing, testing and implementing changes to the system that will prevent penalties from being transferred to new owners by the end of FY2015.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced.</u> Four of the five employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. Specifically, employees continued to use and be paid for both certified and uncertified sick leave after using eight days of uncertified sick leave, which is a violation of the city's sick leave policy. In addition, 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. Furthermore, the department could not provide us with the eighth-day notification letter informing the four employees that they were being placed on the excessive use of sick leave list nor could they provide the fifth-day warning letter for all five 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 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 [103613.01].</p>	<p>We recently conducted a full audit of all employees with 5 or more undocumented sick days to verify that all notices were issued, the excessive sick leave list was up to date and applicable disciplinary action was taken. Payroll clerks now report all warnings to one person who confirms accuracy of the warnings, issues warnings and counsel's employees. Additionally, the budget officer and payroll supervisor will continue to audit time and attendance records to assure rules are consistently applied and enforced.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for processing revenues were not adequately segregated.</u> The same employee prepares the Payment In Lieu Of Taxes (PILOT) collections for deposit, records the transactions into the Taxpayer Inquiry and Payment System (TIPS), and reconciles the validated deposit summaries to the accounting records.</p>	<p>Failure to independently process and record revenues could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection once the revenue is posted.</p>	<p>Duties for processing revenues should be adequately segregated. We recommend that an employee prepare the checks for deposit and a separate employee record the revenue into the TIPS accounting system. We also recommend that an employee independent of the deposit and reporting process reconcile the validated deposit summaries to the accounting records (TIPS), and reconcile the check intake file (titled "PILOT" which includes the dates checks were received, taxpayers name and the amount) to the city's centralized accounting system (FAMIS) [103612.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> During our testing of payroll records, management could not provide formal paid leave requests for any of the five employees tested.	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 [103610.02].	Implemented.

City of Philadelphia
Procurement Department*
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Procurement Department was established by the Philadelphia Home Rule Charter to function as a centralized purchasing agency 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.

Name and address of agency head
Mary Stitt, Commissioner
Procurement Department
Municipal Services Bldg., 1st Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102 - 1685

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$4,643,115	\$4,151,574
Water Fund	69,028	69,028
Total Appropriations	<u>\$4,712,143</u>	<u>\$4,220,602</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	43	42
Exempt	<u>5</u>	<u>5</u>
Total Employees	<u>48</u>	<u>47</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	<u>\$860,000</u>	<u>\$900,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>The agency's lateness policy did not establish progressive sanctions for violations of the policy.</u> While the department's lateness policy defines when an employee is considered late, it does not specify disciplinary action for those employees who chronically report late to work.	The agency 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.	Revise the lateness policy to define progressive sanctions for chronic violations of the policy [103810.04].	We are in the process of developing a formal policy as a part of our newly revised Attendance Policy.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not performed.</u> The department did not provide recent performance employee evaluations for three out of the ten employees 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 performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [103812.01].	Implemented.
<u>Independent verification of scrap metal deliveries was not obtained.</u> Management relies on notification from city personnel that deliveries of scrap metal have occurred, and subsequent to that notification invoices scrap metal vendors based on contract terms and conditions.	Lost or misplaced paperwork by city personnel would result in unbilled and unrecognized revenue by Procurement.	All vendor contracts with scrap metal dealers should require that notification of all deliveries of scrap metal be independently made by the vendor directly to the Procurement Department. This will ensure that all deliveries have been recorded [103810.02].	No longer applicable. This recommendation applies to curbside pickups of scrap metal (such as stoves, hot water heaters, etc) that Streets Department personnel would pick up and transport to scrap metal vendors as a service to taxpayers. The Streets Department no longer performs this service.

City of Philadelphia
Office of the City Treasurer
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency.

Name and address of agency head

Nancy E. Winkler, City Treasurer
Office of the City Treasurer
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1681

Appropriations:

General Fund

FY 2014

\$ 899,260

FY 2013

\$ 886,605

Number of Full Time Employees:

FY 2014

FY 2013

Civil Service

9

8

Exempt

5

5

Total Employees

14

13

Estimated Revenues:

FY 2014

FY 2013

Non-Tax Revenue

\$6,063,000

\$4,689,000

From Other Governments

4,874,000

4,721,000

Total Estimated Revenues

\$10,937,000

\$9,410,000

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> Approved leave requests could not always be provided for four of the six employees selected for testing.	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 request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104012.01].	Recommendation has been implemented effective the date of the audit findings on June 4, 2014.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement an employee lateness policy [104012.02].	A departmental lateness policy will be drafted. Once finalized, we will begin the notification and implemented process with the unions.
<u>Employee evaluations were not recently performed.</u> The agency could not provide a recent performance evaluation for two of the six employees 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 performance reports for all civil service employees by supervisory personnel [104012.04].	Going forward CTO will work with Finance ASC to ensure that all Civil Service Employee performance reviews are completed on a timely basis.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry and supervisory review duties were not adequately segregated.</u> For twelve of the twenty-six pay periods in fiscal 2012, the same payroll unit employee performed the supervisory level approvals on the entries he input into the on-line payroll system.	Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.	Segregate the duties of initiating entries to the payroll system from those of performing supervisory reviews [104012.03].	Implemented.

City of Philadelphia
Office of the City Representative*
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of the City Representative was established by the Philadelphia Home Rule Charter. The Charter provides that the Office of the City Representative shall have the following powers and duties: giving wide publicity to any items of interest reflecting the accomplishments of the city and its inhabitants and the growth and development of its commerce and industry; and acting as the ceremonial representative of the city and the mayor. A city representative, appointed by the mayor, heads the agency.

Name and address of agency head

Desiree Peterkin-Bell, City Representative and
Mayor's Director of Communications
1515 Arch Street, 12th Floor
Philadelphia, PA 19102

Appropriations:

General Fund

FY 2014

\$1,005,915

FY 2013

\$889,611

Number of Full Time Employees:

FY 2014

FY 2013

Estimated Revenues:

FY 2014

FY 2013

Civil Service

5

5

Exempt

2

3

Total Employees

7

8

\$ -0-

\$ -0-

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Employee evaluations were not recently performed.</u> Annual employee performance ratings and suggestions for improvement were not recently performed and documented by management for four of the six employees 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 performance reports for all civil service employees by supervisory personnel [104113.01].	Performance reports will be submitted in January and annually thereafter.
<u>The agency's lateness policy still 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.	The agency 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.	Compile, issue, and implement a formal lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [104110.04].	There is a formal lateness policy that was communicated to staff in a full staff meeting. The OCR will continue to reinforce the policy at subsequent staff meetings with paper copies distributed along with verbal explanation. [Controller's Office Evaluation of

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
(continued)			of Agency's Response: By not defining lateness or addressing progressive sanctions for lateness, the agency fails to ensure fair discipline and risks legal consequences.]
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The city's sick leave policy was not enforced.</u> The one employee in the agency who exceeded eight undocumented sick days was not placed on the excessive use of sick leave list, nor was he issued an eighth day letter notifying him that this would occur. Consequently, this employee was paid for additional sick time used in violation of the city's sick leave policy.	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.	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 [104111.01].	Due to the small size of the agency and the fact that no one exceeded four uncertified sick days during our audit period, we concluded that the risk of employees abusing sick leave is low therefore no further corrective action is deemed necessary. We will however, continue to test for this risk in the future.
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries still were not always segregated.</u> For twenty-five of the twenty-six pay periods in fiscal year 2012, the same person performed both the supervisory and executive level approvals of payroll. Additionally, for two of these periods, the same person also initiated entries to the system, thereby performing all three duties.	Failing to segregate duties and combining 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.	Different individuals should perform the data entry, the supervisory and the executive level approvals of the bi-weekly payroll whenever possible [104110.01].	Implemented.
<u>Payroll data entries were not adequately checked.</u> For three out of five employees tested, the time logged on the attendance records did not agree with their on-line payroll time records. Employees were being charged for leave time even though they worked a full day and conversely employees were not being charged for the correct leave time taken.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104110.02].	Implemented.

City of Philadelphia
Office of the Director of Commerce
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately.

Name and address of agency head

Alan Greenberger, Deputy Mayor for Economic Development and
Director of Commerce
Department of Commerce
1515 Arch Street – 12th Floor
Philadelphia, PA 19102

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$ 19,004,637	\$ 18,976,261
Hotel Tax Fund	56,321,000	48,646,000
Grants Revenue Fund	10,513,351	23,784,921
Community Development Fund	9,184,090	8,966,088
Capital Fund	<u>167,106,000</u>	<u>166,952,000</u>
Total Appropriations	<u>\$262,129,078</u>	<u>\$267,325,270</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	14	14
Exempt	<u>8</u>	<u>9</u>
Total Employees	<u>22</u>	<u>23</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$ 354,000	\$ 354,000
From Other Governments	19,697,000	32,750,000
Hotel Room Rental Tax	<u>56,319,000</u>	<u>48,644,000</u>
Total Estimated Revenues	<u>\$76,370,000</u>	<u>\$81,748,000</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For ten of the twenty-six pay periods during fiscal year 2012, the same individual performed both the supervisory review and executive level approval of payroll for the Commerce Department.	Failing to segregate duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during the preparation of bi-weekly payroll.	Assign different individuals to perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [104211.03].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
Payroll attendance records were still not being authorized by supervisory personnel. Of the fifty-one attendance records reviewed for fiscal 2012, forty-one were not approved by a supervisor.	Employees may erroneously be paid for time not worked or not paid for time worked.	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 [104210.01].	Implemented.

City of Philadelphia
Division of Aviation
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency 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 agency.

Name and address of agency head
Mark E. Gale, Chief Executive Officer
Division of Aviation
Philadelphia International Airport
Terminal D, Third Floor
Philadelphia, PA 19153

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Aviation Fund	\$ 164,075,423	\$ 152,234,000
Capital Fund	<u>1,560,682,000</u>	<u>1,924,597,000</u>
Total Appropriations	<u>\$1,724,757,423</u>	<u>\$2,076,831,000</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	768	771
Exempt	<u>7</u>	<u>9</u>
Total Employees	<u>775</u>	<u>780</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$407,300,000	\$370,000,000
From Other Governments	3,500,000	3,500,000
From Other Funds	<u>2,675,000</u>	<u>2,500,000</u>
Total Estimated Revenues	<u>\$413,475,000</u>	<u>\$376,000,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>City sick leave policy was not enforced.</u> Of the five employees tested who had eight or more undocumented sick days, three employees were not placed on the excessive use of sick leave list and four employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, 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	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.	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].	As noted in the finding three employees were not placed on the excessive use of sick leave list. This was an administrative oversight between the Payroll & Discipline Units. As a result of these errors, training is being arranged for the Payroll and Discipline Units to address the excessive sick leave policy and processing placements and violations

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted the agency did not issue the eighth-day notification letter informing three of the employees that they were being placed on the excessive use of sick leave list.</p>			thereby creating better communication between the units.
<p><u>Employee evaluations were still not always performed.</u> The agency could not provide a recent performance evaluation for three out of the nine 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 performance reports for all civil service employees by supervisory personnel [104310.01].</p>	<p>Performance evaluations are disseminated to managers and supervisors each year with a clear indication of due dates. To underscore management's responsibility to prepare annual reports in a timely manner, the Airport is using more frequent communication from HR to appropriate personnel, including reminders at staff meetings and via email. In FY 15, our return rate for performance evaluations increased significantly, by 9% over the return rate in FY 14, indicating that our approach is having a positive effect.</p>

City of Philadelphia
Law Department
Findings and Recommendations
Fiscal Years 2014 and 2013

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.

Name and address of agency head

Shelley R. Smith, City Solicitor
Law Department
One Parkway Building
1515 Arch Street, 17th Floor
Philadelphia, PA 19102

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$12,822,255	\$12,770,544
Water Fund	3,166,711	3,108,378
Grants Revenue Fund	335,987	942,820
Aviation Fund	1,971,311	1,878,074
Community Development Fund	153,334	148,824
Total Appropriations	<u>\$18,449,598</u>	<u>\$18,848,640</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	30	33
Exempt	170	168
Total Employees	<u>200</u>	<u>201</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$800,000	\$900,000
From Other Governments	489,000	992,000
Total Estimated Revenues	<u>\$1,289,000</u>	<u>\$1,892,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy still was not enforced.</u> Of the five employees tested, two employees reached eight undocumented sick days during calendar year 2013 and were not placed on the excessive use of sick leave list. Specifically, the two employees were paid for their first four occurrences of sick leave taken after they should have been placed on the list.</p> <p>In addition, the agency should have counseled these employees and imposed the applicable</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 [104413.01].</p>	<p>Sick leave documentations for absences following their 5-day warnings had been submitted by the two employees. The documents were uncovered during this audit and the records were corrected to certified sick in the payroll system.</p> <p>Going forward, the Law Department will increase care to properly code sick leave.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>penalties: a one-day suspension after the second undocumented sick leave occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted the department did not issue the eighth-day notification letter informing the two employees that they were being placed on the excessive use of sick leave list.</p>			
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The Law Department was unable to provide approved leave requests for all six employees selected for testing. Leave requests are verbally approved by the Law Department.</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>As of July 11, 2012, the Law Department required leave requests from exempt staff to be approved in advance in writing by obtaining supervisory approval via a Leave Request Form. However, often documentation supporting and authorizing leave time for exempt staff is completed via email. Going forward, the Law Department will attach the form authorizing leave time to the timesheet or timecard.</p>
<p><u>Payroll data entry, and supervisory and executive approvals were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for thirteen of the forty-six pay periods tested. For five pay periods, one employee performed the data input into the payroll system then entered the supervisory approval. For another pay period, the individual that did the data entry also carried out the executive level approval.</p>	<p>Failing to segregate duties and combining 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, the supervisory and the executive level approvals of the bi-weekly payroll whenever possible [104410.03].</p>	<p>Staff absences made it necessary for the department's HR Manager to input time records and complete the supervisory approval to ensure the accurate time records. In December 2013, the Administrative Services Unit added another individual in an effort to better segregate the duties. Going forward, the Law Department will make an effort to segregate the data entry, and supervisory and executive approval duties.</p>

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Board of Ethics was established by an amendment to the Philadelphia Home Rule Charter approved by the voters on May 16, 2006. The Board of Ethics is responsible for enforcing city campaign finance, financial disclosure, lobbying and conflict of interest laws, as well as rendering advice, investigating complaints and issuing fines. The Board is also responsible for providing guidance and education on ethics rules to the entire city workforce as well as to city vendors. In addition, the Board promotes greater transparency in government by overseeing financial disclosures of city officials and by publishing campaign finance disclosures of elected officials and candidates. The Board consists of five, non-paid members appointed by the mayor with the advice and consent of the majority of City Council. The members, who serve staggered terms of five years, elect a chair and such other officers as they deem necessary. The Board appoints an executive director, counsel, and such other staff members as may be required to exercise its powers and fulfill its obligations.

<u>Name and address of agency head</u>			<u>Appropriations:</u>		<u>FY 2014</u>	<u>FY 2013</u>	
J. Shane Creamer, Jr., Esquire, Executive Director			General Fund		<u>\$1,000,000</u>	<u>\$898,000</u>	
Board of Ethics							
1515 Arch Street, 18 th Floor							
Philadelphia, PA 19102							
<u>Number of Full Time Employees:</u>			<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service			4	0	Non-Tax Revenue	<u>\$103,000</u>	<u>\$103,000</u>
Exempt			<u>5</u>	<u>8</u>			
Total Employees			9	8			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Supervisory and executive reviews of payroll time record entries were not always segregated.</u> For seven of the twenty-six pay periods tested, the same individual performed both the supervisory and executive level reviews.	Combining multi-level reviews undermines the objective of the review process. It increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Different individuals should perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [104512.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries still 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.	Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104511.02].	Implemented.
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> During our testing of payroll records, leave requests were not provided for four of the five employees tested.	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 [104510.02].	Implemented.
<u>The city sick leave policy still was not adopted and enforced.</u> There was no evidence that employee sick leave was monitored by the payroll unit. We noted three sampled employees who had excessive undocumented sick leave but had not been notified by the agency in accordance with the city's sick leave policy.	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.	Even though all employees at the Board of Ethics are exempt, we continue to recommend that management adopt the same sick leave policy utilized citywide for civil service employees [104510.03].	Due to the small size of the agency, and the fact that no instances of excessive sick time were found, this finding is no longer deemed applicable. We will continue to monitor this condition in our future audits of this agency.

City of Philadelphia
Philadelphia Youth Commission
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Philadelphia Youth Commission (Youth Commission) was established on June 4, 2007 to represent the city's youth in public hearings and give testimony that reflects the youth perspective. It serves as a conduit for youth action and advises the mayor, city council, Philadelphia public schools, and other key decision makers inside and outside city government. It does this by: commenting on legislation and policies that impact youth; creating public service programs that improve the lives of youth; monitoring and measuring the effectiveness of youth programs and policies; partnering with neighborhood and youth organizations on shared issues; and preparing youth for leadership through appropriate training. The Youth Commission is composed of 21 members between 12 and 23 years of age, and is represented by an executive director who is appointed by the mayor.

Name and address of agency head

Jamira Burley, Executive Director
Philadelphia Youth Commission
1401 John F. Kennedy Boulevard, 16th Floor, Room G
Philadelphia, PA 19102

Appropriations:

General Fund

FY 2014

\$140,080

FY 2013

\$94,080

Number of Full Time Employees:

Exempt

FY 2014

2

FY 2013

1

Estimated Revenues:

FY 2014

\$ -0-

FY 2013

\$ -0-

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
No conditions were noted.			

City of Philadelphia
Office of the Inspector General
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency 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 agency.

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

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$1,462,069	\$1,255,822

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Exempt	<u>16</u>	<u>18</u>		<u>\$-0-</u>	<u>\$-0-</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Approved leave requests could not be provided for three of the six employees tested.	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 [104813.01].	Recommendation has been implemented.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Certain payroll preparation duties were not adequately segregated.</u> The person posting payroll to the on-line payroll system was also the same person obtaining the paychecks/stubs from the Treasurer's Office and distributing the paychecks to employees.	Failure to segregate duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Someone independent of payroll preparation should obtain the paychecks/stubs from the Treasurer's Office and distribute paychecks [104813.02].	Recommendation has been implemented.
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were again not always segregated.</u> For seven of the forty-six pay periods tested, the same individual performed both the supervisory and executive level approvals on the entries they input into the on-line payroll system. In addition, the same employee performed the supervisory and executive level approvals of the bi-weekly payroll for sixteen pay periods and the data entry and supervisory level approval for eighteen pay periods.	Failing to segregate duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetuate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104812.01].	Recommendation has been implemented.

City of Philadelphia
Philadelphia City Planning Commission
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Philadelphia City Planning Commission (PCPC) was established by the Philadelphia Home Rule Charter to guide the orderly growth and development of the city. Its duties, as defined in the charter, include the preparation of: a comprehensive plan of the city (the Physical Development Plan) and subsequent modifications to it; the capital program and budget; proposed zoning ordinances and amendments; and regulations governing the subdivision of land. PCPC has nine members, six appointed by the mayor and three who serve ex-officio: the managing director, the director of finance, and the director of commerce. The Home Rule Charter stipulates that at least five of the appointed members hold no other public office, position or employment. Members of PCPC elect a chairperson, and employ a full-time executive director. For budgetary purposes, PCPC is divided into five divisions: Community Planning, Strategic Planning and Policy, Development Planning and Zoning, Urban Design, and Geographic Information System. PCPC staff consists of architects, planners, and urban designers who are supported by administrative, clerical, and geographic information system personnel. The staff helps PCPC provide a comprehensive overview of planning issues affecting the growth and development of the city. In addition, the PCPC advises the mayor and City Council on all legislation affecting zoning ordinances, the Physical Development Plan, land subdivision, or legislation that authorizes the acquisition or sale of city real estate. PCPC also conducts environmental analyses of all city projects utilizing federal funds, reviews development plans for the Wissahickon Watershed in Northwest Philadelphia, and is responsible for the administrative activity of the Philadelphia Art Commission.

Name and address of agency head
Gary Jastrzab, Executive Director
Philadelphia City Planning Commission
One Parkway Building
1515 Arch Street, 13th Floor
Philadelphia, PA 19102

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$2,272,534	\$2,212,057
Grants Revenue Fund	1,023,748	803,479
Community Development Fund	<u>278,182</u>	<u>237,647</u>
Total Appropriations	<u>\$3,574,464</u>	<u>\$3,253,183</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	34	32
Exempt	<u>2</u>	<u>2</u>
Total Employees	<u>36</u>	<u>34</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$752,000	\$477,000
From Other Governments	<u>552,000</u>	<u>567,000</u>
Total Estimated Revenues	<u>\$1,304,000</u>	<u>\$1,044,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was still not enforced.</u> Four of the five employees tested who had eight or more undocumented sick days, were not 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 city's sick leave policy. In addition, 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. The employee is subject to discharge after the fifth occurrence. We also noted the agency did not issue the eighth-day notification letter informing the four 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.</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's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [105110.03].</p>	<p>At the time of the audit, there were major delays in entering doctor certifications of sick leave usages and in some cases notes were lost. This created erroneous totals of uncertified sick leave for certain employees. At this time, sick leave doctor notes are being entered timely so that the five-day notifications and the eight-day sick abuse letters will be issued promptly and accurately, if required. If an employee is placed on the sick abuse list PCPC will follow the sick leave policy and issue sanctions accordingly.</p>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries, were still not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for thirty-two of the forty-six pay periods tested in fiscal years 2013 and 2014. On two other occasions, the same employee performed the supervisory and executive level approvals of the bi-weekly payroll entries they input into the on-line payroll system.</p>	<p>Failing to segregate 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 whenever possible [105110.06].</p>	<p>PCPC has added a deputy executive director who is authorized to give final executive authorization of payroll in the event of absences. All efforts will continue to be made to have all three levels of the payroll signed off on by three different authorized signers, whenever possible.</p>

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency, 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 agency 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 agency head
Siobhan A. Reardon, President and Director
The Free Library of Philadelphia
1901 Vine Street
Philadelphia, PA 19103-1189

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$35,258,328	\$33,682,773
Grants Revenue Fund	8,418,657	9,102,092
Capital Fund	<u>15,061,000</u>	<u>10,980,000</u>
Total Appropriations	<u>\$58,737,985</u>	<u>\$53,764,865</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	628	630
Exempt	<u>1</u>	<u>1</u>
Total Employees	<u>629</u>	<u>631</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$1,484,000	\$1,344,000
From Other Governments	<u>8,419,000</u>	<u>9,102,000</u>
Total Estimated Revenues	<u>\$9,903,000</u>	<u>\$10,446,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency was unable to provide approved leave requests for all six employees selected for testing.	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 Finance Office [105211.01].	The department is requiring employees to request and record leave usage authorization using the city's Leave Request form (82-S-14).

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's lateness policy still did not define lateness or establish sanctions.</u> While the agency had a written lateness policy, the policy did not adequately define lateness or establish specific sanctions for repeated lateness violations.</p>	<p>The agency 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 formal lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [105211.03].</p>	<p>A revised departmental lateness policy and (enforcement) procedure is currently being developed. It will be implemented following a review with the respective labor organizations.</p>
<p><u>City sick leave policy still was not enforced.</u> All five employees tested had eight or more undocumented sick days, however none were placed on the excessive use of sick leave list or penalized in accordance with the city's sick leave policy. Furthermore, the agency did not issue the required fifth-day warning letter or the eighth-day notification letter informing the employee that he or she was being placed on the sick abuse 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 continue to recommend that the city's sick leave policy's notification requirements, including employee counseling and subsequent sanctions set forth in the policy, be adopted and enforced by management [105210.02].</p>	<p>The Library HR and payroll units are actively reviewing employee sick leave usage on a bi-monthly basis to ensure adherence to the city-wide sick leave policy.</p>

City of Philadelphia
Commission on Human Relations
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Commission on Human Relations (CHR) consists of two separate and distinct commissions: Human Relations Commission (HRC) and the Fair Housing Commission (FHC). The HRC has nine commissioners appointed by the mayor. It was established under the 1951 Philadelphia Home Rule Charter to enforce the Philadelphia Fair Practices Ordinance. The ordinance prohibits discrimination in the areas of employment, housing, public accommodations, and the provision of city services. The ordinance makes it unlawful to discriminate in these areas because of race, color, gender, religion, age, sexual orientation, national origin, ancestry, disability, marital status, and gender identity. In housing, the Philadelphia Fair Practices Ordinance makes it unlawful to additionally discriminate because of the source of income and the presence of children. The FHC has five commissioners appointed by the mayor. It was created by the Philadelphia Code and empowered to enforce the city's Fair Housing Ordinance. That ordinance prohibits landlords from engaging in unfair housing practices. Such practices may include evicting a tenant or raising a tenant's rent if a property where a tenant is living violates the city's housing code. An executive director, appointed by the mayor, heads the CHR. The CHR has four major divisions: Community Relations, Compliance, Administration, and Fair Housing.

<u>Name and address of agency head</u>			<u>Appropriations:</u>		<u>FY 2014</u>	<u>FY 2013</u>	
Rue Landau, Esquire, Executive Director			General Fund		<u>\$2,013,747</u>	<u>\$1,998,475</u>	
Commission on Human Relations							
601 Walnut Street, Suite 300 South							
Philadelphia, PA 19106							
<u>Number of Full Time Employees:</u>			<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service			29	28	From Other Governments	<u>\$150,000</u>	<u>\$250,000</u>
Exempt			<u>1</u>	<u>1</u>			
Total Employees			<u>30</u>	<u>29</u>			

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Employee evaluations were still not recently performed.</u> The agency could not provide a recent performance evaluation for five of the six employees 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 performance reports for all civil service employees by supervisory personnel [105412.01].	Not all performance evaluations were completed. Supervisors have been reminded to complete all evaluations each year.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were still not always segregated.</u></p> <p>The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for twenty-four of the forty-six pay periods tested in fiscal years 2013 and 2014. The same employee also entered the payroll data, and performed the supervisory and executive level approvals in the on-line payroll system for three pay periods. Finally, the same employee entered the payroll data and performed the supervisory review for three pay periods.</p>	<p>Failing to segregate 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>This has been corrected. The clerical supervisor inputs data. The administrative officer performs the supervisory level review. And, the executive director performs the executive level review. Due to our small staff size, when one of the three cited staff is out of the office, the other two must perform multiple duties so that payroll can be completed.</p>
<p><u>Duties for processing personal services expenditures were not adequately segregated.</u></p> <p>The same person who approves the daily attendance records also performs the on-line supervisory level approval of the payroll entries in the on-line payroll system.</p>	<p>Failure to segregate 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 [105412.02].</p>	<p>This has been corrected. The clerical supervisor approves the daily attendance records. And, the administrative officer performs the on-line supervisory level approval of the payroll entries in the on-line payroll system.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for the billing and collection of revenues were not adequately segregated.</u></p> <p>Although minimal in amount, fees for copies of various CHR files and documents are both invoiced and collected by the same employee.</p>	<p>Failure to segregate duties increases the risk of undetected errors in the billing process, and may provide an opportunity to perpetuate and conceal irregularities during the generation of revenues.</p>	<p>The employee assigned to the collection of revenues (access to assets) should be independent of the employee preparing the invoice (access to records) [105410.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>A formal lateness policy was still not established and communicated to employees.</u> Management provided a copy of a lateness policy in draft form that defined lateness and detailed the progressive sanctions for violation of the policy. However, this policy had not yet been finalized and issued to employees.	The agency may not be able 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.	Finalize, issue, and implement the employee lateness policy that has been drafted [105410.02].	Implemented.

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of Human Resources (OHR) and the Civil Service Commission carry out the central personnel functions of the City of Philadelphia. Although the two agencies interact with one another, they each have separate and distinct functions. The OHR, which was established by the Philadelphia Home Rule Charter, carries out the specific tasks of the city's centralized personnel program. In this capacity, the office assists other city agencies in such matters as: attracting and developing a well qualified and diverse workforce; planning for current and future workforce needs; developing and implementing programs to improve human resource management in city government; maintaining accurate employee records, both electronic and paper-based; maintaining lists of candidates for civil service employment to supply on-going needs; and promoting workforce diversity by conducting recruitment and developing outreach programs for disabled and minority job candidates. A human resources director, appointed by the Civil Service Commission, manages the agency.

Established by the Home Rule Charter as an independent commission, the Civil Service Commission oversees the system of personnel administration governing the appointment, promotion, demotion, transfer, lay-off, removal, and discipline of city employees. Its primary responsibility is to advise both the mayor and the human resources director on human resources management issues, but other responsibilities include: ruling on proposed civil service regulations and any modifications to existing regulations, position classifications and pay plans; serving as an appellate tribunal for employee appeals involving demotion, lay-off, or disciplinary action; and ruling on requested exemptions from civil service regulations. The Civil Service Commission consists of three members. The mayor appoints each member from a list submitted by a nominating panel to serve a six-year term. These terms are overlapping with one member appointed every two years. For fiscal year 2014, the Civil Service Commission received additional appropriations of \$84.7 million for anticipated labor costs from arbitration awards.

Name and address of agency head
Albert L. D'Attilio, Esq., Director
Office of Human Resources
Municipal Services Building, 15th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Office of Human Resources		
General Fund	\$ <u>5,886,218</u>	\$ <u>5,347,459</u>
Civil Service Commission		
General Fund	\$ <u>84,875,942</u>	\$ <u>166,903</u>

Doris A. Smith, Chairperson
Civil Service Commission
Municipal Services Building, 16th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Office of Human Resources		
Civil Service	73	73
Exempt	<u>5</u>	<u>5</u>
Total Employees	<u>78</u>	<u>78</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Office of Human Resources		
Non-Tax Revenue	\$ <u>2,000</u>	\$ <u>2,000</u>
Civil Service Commission	\$ <u>-0-</u>	\$ <u>-0-</u>

Civil Service Commission		
Civil Service	<u>2</u>	<u>2</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																
<p>PERSONAL SERVICES</p> <p>City sick leave policy was still not enforced. OHR did not always place employees of certain agencies within the Shared Services Program¹ on the excessive use of sick leave list when they reached eight undocumented sick days. Nor did they penalize those employees in accordance with the city's sick leave policy. We also noted OHR could not always provide us with documentation that it issued the required fifth day warning letter or the eighth day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list. Table 1 shows the policy was not always enforced for the following shared-services agencies:</p> <p>Table 1: Sick Leave Policy Not Enforced</p> <table> <tr> <th colspan="4">Number of employees</th></tr> <tr> <th>City agency</th><th>No 5th day warning letter</th><th>No 8th day warning letter</th><th>Sick abuse penalties not enforced</th></tr> <tr> <td>Public Property</td><td>1</td><td>2</td><td>3</td></tr> <tr> <td>Fleet Management</td><td>3</td><td>2</td><td>2</td></tr> </table> <p>Source: Prepared by the Office of Controller</p>	Number of employees				City agency	No 5 th day warning letter	No 8 th day warning letter	Sick abuse penalties not enforced	Public Property	1	2	3	Fleet Management	3	2	2	<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 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 [105612.01].</p>	<p>The Office of Human Resources agrees with the purpose of the sick leave policy for civil service employees and will be more vigilant in enforcement.</p>
Number of employees																			
City agency	No 5 th day warning letter	No 8 th day warning letter	Sick abuse penalties not enforced																
Public Property	1	2	3																
Fleet Management	3	2	2																

¹ Under the Shared Services Program, some payroll related functions (e.g. timekeeping, record keeping, appointments, separations, etc.) for the participating agencies are handled by designated personnel within the OHR, rather than employees within the individual agencies.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																																								
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries still were not always segregated.</u> During our review of fiscal years 2013 and 2014, we noted OHR and certain agencies within the Shared Services Program, failed to segregate bi-weekly payroll duties. Table 2 illustrates the segregation of duty exceptions for the following agencies within the Shared Service Program, as well as for the Office of Human Resources.</p> <table><tr><th colspan="5">Table 2: Segregation of Duty Exceptions</th></tr><tr><th colspan="5">Number of occurrences</th></tr><tr><th>City agency</th><th>Payroll data entry and supervisory approval</th><th>Payroll data entry and executive approval</th><th>Supervisory and executive approval</th><th>Payroll data entry, & supervisory and executive approvals</th></tr><tr><td>Public Property</td><td>1</td><td>0</td><td>8</td><td>0</td></tr><tr><td>Fleet Management</td><td>1</td><td>0</td><td>8</td><td>0</td></tr><tr><td>Procurement</td><td>1</td><td>0</td><td>5</td><td>1</td></tr><tr><td>Mural Arts</td><td>9</td><td>5</td><td>3</td><td>28</td></tr><tr><td>Human Resources</td><td>2</td><td>0</td><td>5</td><td>0</td></tr></table> <p>Source: Prepared by the Office of Controller</p>	Table 2: Segregation of Duty Exceptions					Number of occurrences					City agency	Payroll data entry and supervisory approval	Payroll data entry and executive approval	Supervisory and executive approval	Payroll data entry, & supervisory and executive approvals	Public Property	1	0	8	0	Fleet Management	1	0	8	0	Procurement	1	0	5	1	Mural Arts	9	5	3	28	Human Resources	2	0	5	0	<p>Failing to segregate duties and combining multi-level reviews increases 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>The Office of Human Resources agrees with the Controller's recommendation and will assign different individuals to perform these functions.</p>
Table 2: Segregation of Duty Exceptions																																											
Number of occurrences																																											
City agency	Payroll data entry and supervisory approval	Payroll data entry and executive approval	Supervisory and executive approval	Payroll data entry, & supervisory and executive approvals																																							
Public Property	1	0	8	0																																							
Fleet Management	1	0	8	0																																							
Procurement	1	0	5	1																																							
Mural Arts	9	5	3	28																																							
Human Resources	2	0	5	0																																							

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared for some of the agencies within the Shared Services Program.</u> OHR could not provide authorized leave requests for two out of six employees tested for the Office of Fleet Management, and for five out of nine employees tested in the Department of Public Property.</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 [105612.02].</p>	<p>Leave time is authorized and approved in the operating department by the employee's supervisor and noted on the timesheet/timecard. Timesheets and timecards are signed by the employee's supervisor or manager, indicating his or her approval of the reported leave. The Office of Human Resource payroll staff only posts time indicated on an approved timesheet/timecard.</p> <p>[Controller's Office Evaluation of Agency's Response: The agency responsible for payroll processing should ensure that the leave time they are posting is properly authorized and approved.]</p>
<p><u>Payroll data entries still were not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets for both the Department of Public Property and the Office of Mural Arts. Attendance records for two of the nine Public Property employees and two of the six Mural Arts employees tested did not agree to the on-line postings. Both Public Property employees used an hour of vacation but were not charged leave time. In addition, a Mural Arts employee was not charged for a vacation day and another was not charged for three hours of sick leave.</p>	<p>Systemic 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 [105611.02].</p>	<p>The Office of Human Resources accepts the Controller's recommendation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>The agency's lateness policy still 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.	The agency 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.	Revise the lateness policy to define progressive sanctions for chronic violations of the policy [105610.01].	<p>The Office of Human Resources does not have a lateness problem and we believe our current policy provides the flexibility needed to manage a lateness problem should one develop.</p> <p>[Controller's Office Evaluation of Agency's Response: By not defining lateness or addressing progressive sanctions for lateness, the agency is not ensuring fair discipline and not allowing an employee to know the consequences of bad behavior. In addition, having a comprehensive discipline program avoids possible legal complications.]</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed two employees, within the Shared Services agencies, who remained on the city's payroll after their last day of work with the city. Specifically, we noted that a Department of Public Property employee was inappropriately paid for four days after his last day of work and another check was cut for two weeks of pay in the following pay period. The Office of the Director of Finance found the errors and was able to deduct the four days of overpayment from the employee's termination pay as well as reverse the payment for the two weeks of salary before payment was made to the employee. We also noted a check for a two week pay period was cut for an employee of the Procurement Department after her last day of work. The Office of the Director of Finance again found the error and was able to withhold the employee's check before the check was mailed to the employee.	Errors or irregularities occurred and were not detected by OHR during the normal process of preparing the bi-weekly payroll. In one of the instances, a separated employee was paid erroneously.	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 [105612.03].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee overtime was not always preauthorized for an agency within the Shared Services Program.</u> Overtime was paid without evidence that management had pre-approved the requests for the Office of Mural Arts. OHR could not provide authorization forms for five of the twenty-five sample dates tested.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Such discretionary overtime may result in lax work habits, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [105611.03]	Implemented.

City of Philadelphia
Office of Property Assessment*
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Office of Property Assessment (OPA) was created by City Council Ordinance Number 090706, approved by the mayor on January 23, 2010. The OPA is responsible for assessing and valuing all real property within Philadelphia, while the Board of Revision of Taxes handles appeals of those assessments. Other duties of the OPA include: ensuring the annual revision and equalization of all assessments; certifying all assessments after their revision and equalization; determining tax exemptions, administering the city's tax abatement programs; and maintaining an addressed-based property information database. A Chief Assessment Office, appointed by the mayor and approved by City Council, directs the operation of the agency.

Name and address of agency head
Michael Piper, Chief Assessment Officer
Office of Property Assessment
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$13,326,276	\$11,714,752

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	178	172
Exempt	<u>1</u>	<u>1</u>
Total Employees	<u>179</u>	<u>173</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$2,000	\$2,000
From Other Governments	<u>2,000,000</u>	<u>-0-</u>
Total Estimated Revenues	<u>\$2,002,000</u>	<u>\$2,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE RECEIPTS <u>Instructions to standardize the real estate valuation assessment process (precepts) were still not updated annually.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures 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.	Without clear guidance, improper re-assessments may occur without detection.	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].	The department has begun the process of updating the precepts. But major revisions are needed in order to reflect changes in both the assessment industry and the many process modifications that have been implemented since the last update. The precepts update will be an ongoing project.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For twenty-one of the forty-six pay periods tested in fiscal years 2013 and 2014, we found that the same individual performed both the supervisory level approval and the executive level approval of the bi-weekly payroll. On three occasions, the same individual entered the daily attendance records into the payroll system, and entered the supervisory level approval and the executive level approval, thereby performing all three duties. Finally, for one pay period in fiscal year 2014, the same individual entered the daily attendance records into the payroll system and entered the executive level approval on it.	Failing to segregate 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.	Assign different individuals to perform the data entry, the supervisory and the executive level approvals of the bi-weekly payroll whenever possible [105912.02].	Staff shortages created complications in maintaining signoff levels recommended. Department has appropriate approval for hiring and is working on filling vacant positions.
<u>A formal lateness policy still 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.	The agency 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.	Compile, issue and implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [105911.03].	Policy is in final approval process. Department expects to implement effective 12/1/2014.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Direct deposit documentation still was not available for review.</u> Management informed us the department did not retain employee forms authorizing direct deposit of wages but instead discarded them after direct deposit had taken effect for an employee.	Loss of supporting documentation that authorizes direct deposit of wages may conceal irregularities.	In the future, employee forms authorizing direct deposit of wages should be retained on file by the department [105911.05].	Implemented.

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Board of Revision of Taxes was created by the Pennsylvania legislature and charged with providing market valuations of all real estate within Philadelphia and administering the tax assessment process. As a result of a Reorganization Ordinance passed by City Council in 2009, and a subsequent Pennsylvania Supreme Court decision, the city's Office of Property Assessment was made responsible for assessing and valuing all real property; and the Board of Revision of Taxes was made responsible for hearing and rendering decisions on appeals of those assessments. The Board of Revision of Taxes also supports a three member Board of View that hears and renders decisions for condemnation (eminent domain) appeals.

Name and address of agency head
Carla Pagan, Executive Director
Board of Revision of Taxes
601 Walnut Street, Suite 325 East
Philadelphia, PA 19106

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	<u>\$1,050,587</u>	<u>\$708,540</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	2	2	Non-Tax Revenue	<u>\$1,000</u>	<u>\$1,000</u>
Exempt	<u>9</u>	<u>5</u>			
Total Employees	<u>11</u>	<u>7</u>			

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>The on-line payroll time records were not reviewed to ensure a separated employee was removed.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for eleven days after her termination date.	The separated employee was paid for time not worked totaling \$2,107.	Require someone independent of payroll preparation to review the on-line payroll time records to ensure separated employees are removed [106313.01]. In addition, we recommend the agency submit a payroll credit advice to the city's Finance department to recover the overpayment of wages paid to the separated employee [106313.02].	The department believed the Board of Judges was considering a change in the termination date. Final word that no change was going to be made arrived within those 11 days. We will send a payroll credit to Finance.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> Of the forty-six payroll periods tested for fiscal years 2013 and 2014, we found forty-two occasions where the same individual performed both the supervisory and executive approvals of the bi-weekly payroll. On two occasions, the same person entered the payroll data and performed both the supervisory and executive level approvals, thereby performing all three duties. On one occasion, the same person entered the payroll data and performed the executive level approval.	Failing to segregate 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.	Assign different individuals to perform the data entry, the supervisory and the executive level approvals of the bi-weekly payroll whenever possible [106312.01].	The observation is correct. There are only 4-5 full time, permanent employees in the department. Two have access to payroll records. Supervisory and executive approvals will never be segregated. The "on occasion" observations were a department error and should not occur again.
<u>For the fourth 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.	The agency 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.	Compile, issue and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [106310.04].	The BRT will adopt the same lateness policy the OPA adopts. OPA product drives BRT demand in any given tax year. For the last four years, policy has been held up with DC 33 issues.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Daily attendance records were not required for exempt employees.</u> Without such records there is no documentation to support the number of hours or the employees' accumulated leave balances.	Failure to require employees to record their work hours on a daily attendance record increases the risk of misappropriation of time by employees or errors occurring in the preparation of the bi-weekly payroll.	Management should maintain written attendance and leave records for its exempt employees as required by the city's Administration Board Rule No. 11 [106311.01].	Implemented.

City of Philadelphia
Register of Wills
Findings and Recommendations
Fiscal Years 2014 and 2013

Functions

The Register of Wills was incorporated into city government through the City-County Consolidation Amendment to the Pennsylvania Constitution adopted November 6, 1951. The Register of Wills, who is elected to a four- year term, has the following responsibilities: probating wills; granting letters testamentary appointing executors of wills and letters of administration appointing administrators for estates of persons who died without leaving a will; approving and filing the accounts of executors and administrators; and recording all wills, accounts, inventories and appraisals of estates. In addition, the Register of Wills also serves as the Clerk of Orphans' Court, a division of the Court of Common Pleas. As the Clerk of Orphans' Court, the Register supervises the Marriage License Bureau and issues marriage licenses; keeps a record of Orphans' Court proceedings; and performs associated administrative duties.

Name and address of agency head
Honorable Ronald R. Donatucci
Register of Wills
City Hall, Room 180
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$3,403,341	\$3,331,292

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Exempt	62	64	Non-Tax Revenue	\$3,900,000	\$3,900,000

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [106812.01].	No response was received by management.

City of Philadelphia
District Attorney's Office
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Honorable R. Seth Williams
District Attorney
Three South Penn Square
Philadelphia, PA 19107-3499

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$32,081,616	\$31,054,996
Grants Revenue Fund	18,323,444	19,406,000
Total Appropriations	<u>\$50,405,060</u>	<u>\$50,460,996</u>

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service - Uniformed	25	23
Civil Service - Civilian	71	73
Exempt	<u>452</u>	<u>428</u>
Total Employees	<u>548</u>	<u>524</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$10,002,000	\$10,002,000
From Other Governments	<u>8,398,000</u>	<u>9,481,000</u>
Total Estimated Revenues	<u>\$18,400,000</u>	<u>\$19,483,000</u>

Observation Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries, were not always segregated.</u> The same employee performed the data entry into the on-line payroll system while also performing the supervisory level approval for twenty-five of the forty-six pay periods tested. In addition, another employee performed both the supervisory and executive level approvals of the bi-weekly payroll for two pay periods, and the data entry and executive level approval for another pay period.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [106913.01].	No response was received by management.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
(continued) Finally, the same employee performed the data entry, and the supervisory and executive level approvals for one pay period, thereby performing all three duties.			
<u>Employee overtime still was not authorized.</u> Overtime was paid without evidence that management approved the requests. Management could not provide approved authorization forms for five of the six employees (15 out of 18 sample dates) tested.	The risk of having employees 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 [106912.01].	No response was received by management.
<u>A formal lateness policy was still 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.	The agency 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.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [106912.02].	No response was received by management.
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide us with authorized leave requests for the six employees we tested.	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 [106911.01].	No response was received by management.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting personnel time in the field still 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.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [106911.02].	No response was received by management.
<u>Payroll data entries were still 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.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	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].	No response was received by management.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. Two of the four civil service employees we tested did not have a recent performance evaluation.	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 performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [106912.03].	Implemented.

City of Philadelphia
Office of the Sheriff
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Honorable Jewell Williams, Sheriff
Office of the Sheriff
100 South Broad Street, 5th Floor
Philadelphia, PA 19110

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$14,669,842	\$14,088,657

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	255	210
Exempt	22	21
Total Employees	277	231

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$3,350,000	\$5,800,000

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Lateness policy still did not establish progressive sanctions for violations.</u> While the Sheriff's Office had a written lateness policy, it did not establish progressive sanctions for chronic violations of the policy.	By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the Sheriff's Office may not be able to 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.	Revise the lateness policy to define progressive sanctions for chronic violations of the policy [107012.01].	No response was received by management.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide us with formal leave requests for compensated absences for three of the five employees selected for testing.	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 [107011.03].	Implemented.

City of Philadelphia
City Commissioners Office
Findings and Recommendations
Fiscal Years 2014 and 2013

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 agency head
Honorable Anthony Clark, Chair
City Commissioners Office
City Hall, Room 132
Philadelphia, PA 19107

<u>Appropriations:</u>	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$8,889,014	\$8,847,093
Grants Revenue Fund	<u>100,000</u>	<u>4,399,813</u>
Total Appropriations	<u>\$8,989,014</u>	<u>\$13,246,906</u>

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

<u>Number of Full Time Employees:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	69	75
Exempt	<u>15</u>	<u>15</u>
Total Employees	<u>84</u>	<u>90</u>

<u>Estimated Revenues:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$25,000	\$25,000
From Other Governments	<u>100,000</u>	<u>4,400,000</u>
Total Estimated Revenues	<u>\$125,000</u>	<u>\$4,425,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entries were still 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.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entry by referencing back to the daily attendance records. This process should be documented [107311.04].	The department has assigned our administrative officer to perform biweekly spot checks of payroll data entries.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide approved leave requests for sixteen of the thirty leave requests selected for testing.	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 forms for supervisory review and approval in accordance with accounting procedures of the city's Finance Office [107310.04].	The department began requiring employees to formally submit leave request forms for all leave beginning on April 15, 2013.
<u>Employee overtime was still not authorized.</u> Overtime authorization slips were not provided for the six employees we selected for testing. The agency does not utilize overtime authorization slips, but rather uses email for the authorization of overtime requests. However, the email provided as an example of overtime authorization did not specifically name the employees requesting overtime nor did it specify the number of hours of overtime requested.	The risk of having employees 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 [107310.05].	Beginning July 2014, the department began authorizing overtime by email for each individual employee who received approval to work overtime during non-peak periods. Directly before and after each election, the department approves overtime on a department-wide basis because the work load increases significantly and employees assist with all tasks that need to be completed.
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> The same individual entered the daily attendance records into the payroll system and then placed the supervisory and executive level approvals on them for seventeen pay periods during fiscal years 2013 and 2014, in over half of the agency's divisions. In addition, the same individual performed both the supervisory and executive level approvals of the bi-weekly payroll entries for twenty-eight pay periods during fiscal years 2013 and 2014 in over half of the agency's divisions.	Failing to segregate 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.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll whenever possible [107310.07].	Beginning April 2014, the department assigned different individuals to perform the data entry, and the supervisory and executive level approvals for payroll.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>City sick leave policy was not enforced.</u> Of the five employees tested, two of the three employees who reached eight undocumented sick days were not penalized in accordance with the city's sick leave policy. Furthermore, the agency could not provide us with the five-day warning letter for three of the employees tested.	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.	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 [107312.01].	Implemented.
<u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not performed for four of five employees tested.	Failure to provide feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [107312.02].	Implemented.
<u>Attendance records (such as sign-in sheets or clock cards) could not always be provided.</u> For three out of five employees tested, the agency could not provide a complete set of attendance records for the bi-weekly pay period.	Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control departmental operations.	Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of departmental transactions [107312.03].	Implemented.
<u>Documentation supporting personnel time in the field was incomplete.</u> The agency does not utilize a field sheet to log employee time spent working in the field.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	Require employees to use call in/out procedures and field destination sheets [107312.04].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Collections were still not deposited timely with the city's Department of Revenue.</u> A review of validated deposit summaries found that four of five sampled revenue deposits were not made timely. One deposit took as long as 31 working days. None of the five sampled deposits, ranging from \$80 to \$ 2,790 were made on the same day the money was collected or on the next day of business.	Failure to deposit collections timely increases the risk of theft and minimizes the amount of interest the city can earn on funds.	To the extent possible, minimize the length of time it takes to deposit cash and checks collected with the city's Department of Revenue [107311.01].	Implemented.
<u>Responsibilities for collecting, recording and verifying deposited revenues were still not properly segregated.</u> The same Campaign Unit employee was responsible for assessing various fees, collecting cash and checks, preparing receipt documents, recording transactions in the Commissioners' Office books and records, and forwarding the fee money collected to the Budget Unit for deposit. Additionally, we noted the Budget Unit employee responsible for depositing the fee money also compared the validated deposit summary to the city's centralized accounting system (FAMIS) for agreement.	Failure to adequately segregate duties over the processing of revenue collections increases the risk of undetected errors and misappropriation of assets.	The incompatible duties of handling cash receipts and maintaining the accounting records by a Campaign Unit employee, as well as the incompatible Budget Unit employee's duties of preparing cash receipts for deposit and comparing the validated deposit summary to FAMIS should be separated [107311.02]. We also recommend that validated deposit summaries be independently compared to both FAMIS and the Commissioners' Office internal accounting records [107311.03].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were still not always authorized by supervisory personnel.</u> Our testing of attendance records revealed that seventeen of the fifty-seven records tested were not approved by supervisory personnel as required by accounting procedures of the city's Finance Office.	Employees 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 [107310.02]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [107310.03].	Implemented.
<u>Payroll record changes were still not reviewed for accuracy.</u> The person who is responsible for reviewing the on-line system to ensure separated employees are properly and timely removed from the active files is also responsible for entering payroll data.	Separated employees could remain on the payroll.	An independent review of all changes to personnel and payroll records should be performed by management [107310.06].	Implemented.
<u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency 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.	Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [107310.08].	Implemented.

City of Philadelphia
First Judicial District of Pennsylvania*
Findings and Recommendations
Fiscal Years 2014 and 2013

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. Philadelphia Traffic Court was established under Article V, Section 1 and 6 (c) of the Constitution of Pennsylvania, as amended in 1968, and under Section 301 and 1321 of the Judicial Code. 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 agency head

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

Appropriations:

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund	\$104,973,196	\$101,370,322
Grants Revenue Fund	46,044,860	55,349,937
Total Appropriations	<u>\$151,018,056</u>	<u>\$156,720,259</u>

Number of Full Time Employees:

	<u>FY 2014</u>	<u>FY 2013</u>
Civil Service	6	7
Exempt	2,325	2,353
Total Employees	<u>2,331</u>	<u>2,360</u>

Estimated Revenues:

	<u>FY 2014</u>	<u>FY 2013</u>
Non-Tax Revenue	\$44,305,000	\$44,280,000
From Other Governments	57,422,000	66,733,000
Total Estimated Revenues	<u>\$101,727,000</u>	<u>\$111,013,000</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eleven of the forty-five pay periods tested in fiscal years 2013 and 2014. Additionally, the same individual entered the daily attendance record into the payroll system and performed the supervisory approval for four pay periods.</p>	<p>Failing to segregate 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 [108411.01].</p>	<p>A management restructuring in the Office of Human Resources and additional approvers were added to enable multi-level payroll approval. Also, given the limited Payroll Unit staff (two employees) assistance in payroll sign-off will be provided by the OHR director and/or the City Payroll Dept when a payroll employee is on leave.</p>

APPENDIX I: SUMMARY OF FINDINGS

	City Council	OIT	Office of the Mayor	OHCD	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBH/IDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OSH	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	Youth Commission	OIG	City Planning Commission	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	Register of Wills	District Attorney's Office	Sheriff's Office	City Commissioners	First Judicial District					
Revenue and Receipts																																															
Outdated policy and procedures																				✓																✓											
Incorrect billing information																					✓																										
Personal Services																																															
Inadequate documentation of paid leave	✓	✓	✓					✓			✓	✓			✓						✓								✓		✓			✓							✓		✓				
Accuracy of payroll not checked														✓																						✓		✓			✓		✓				
Incomplete documentation						✓						✓						✓																							✓						
Improper supervisory review					✓								✓						✓																	✓											
Inadequate lateness policy	✓	✓	✓	✓		✓				✓	✓	✓				✓					✓		✓	✓	✓										✓		✓	✓	✓	✓	✓	✓	✓	✓			
Employee overtime not authorized							✓					✓																								✓					✓		✓				
Attendance sheets improperly used														✓																																	
Inadequate duty segregation	✓		✓		✓									✓	✓	✓													✓			✓	✓	✓	✓	✓	✓				✓		✓		✓		
Sick leave policy was not enforced	✓				✓	✓		✓			✓	✓		✓	✓			✓			✓								✓	✓			✓	✓	✓	✓					✓			✓			
Employee evaluations not performed							✓	✓		✓	✓	✓		✓			✓		✓					✓	✓		✓								✓												
Attendance sheets improperly reviewed			✓				✓																				✓																				
Separation authorization not provided												✓																																			
Inappropriate handling and distribution of checks																															✓																

CONTROLLER'S OFFICE CONTACT AND STAFF ACKNOWLEDGEMENTS

City Controller's Office Contact

Bill Rubin, First Deputy City Controller, (215) 686-6696, bill.rubin@phila.gov

Staff Acknowledgements

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