



2015

OFFICE OF THE CITY CONTROLLER
CITY OF PHILADELPHIA

ALAN BUTKOVITZ

City Controller

BILL RUBIN

First Deputy City Controller

GERALD V. MICCIULLA, CPA

Post-Audit Deputy Controller

JOHN THOMAS

Pre-Audit Deputy Controller

Award of Excellence
National Association of
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Gold Knighton Award 2014 Distinguished Knighton Award

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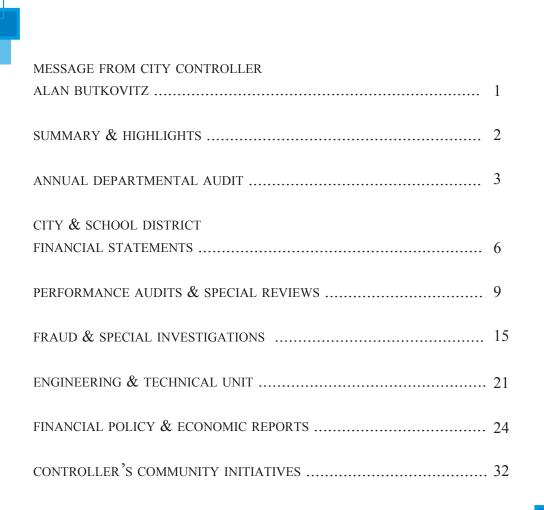
2008 Silver Knighton Award 2009 Silver Knighton Award Gold Medal Winner Best Website

...with Fiscally-Sound Solutions"

2015 Annual Report

Office of the City Controller
City of Philadelphia

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Message from the City Controller

Looking back over the exemplary, professional work produced by the Controller's Office in 2015 has provided me with the opportunity to reflect on the positive impact we have had on the City of Philadelphia.

While we audit annually the internal operations and controls of every department, along with monitoring the financial statements of the School District of Philadelphia, the majority of our work over the last year focused on improving public safety to benefit all neighborhoods around the city, including children in our public schools.

We continued our investigation of the Department of Licenses and Inspections' (L&I) policies and procedures for demolitions. Through a combined effort by the Post-Audit Division and the Fraud Unit, it was determined that L&I was not following the safety guidelines established in the prior two years and was still jeopardizing lives when it came to monitoring unsafe properties. The investigation also led to uncovering concerning communication between L&I executives as well as questionable overtime costs that added additional layers to the issues within the Department.

Prior to being sworn into office, Mayor Kenney recognized the importance of our work and placed a high priority on making immediate changes to L&I, including personnel adjustments within management and placing an emphasis on code enforcement.

Our review of the School District's facilities provided public insight into the conditions that administrators, teachers and students must endure in many of our public schools. The Pre-Audit Division along with members of the Fraud Unit uncovered numerous health and safety violations, including exposed asbestos, deplorable bathrooms, improperly maintained electrical wires and several other conditions that make it hard to believe anyone could learn in these types of environments.

Once presented with these findings, the executive leadership under Dr. William Hite wasted no time in implementing a game plan to make necessary repairs throughout the summer break. In fact, when we conducted a follow-up prior to the start of the new school year, many of the conditions that we identified no longer existed.

In addition, our Policy Unit continued its work with the Anchor Procurement Initiative which identified industries where the city could create new jobs by building partnerships with the medical and educational institutions. We also conducted an economic impact study of Southport that determined as many as 8,000 new jobs could be created by expanding the land at the Navy Yard to allow for more containers, autos and energy production facilities.

We pride ourselves on producing reports that benefit all Philadelphians. Whether it is identifying opportunities for new revenues and savings or creating opportunities to generate economic growth, we will continue our efforts to generate results. Most importantly, we always look forward to working with policymakers, business leaders, educators and active citizens to make a real difference for our city.

ALAN BUTKOVITZ
City Controller



Highlights from 2015

In the News



newsworks

JULY 1, 2015

Unsanitary, unsafe conditions found in Philadelphia schools







Philadelphia's City Controller: Abandoned Property Poses Public Safety Threat

February 12, 2015 4:20 AM

Pat Loeb

By Pat Loeb

PHILADELPHIA 丞 (CBS) — Philadelphia's City Controller is calling for the demolition of more than 100 vacant buildings that he says create a public safety hazard.

Controller Alan Butkovitz says he reviewed Licenses and Inspections records on more than

The Philadelphia Tribune

City Controller plans for more manufacturing jobs

Posted: Thursday, May 7, 2015 2:45 pm

Damon C. Williams Tribune Staff Writer

City Controller Alan Butkovitz has released a blueprint and policy paper to bring thousands of manufacturing jobs back to Philadelphia.

Around the Community



Meeting with business owners along the Allegheny Business Corridor



Discussing job creation initiative at the Manufacturer's Association of Philadelphia



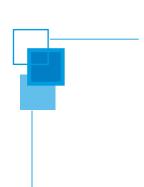
Joining the festivities at the Mayfair/ Holmesburg Thanksgiving Parade



Welcoming Cambodian Ambassadors to the City of Philadelphia



Recognizing student mentors from Charter High School for Architecture & Design for their great auditing work



Annual Departmental Audit



"Ensuring Efficiency & Effectiveness
Throughout All City Operations"

Released: June 2015

Annual Departmental Audit (FY2013-14)

The Controller's Office has examined the financial affairs of Philadelphia's various agencies for fiscal years 2014 and 2013 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. All 42 city departments are audited as part of the report.

The Controller's Office found that nearly half of the City's 42 departments lack any policy or consequences for their employees arriving late to work, according to the office's FY 2013 and 2014 annual audit of all Philadelphia agencies.

Approximately 20 departments had no written procedures for lateness while ten of these departments were also lax in requiring their employees to properly submit leave requests for paid time off. The Office of Innovation and Technology and the Free Library, for example, could not provide any documentation authorizing paid time off for the employees sampled in the audit.

Additionally, the Controller's Office determined that payroll time records were not always monitored to ensure that former employees were removed from active status within the payroll system. A separated employee, for example, who had worked with the Board of Revision of Taxes (BRT), remained on the City's payroll and was paid for eleven days after his or her termination date. The \$2,107 paid to the employee remains unrecovered.

The audit also indicated that, in nearly 40 percent of all departments, the same individual was responsible for entering payroll data and providing supervisory and executive level reviews.



The Controller's Office found a number of personnel policies that were not enforced or established:

- City Council had still not designed and implemented a sick leave policy for staff.
- The legislative body also had not established a formal lateness policy.
- Documentation supporting and authorizing employee leave time was not routinely prepared.

The Controller's Office recommended the following:

- City Council is urged to design, implement and enforce a sick leave policy. It should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that occur when abuse takes place.
- Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and progressive sanctions for violations of the policy.
- Require employees to formally submit leave request forms for

supervisory review and approval in accordance with standard accounting procedures of the city Finance Office

While the Controller's audit found several internal control deficiencies, a number of agencies took corrective action on prior year conditions such as the Board of Ethics, the Department of Public Property, the Department of Records and the Office of the Director of Commerce.

A complete breakdown of findings by department as well as specific findings identified in the Department of Human Services is included on the following page.

Summary of Findings

	City Council	OIT	Office of the Mayor	ОНСD	CEO	МБО	₽I'	Department or Streets	Fire Department	Public Health	Parks / Recreation	Public Property	SHO	Philadelphia Prisons	OSH	Fleet Management	Licenses & inspections Water Department	Vacer 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	OlG	City Flaming Commission	Human Relations	OHR / Civil Service	OPA	BRT	Register of Wills	District Attorney's Office	Sheriff's Office	City Commissioners	First Judicial District
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Accuracy of payroll not checked	П							Т		Т	Т		✓				Т	Т	Т	П					П	Т	Т	Т	Τ	Т	Т	V		✓		✓		✓	\neg
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Improper supervisory review	Г				✓			T									Т		Т						П	П		T	T		V							\Box	\Box
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Attendance sheets improperly used													✓																										
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Sample Department: Human Services Findings, Recommendations & Action

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response	Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES Pavroll data entries were not adequately checked. There was no evidence that someone independent of payroll repearation was spot checking data entries to the payroll memorate by the control of the daily memorate by the control of the daily 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 can be provided by the provid		Partial data entre, and autor-tisory and coccusives approach of anytholl time excord countries were autorities as the control time exceed to the control of	Falling to segregate duties and combing multi-level approvals combing multi-level approvals 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 perform the data entry, and the approvals of the bi-weekly payroll [102210.02].	Due to shortage of staff, the psyroll supervisor assumed responsibility for both the staff of th
Employee evaluations were still not always performed. The agency could not provide a	Failure to provide management feedback to employees on an annual	Require the preparation of annual performance reports for all civil	The HR office will continue to send out reminders to all staff regarding established	executive-level approval.			
recent performance evaluation for three out	basis may impact opportunities for	service employees by supervisory	deadlines. The HR office will provide	6	ORRECTIVE ACTION ON PRIOR YE.	A D ODSEDVATIONS/CONDITIONS	
of the six employees we tested.	employee advancement, or where required, corrective actions.	personnel [102212.01].	directors with a list of any outstanding evaluations under their chain command.	Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
			Any evaluations not submitted timely will be provided to each deputy commissioner to address.	Payroll data entries for separated employees were not always checked. One of the five separated employees tested received a full bi- weekly salary for the period after her date of	Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the	Implemented.
City sick leave policy still was not enforced. 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	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	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	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.	paid erroneously.	payroll time records accurately reflect the status of all separated employees [102212.03].	
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, at 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 cighth-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.		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].	performing it in a timely manner.				
Daily attendance sheets were still not used contemporaneously. 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 lunds.	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.				

CITY & SCHOOL DISTRICT FINANCIAL STATEMENTS



"Providing Necessary Oversight of City & School District Funds"

Report on Internal Control & Compliance City of Philadelphia (FY2014)

Released: August 2015

The City Controller's FY2014 Report on Internal Control & Compliance for the City of Philadelphia audited the basic financial statements for the city along with reviewing the internal control over financial reporting. Auditors also examined compliance with certain provisions of laws, regulations, contracts and grant agreements to identify any noncompliance, which could have a direct and material effect on the financial statements.

The Controller's Office found the city's financial statements were presented fairly and in accordance with generally accepted accounting principles, but the Office identified some weaknesses and deficiencies that contributed to nearly \$2 billion in errors, which included:

- Almost 130,000 water bills valued at \$110 million were adjusted by the Water Revenue Bureau without authorization or dollar amount restrictions.
- Inadequate oversight and review procedures over the city's financial reporting process that impede the ability of city accountants to prepare a timely, accurate and



complete Comprehensive Annual Financial Report for Fiscal Year 2014 (CAFR).

 Unauthorized approvals for payroll and other types of expenditure, thus increasing the risk of improper spending.

The Controller's Office recommends the following:

WRB management should improve controls over the adjustments process in the billing system by incorporating into its quarterly review process significant adjustment types such as bill reversals, re-bills as well as bal-

ance and payment transfers. Also, ensure that the quarterly review pays particular attention to large dollar adjustments and instances of accountants performing multiple adjustments on the same customer account.

- Finance Office management should either hire more accountants or invest in new information technology that will reduce the current labor-intensive procedures needed to prepare the city's financial reports. Also, provide adequate funding to all city agencies currently experiencing difficulty in compiling and providing timely, accurate and complete financial data to the Finance Office for inclusion in the CAFR.
- Finance Office management must review the executive-level approvers in the on-line payroll system to ensure that all individuals are properly authorized and have appropriate on-line access to the system. Management must also ensure that responsible personnel timely revoke the on-line expenditure approval privileges for terminated employees.

PEMEDIATIONS	TATUS OF PRIOR YEAR FINDING	GS EDOM GENERAL CONTROL	I S DEVIEW OF OIT
Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
BUSINESS CONTINUITY 3. Business Continuity Plan: A business confinuity plan had not been developed for the applications reviewd (FAMIS, PsyriA, Prasion PsyriA), Prasion PsyriA, Diagnostic March 1997, Paris PsyriA, and BASIS2).	In the event of a disruption of service, city departments map not be able to provide required services or continue limited operations until service in restored.	Communicate with potentially impacted departments to convey the importance of establishing a bassiness continuity plan. Also, business continuity plan. Also, can be proposed to the proposed of the proposed	Incomplete: In March 2015, OIT personnel informed us that, during late calendar 2014, the cit embedsed on set Continuity of Opennia members of the continuity of Opennia of the Continuity of Opennia of the Color plans. With these plans currently under review, OIT management indicated that they have requested copies of the COOP plans and the Coop plans of the COOP plans and application business needs with the intention of developing a disast recovery plan.
BASIS2 Disaster Recovery: The disaster recovery plan and subsequent testing of the plan had not been formally documented or performed.	The recovery plan may not be available or known to key individuals or may not work as anticipated when faced with an unplanned outage.	Develop, document, and periodically test a disaster recovery plan for the BASIS2 application and infrastructure [300413.14].	Incomplete: OIT supplied a copy of the BASIS2 disaster recovery process; however, it di not provide any documentation to evidence periodic testing of the plan.
15. <u>Disaster Recovery Plan:</u> The disaster recovery plan established for the mainframe applications did not include all pertinent information needed to perform the restoration activities, including: (a) location of the off-site facility and (b) instruction to retrieve back-up media.	Lack of such plans could potentially reduce OIT's ability to restore services in a timely fashion.	Revise the disaster recovery plan to include the noted missing items [300413.15].	Incomplete: Our review of the current mainframe disaster recovery plan found that it now included the location of the off-site facility. However, while there was general instruction to retrieve the back-unedia, the plan did not include the specific locations where the back-up specific locations where the back-up

Report on Internal Control & Compliance School District of Philadelphia (FY2014)

Released: July 2015

The Controller's Office conducted an audit of the school district's basic financial statements for Fiscal Year 2014. The district's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grant agreements were reviewed by the Controller's Office.

The Controller's Office found the District's financial statements were presented fairly and in accordance with generally accepted accounting principles, but the Office identified some concerns:

- School principals failed again to adequately account for their equipment, despite improvements by the school district to oversee management of its \$246 million equipment inventory. The Controller's Office could not find records for 30 percent of the equipment sampled and it was presumed either missing or misplaced.
- District management must improve its maintenance of human resource records including salary and job titles documentation as these were frequently missing. Failure to maintain such documentation could pose



risks of payroll irregularities or violations of federal and/or state employment regulations. It was determined that the school district made steady improvements in complying with its online payroll approval policy.

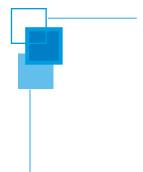
The school district was found to have over \$5 million in unclaimed compensation owed to some 1,900 former employees who separated from employment with the district, some as far back as 10 years ago. Only about \$800,000 has been released, as of June 30, 2014, and at least \$3.5 million should have been deposited with one of the District's 403(b) retirement plan providers. Of the remaining \$1.6 million, at least \$1 million of it should have been escheated to the Commonwealth of Pennsylvania.

The Controller recommended the following:

• C o n t a c t school principals that were visited by the Controller's Office and work with the appropriate school personnel to reconcile and account for differences noted during the audit.

- To improve control over the school district's payroll, document evidence of individuals that have initiated, reviewed and approved changes to start dates; a history of all changes to the start date that occurred and provide evidence for the reason(s) that changes to start dates were necessary.
 - Begin actively increasing referral amounts to 403 (b) plan providers so as to complete the termination process for all employees who separated when they were 55 and older. District management should make certain that Plan providers, who agree to accept the unclaimed termination pay, establish individual accounts for the former employees and provide detailed reports on efforts that have been taken to locate any former employees that are missing. When required, remit to the Treasury Department for escheatment all unclaimed termination pay for the group of former employees who separated when they were under 55 years of age.

School	Items Selected from Records for Observation	Items Missing or Misplaced	Items Selected at Location	Items Not Found in Records	Inventory Not Updated	Equipment Not Tagged	Unauthorized Removal of Equipment
Frankford High School	10	1	10	0			J
Swenson Arts Technical High School	15	1	15	1	J		
Philadelphia High School for Girls	10	1	10	2	J		J
Penn Treaty School	15	1	15	0	J		
Bartram High School	10	8	10	4	1	J	
Creative & Performing Arts High School	15	7	15	1	1	J	1
Franklin Learning Center	10	2	10	2	J	J	
Roxborough High School	10	5	10	5	J	J	
Martin Luther King High School	15	5	15	5	J	J	
Randolph Technical High School	15	6	15	3	J	J	J
Totals	125	37	125	23			



Performance Audits & Special Reviews



"Promoting honest, efficient and fully accountable government"

Review of Recreation Advisory Council's Bank Accounts

Released: January 2015

The Controller's Office commissioned a review of the Department of Parks and Recreation Advisory Council bank accounts for FY 2012

The examination focused on Fox Chase, Vare and Vogt to determine whether the selected councils properly safeguarded and spent funds in accordance with established regulations for the operation and maintenance of Advisory Council bank accounts (i.e. Advisory Council Manual).

Parks and Recreation is responsible for managing and operating all city Recreation Centers. The Philadelphia Recreation Advisory Council (PRAC) is a partnership between community members and Parks and Recreation created to support Recreation Centers.

PRAC is the representative body of all local Advisory Councils, which were established to serve as vehicles for citizen involvement in the individual Recreation Centers and to help ensure that recreation services are geared to the needs of the community. The Local Advisory Councils, comprised



Image of Vare Recreation Center's ledger



Fox Chase Recreation Center

of community residents, recreation center participants and facility staff, raise funds to enhance and improve recreation opportunities in its community.

The review found deficient practices and instances of non-compliance with the Advisory Council Manual, which placed council funds at an increased risk for impropriety:

- The Advisory Council Treasurer at Fox Chase was the only signer on disbursement checks, signed checks payable to herself and had bank statements and cancelled checks mailed to her home. The former Treasurer refused a request by the facility supervisor to access data on a computer the Treasurer used and she took the account's financial records when she left in 2011.
 - The Fox Chase Advisory Council paid total compensation of \$31,150 to four Advisory Council officers and four Recreation Center employees from June through December 2011, a practice expressly prohibited by the Manual.

 Blank checks had been pre-signed at Vogt by Advisory Council officers.

The Controller's Office had a number of recommendations to improve oversight of Advisory Council funds:

- Parks and Recreation management, along with PRAC, should assign facility supervisors and/or PRAC officials with the responsibility for overseeing compliance with the Manual to improve oversight of Advisory Council funds.
- Examine disbursements to ensure that checks contain the required signatures, expenditures are adequately supported and no compensation is paid to council officers or facility employees.
- Management should instruct Advisory Councils that pre-signing blank checks is prohibited.

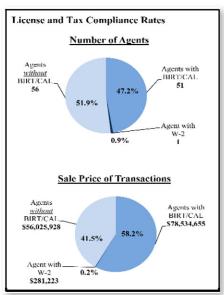
Tax Discovery Initiative: Suburban Realtors Conducting Business in Philadelphia Not Complying with License & Tax Requirements

Released: April 2015

The Controller's Office performed a tax discovery initiative to determine if suburban realtors conducting business in the City of Philadelphia are obtaining the required commercial activity licenses and filing all appropriate City taxes, to generate a report of findings and recommendations regarding collection of unpaid taxes, and to create an atmosphere of compliance within the real estate industry.

The Controller's Office conducted a survey of the top 41 realtor offices in Philadelphia's suburbs that were involved with sales of properties located within the City. Of the realtor offices that responded to the survey, more than half of the agents did not possess the required Commercial Activity License (CAL) and Business Income and Receipts Tax (BIRT) account number.

The sales data reviewed cover the period between July 1, 2010 and June 30, 2014. The agents, who responded that they did not have a CAL and BIRT



Graphic illustrating impact of findings



View of row homes in South Philadelphia

account number, earned commissions associated with at least \$56 million in sale transactions that were not reported to the City and appropriately taxed. Most agents responding to the survey without a CAL and BIRT account number claimed they were unaware of the City's licenses and tax requirements on their commissions.

The Controller's Office review suggested that a lack of accountability at the closing process led to undetected commissions. Realtor agents are not required to provide their CAL or BIRT account number as part of the process.

The Controller's Office recommended the following to address these issues:

 Craft legislation to require realtors conducting property sale transactions within the City to provide their CAL and BIRT account number as part of the closing process.

- Develop and implement an outreach effort to assure those realtors conducting business within the City, along with their tax preparers, are aware of Philadelphia license and tax requirements.
- Identify entities without proper licensing or tax account numbers.
- Establish a more aggressive license and tax enforcement program for the real estate industry.

Released: September 2015

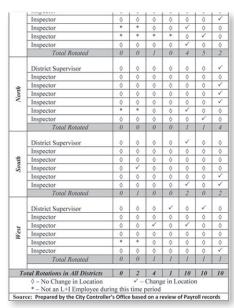
Department of Licenses & Inspections Review of Operations

The City Controller's Office was met with resistance by Licenses and Inspections management when it attempted to conduct a performance audit of the L+I's building inspection processes, for both construction and demolition, to determine if they were properly controlled to minimize the danger of substandard building practices to the public.

As a result, several subpoenas were issued to L+I in order to acquire the necessary records to perform the work. The audit evolved into a special investigation, fueled by various sources that provided information that the Controller's Office attempted to validate.

The Controller's Office uncovered the following:

 Continued to jeopardize public safety by employing inspector trainees who failed to obtain their required UCC certifications and



Graphic illustrating minimal rotations among inspection districts



Vacant row homes in West Philadelphia

allowed said trainees to conduct inspections.

- Is not in compliance with Civil Service regulations that require newly hired employees to receive a two- and five-month probationary performance report.
- Does not adequately monitor overtime worked by its inspectors that resulted in a 235 percent cost overage in fiscal year 2015.
- Staff and/or management can easily manipulate data within the database HANSEN System. Specifically, HANSEN allows uncertified inspectors the ability to update inspection records. Additionally, the system allows comments to be overwritten, significantly curtailing audit trail capabilities.
- Does not have a formalized and institutionalized policy of systematically rotating its inspectors between the five inspection districts.

The Controller's Office recommended the following actions to the aforementioned findings:

- Revise the job specifications or the probationary period for the construction codes specialist trainee position.
- Require the preparation of probationary employee performance reports.
- Monitor overtime more effectively.
- Limit data entry for inspection activity within the permit and inspection database to UCC certified inspectors only.
- Maintain a proper audit trail of all activity within the permit and inspection database.
- Develop and implement a formalized policy for inspector rotations.

Philadelphia Fire Department Emergency

Released: December 2015

Response Time (preliminary review)

In an effort to analyze Philadelphia Fire Department's (PFD) policies on public safety, the Controller's Office reviewed data for emergency response rates and assessed the impact of the rolling Brownout and Rotation procedures. More specifically, these policies were studied to determine what effect they had on the PFD to meet the national standard for response as set forth by the National Fire Protection Association.

The Fire Response Time includes the moment an emergency dispatch is received at the fire house to when the first-due engine has arrived at the emergency scene. According to the National Fire Protection Association's standard, the first-due engine on the scene of a fire must arrive within 5:20 and should be met at a rate of 90 percent for all fire and special operations.

The Controller's Office preliminary review issued in December found that since 2010 the first engine did not arrive on scene in time for 44,522 fire emergencies. Its compliancy rate was only 75 percent at the end of 2014.

Additionally, in more than 1,500 cases of the total number of emergencies



Controller Butkovitz discussing the fire emergency response rate with reporters



Fire station located in Center City

between 2010 and 2014, the engine response took more than eight minutes.

A statistical breakdown of the 37,053 emergencies in 2014 included the following:

- 27,698 responses that meet the standard
- 9,355 responses that did not meet the standard
- 5,370 responses that were greater than six minutes
- 361 responses that were greater than eight minutes

Prior to 2010, the city's compliancy rate was at or above 80 percent. However, this is the same year the Mayor's Administration implemented

the Brownout Policy, which includes weekly closures of several engine companies during day and night shifts. This was also the same year Philadelphia's compliancy rate dropped from 79 percent to 75 percent, recording the largest one-year decrease since 2008.

The Controller's preliminary review also indicated that the Administration's Rotation Policy implemented by the previous Administration increased the specific time it took an engine to drive through the streets and arrive at the scene.

The policy was implemented in 2013 to ensure that all firefighters have equal opportunity to work in various assignments and acquire diverse skills.

The Rotation Policy impacts the travel time because fire responders may be unaccustomed to driving through unfamiliar neighborhoods rather than being stationed with the same company where they have more experience with the area.

Diversity & Inclusion Program Review for the City of Philadelphia

Released: December 2015

The objective of the Controller's Office review was to determine the current status of the City's Diversity and Inclusion (D&I) program and to assess the changes implemented over the last seven years.

Former Mayor Michael A. Nutter initiated in 2008 an overhaul of the City's diversity and inclusion policies and practices. He announced his Administration's commitment to increasing the number and participation of Minority, Women and Disabled Owned Businesses (collectively "M/W/DSBEs") in the city's and region's economy.

The Administration's Plan called for an increase of qualified firms in the Office Economic Opportunity Registry; 25% M/W/DSBE participation on City contracts -- 32% minority and 7% female workforce diversity on public works projects; and improved compliance with contracts.

The review found the Administration's efforts produced some impressive gains and positive changes in the City's D&I program over the past eight years, particularly in goal-setting, participation commitment



rates, and data collection. However, the Controller's Office found that challenges remain with D&I.

The following include a summary of the remaining concerns:

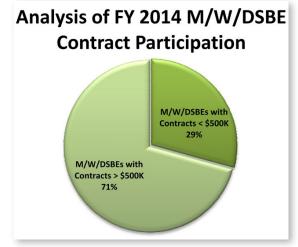
- A shortage of MBE and WBE contractors with the capacity to serve as primes and/or major subcontractors in many fields.
- A shortage of skilled unionized construction workers for the current and planned development projects in the Philadelphia metropolitan area.
- Contract monitoring and enforcement is an area of major concern for primes and subcontractors.
- Despite the move toward third-

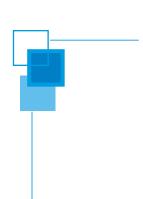
party certification, a backlog remains for firms attempting to obtain certification as minority- and women-owned businesses.

The Controller's Office developed a list of recommendations:

• A robust mentor-protégé program can address this issue by enticing large prime contractors to partner with small businesses to offer the following: administrative and technical training, guidance on how to compete in the marketplace outside of the City's Economic Opportunity Plans, and build long-term relationships.

- The shortage of skilled, unionized construction workers presents an opportunity for increasing diversity in the building and construction trades without undermining employment prospects for current members, perhaps through the establishment of construction preapprenticeship programs.
- Written policies and procedures manuals are necessary for the OEO staff and for the departmental OEO officers and liaisons. These written policies and procedures should incorporate the best practices from various City departments and quasi-public agencies as well as those being utilized by other major cities for vigilant contract monitoring and enforcement.
- The City should establish a taskforce to analyze the costs and benefits of reestablishing a City administered certification program for M/W/DSBE firms. In addition, we recommend the current policy of accepting third party certifications for the OEO Registry should be continued.





Fraud & Special Investigations



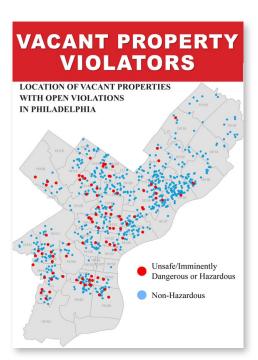
"Uncovering Fraud, Waste & Abuse to Save Taxpayers Millions"

Vacant Properties Creating Neighborhood Nuisances: Released: February 2015 Review of Privately-Owned Property Violators

The Controller's Office conducted a review of Philadelphia's vacant properties to determine the locations of buildings and homes that needed immediate attention. Through crossmatching of data, the report created a tool for L&I and all enforcement agencies whose goals are to eradicate dangerous buildings.

The Controller's Office examined over 5,700 public records and the following violations were found:

- About 1,215 vacant properties contained violations. Just over half, approximately 791, were considered "open" and/or not in compliance with City Code.
- There were 2,283 violations identified at the properties that were not in compliance.
- The majority, 81 percent, of the properties had more than one violation that was not in compliance, including one property with 20 open violations.





Vacant home at 2112 Mountain Street was demolished after Controller's review

properties were About 101 considered unsafe, imminently dangerous, or hazardous with conditions that were not in compliance.

The Controller's Fraud Investigations Unit conducted on-site, visual inspections for 40 of the 101 dangerous properties with unresolved violations.

The conditions uncovered included: collapsing and/or missing roofs, support walls that were collapsing onto neighboring houses, unsealed entry ways and broken windows, and trash scattered throughout the properties.

The Controller's Office notified L&I of the findings prior to completing the report, as many contained conditions that were dangerous and unsafe. The Department took immediate action to demolish some of the buildings.

In addition, the Controller provided the following recommendations:

Prioritize the workload ensure that properties listed as unsafe, imminently dangerous

- or hazardous are consistently monitored and do not jeopardize public safety.
- Target specific neighborhoods that have the most dangerous vacant properties so to promote more equal redevelopment throughout the city.
- Limit license validity to six months, instead of one year, as a way to get owners to rehabilitate the properties at a much faster rate.
- Explore legal alternatives for mandatory incarceration in the event that specific building security standards are not met.
- Maintain updated records in realtime through an internal database where multiple city agencies can access current information, including violation conditions, unpaid invoices and even crime statistics that have occurred at these vacant properties.
- City Council should consider increasing violation penalties, including requiring license owners to submit financial collateral to the City if penalties are not paid.

Released: July 2015

Philadelphia School District: Follow-Up Review of Conditions at School Buildings

The Controller's Office followed up its 2008 report on the condition of school buildings in the School District of Philadelphia with a review to determine if maintenance problems in the buildings and grounds persisted.

These problems, if left uncorrected, could lead to safety concerns, increased liability, more frequent school closures and an unattractive environment for children to learn. Many of the same maintenance problems were observed during site visits to 15 schools between November 2014 and March 2015:

- Asbestos insulation in a hallway that is not properly sealed
- Several non-working toilets and urinals. About 50 percent of the inspected schools had no working toilets.
- Missing fire extinguishers

The Controller's Office recommended that the School District of Philadelphia develop a corrective action plan to address the review's findings. The Controller's Office also urged management to take some actions



Exposed live wires were found at several schools



Bathroom vent at a Philadelphia public school held together with duct tape

aimed at improving the condition of school facilities.

- Repair insulation in occupied areas at a minimum
- Inspect all toilets and immediately address the ones that are unsanitary
- Update fire extinguishers as necessary. Also, establish and maintain a regularly scheduled fire extinguisher maintenance program

The Controller's Office indicated that improvements to low-cost items could be completed by school maintenance

staff, but there were a number of more serious issues that needed to be addressed.

- Significant leaking in the mechanical room at one elementary school
- Major water damage at two high schools and a middle school. Mold was observed in the annex of one of the high schools
- One elementary school's annex basement did not appear to be structurally sound. The ceiling fell down

on top of the electrical panel and the basement was observed to be in an unsafe condition.

The Controller's staff re-inspected some of the schools prior to the new school year and found the School District took immediate steps to make several improvements based on the Controller's recommendations. A substantial amount of maintenance work was completed over the summer break before students and staff returned to school.

The asbestos that was exposed at Francis Scott Key Elementary was encapsulated, properly sealed and the plaster ceiling tile above it was repaired. In addition, many of the schools had new ceiling tiles, fresh paint and GFCI electrical outlets were installed to meet industry standards.

The School District also developed a detailed remediation plan of action to address the more serious issues by utilizing capital funds.

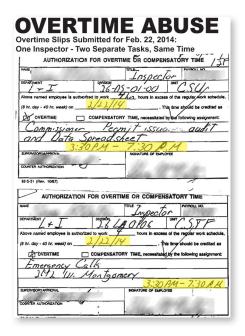
Department of Licenses & Inspections Follow-Up Investigation: Review of Internal Communication

Released: August 2015

News reports published in February 2015 stated that an illegal, unsafe demolition occurred on the block of 26th and Poplar streets, resulting in the complete destruction of several houses and garages. Reports indicated that the demolition company had received permission from L&I to tear down the buildings without having to obtain the required permits and inspections.

Subsequently, the City Controller immediately issued a subpoena to L&I for records pertaining to the demolition that occurred at 26th and Poplar streets, as well as other demolitions that occurred throughout 2014, including internal communications between L&I officials, contractors and many others who corresponded with the department.

After reviewing the communication documents, the Controller questioned the actions by L&I to enforce dangerous buildings. This included employees in the newly-formed Construction Site Task Force (CSTF)





Vacant homes in North Philadelphia identified by the Controller's Office

who were paid as much as \$50,000 in overtime in addition to their base salaries.

The CSTF was created in response to the 2013 deadly building collapse at 22nd and Market Street to review and audit licensing, permitting, and inspections, consisted of 30 employees during the period of the review. Twelve employees were paid more than \$1,000 in overtime for a combined total of almost \$130,000 in 2014.

Communication with the CSTF indicated that overtime was prevalent for employees within this unit, as the unit's supervisor encouraged the extra time even stating that "there was money to burn."

In addition, the review identified the following events:

 Staff in the Law and L&I departments raised concerns with a top L&I Inspector days after the aforementioned demolition, as no one knew who contracted or performed the demolitions.

- Communication between contractor who reportedly performed the illegal demolitions and L&I officials occurred months after the incident. When the L&I Commissioner requested a status update for the contractor to obtain demolition permits, an employee stated that the contractor's permits were reviewed several times but the applicant failed to provide basic information. The following was communicated to the Commissioner: "We may want to explore alternative application for [imminently dangerous] bldgs (sic) – these guys just refuse to comply with code bulletin."
- The same contractor in question was placed on the City's Master Demolition List eight months after the illegal demolition and awarded 12 demolitions in December 2014 valued at \$171,888.

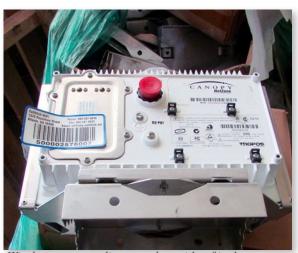
Utilize Unused Wi-Fi Equipment Found in Warehouse

November 2015

During a routine review of equipment and inventory by the Unit, hundreds of boxes containing unused wireless network equipment were found in a warehouse stacked from the floor to ceiling and mostly unopened. The boxes contained parts to the defunct city-wide wireless network initially deployed by Earthlink, which was supposed to deploy the largest municipal Wi-Fi network in the United States.

The Controller's Office determined the equipment was purchased in 2010 as part of a \$2 million agreement with Network Acquisition Company LLC, which took over after Earthlink. The assets were purchased to enhance public safety through improved video surveillance, improve government efficiency by enabling field workers to file reports and access information quicker and reduce overall operating expenses, according to the Mayor's Administration at that time.

The Controller recommended to the prior administration to immediately conduct an assessment of the wireless equipment to determine its value and



Wireless antenna discovered outside of its box



Unused WiFi equipment uncovered in back of a warehouse

compatibility with current technology. In December the administration said it would prepare a Request for Information (RFI) to measure interest in the equipment.

The Special Fraud Investigations Unit also reviewed the Department of Licenses and Inspections database of privately-owned vacant properties in Philadelphia that identified 101 dangerous properties with unresolved violations. The Unit conducted onsite inspections at 20 properties and found:

- Roofs that were collapsing and/or missing
 - Support walls that were collapsing onto neighboring houses
 - Unsealed entryways and broken windows
 - Trash scattered throughout the properties

The Controller's Office notified L&I of the findings prior to completing the report. For eight of the 20 properties, L&I indicated it took immediate action to correct the dangerous conditions, including

bidding several properties for demolition and sending others to court

The Controller's Office then conducted additional on-site observations of another 20 dangerous properties and presented the findings to L&I, as part of issuing the final report. These properties also contained hazardous, unsafe conditions that would warrant several to be demolished.

Controller Butkovitz recommended that L&I needs to target specific neighborhoods that have the most dangerous vacant properties to promote equal redevelopment throughout the City. Baltimore pursued this strategy rather successfully to tackle its vacant, abandoned properties.

The Controller also recommended that the City should explore assessing fees for property violators. In Chicago, for example, if a building owner holds a violation of any provision, the renewal fee for the vacant license increases by \$250 each renewal period. If a property reaches the quadrupled period, the highest fee of \$1,000 will remain for each subsequent renewal until the owner can show full compliance.

Expenditures & Receipts, Engineering Inspections



"Examining Expenditures & Saving Tax Dollars"

Pre-Audit Unit: City Project Inspections

January - December 2015

The City Controller's Pre-Audit Division is responsible for approving disbursement requisitions for payment from the City Treasury. It consists of an Expenditures and Receipts Control Unit and a Technical Unit.

The Expenditures and Receipts Control conducts an audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders, and contracts. Documents are selected for audit on a category and statistical basis.

Expenditures Control verifies that all expenditures are authorized and accurate in accordance with the Charter and other pertinent legal and contractual requirements, before any monies are paid by the City Treasurer. Receipts Control verifies, compares and files receipts documents, for both money and property, which are submitted to it.

The Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project architecture and engineering, construction and related expenditures. Under the Home Rule Charter, expenditures for capital projects are subject to such review before payments are made.

As a result of the Technical Unit's work, the City saved \$1.7 million in 2015. A few detailed examples of these savings included the following:

• Renovation Work for New Police
Building: The Technical Unit
reviewed a change order submitted
by a contractor and found that the
labor rates were being billed at a
rate that was much higher than the



Renovations have begun at the new Philadelphia Police Department's headquarters

contract amount. The unit cost and quantity of stone that was ordered was also too high. As a result, the invoiced amount was reduced by \$87,273. In addition, the wage rates on all future change orders for this project were reduced.

- Philadelphia International Airport: It was discovered that a contractor was charging incorrect labor taxes and insurance calculations. By correcting the labor rate issue, the city realized a \$140,000 savings over the duration of the contract. In addition to these savings, the Airport Engineer Department now has a better understanding of how to properly calculate taxes and insurances. It is expected that this correction will allow the city to save more than \$1 million annually.
- Contractor Disbarred: Several conditions were uncovered with a city contractor that not only resulted in a credit of almost \$96,000, but the contractor was disbarred from working on capital contracts for 36 months. Some of the issues identified by the Controller's Technical Unit, which

included on-site surveillance of a project location, included the following: 1) inappropriate billing for fuel charges since this cost is already charged in the contract; 2) overbilling for equipment such as a backhoe, dump trucks and a Bobcat machine that the contract claimed to use but it was observed not in operation on the days the contract was billing for their use; 3) overbilling for employees that were included on invoices but they were not observed on those same days by the Controller's staff. It was determined that less than 80 percent of the work billed was actually worked.

A breakdown of the Technical Unit's projects and savings can be found on the next page. •

Breakdown of Findings & Savings

Project	Department	Issue(s)	Savir	ngs
On-Call Mechanical (city-wide)	Public Property	Equipment rates were too high, Incorrect labor rates	\$	330,000
On-Call Contract (city-wide)	Airport	Incorrect labor rates, taxes and insurances	\$	274,000
On-Call Electrical (city-wide)	Airport	Incorrect taxes and Insurances rate	\$	140,000
On-Call Contract (city-wide)	Airport	Incorrect labor rates	\$	110,000
Departures Roadway Work	Airport	Rolled their allowance into their costs	\$	100,000
On-Call Contract (city-wide)	Public Property	Incorrect labor rates, equipment rates, labor hours, and unallowable supervision	\$	95,484
New Police Building	Public Property	Material quantity was wrong, labor rates were too high	\$	87,273
On-Call Electrical (city-wide)	Airport	Incorrect taxes and insurances	\$	80,000
On-Call Mechanical (city-wide)	Public Property	Labor rates were too high	\$	70,000
Asbestos Remediation (city-wide)	Public Property	Inappropriate equipment charges	\$	66,000
On-Call Paving (city-wide)	Airport	Incorrect labor rates and taxes and insurances	\$	58,253
On-Call Contract (city-wide)	Airport	Incorrect labor rates	\$	57,000
On-Call Electrical (city-wide)	Public Property	Incorrect labor rates and taxes and insurances	\$	55,113
New Police Building	Public Property	Labor rates were too high	\$	35,612
TSA CCTV Project	Airport	Warranty, PM, handling hours, and general requirements issues	\$	33,061
On-Call Electrical (city-wide)	Public Property	Incorrect taxes and Insurances rate	\$	27,584
On-Call Mechanical (city-wide)	Airport	Incorrect labor rates and taxes and insurances	\$	20,778
On-Call Contract (city-wide)	Public Property	Unallowable supervision charges, equipment charges	\$	10,000
Raw Water Basin	Water	Incorrect taxes and insurances rate	\$	7,209
Raw Water Basin	Water	Incorrect taxes and insurances rate	\$	3,739
Signs at Airport	Airport	Incorrect taxes and insurances, truck charges and supervision	\$	3,376
Incinerator Building - Northeast	Streets	Inappropriate bond charges	\$	3,069
Police Academy Building	Public Property	Bond markups were not allowed	\$	2,627
New Police Building	Public Property	Unallowable personal protective equipment and tools	\$	2,566
New Police Building	Public Property	Incorrect equipment charges, and tax markup	\$	2,353
Raw Water Basin	Water	Incorrect taxes and insurance	\$	2,328
Police Training Center	Public Property	Incorrect equipment rates, markups, and labor costs	\$	1,513
Bridge Reconstruction - Lock Street	Water	Incorrect taxes and insurances	\$	1,084
Incinerator - Northeast	Streets	Unallowable supervision charges	\$	821
Police Training Center	Public Property	Incorrect labor hours, equipment rates, general liability Insurance	\$	749
City Hall Work	Public Property	Inaccurate material cost	\$	634
On-call Contract (city-wide)	Public Property	Miscalculated billing	\$	514
New Police Building	Public Property	Labor rates were too high	\$	487
City Hall	Public Property	Inappropriate bond charge	\$	416
Police Training Center	Public Property	Incorrect equipment rates and unallowable supervision	\$	388
On-call Electrical (city-wide)		Incorrect equipment rates	\$	337
On-Call Mechanical (city-wide)	Public Property	Incorrect labor hours	\$	159
Water Main (Red Lion Rd)	Water	Permit markup not allowed	\$	109

Total \$ 1,684,634

FINANCIAL POLICY & ECONOMIC REPORTS



"Monitoring Philadelphia's Economic Trends and Revenues"

Anchoring Our Local Economy: Developing a Local Procurement Strategy for Philadelphia's Higher Education __ & University Institutions

Released: April 2015

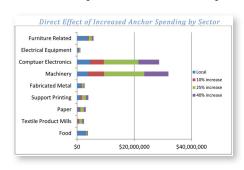
City Controller Alan Butkovitz joined leaders of Philadelphia's higher education and medical institutions, manufacturing and business community to support the Anchor Procurement initiative, which could generate 1,250 new manufacturing jobs in Philadelphia.

The initiative, outlined in his April 2015 report, indicated that if universities and hospitals (Eds & Meds) increased their local procurement by 25 percent in targeted sectors, it would have a total economic impact of \$292 million for Philadelphia and generate 4,000 indirect jobs. The targeted sectors include surgical supplies, medical equipment, HVAC, commercial refrigeration and office supplies.

The Eds & Meds that were analyzed purchase \$860 million in manufactured goods annually with only 16 percent procured locally.

The five anchor institutions that participated in the Controller's study included Drexel University, The Children's Hospital University of Pennsylvania, Thomas Jefferson University Hospital, University of Pennsylvania and Temple University.

The Controller's analysis of the impact to the manufacturing industry by procuring more local goods is a follow-up to the initial report





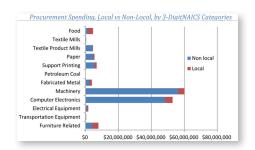
Controller Butkovitz outlines initiative at the Manufacturers Association of Philadelphia

released in 2014 outlining a plan for Philadelphia to create 4,400 new local jobs by partnering with its education and medical anchor institutions. The report estimated that if these city institutions – which include 18 post-secondary entities and 16 hospitals – would increase their local spending by 25 percent, it could generate \$642 million annually in direct local spending and \$14 million in new tax revenues.

Manufacturing would represent the largest annual increase in spending, according to the report. Other spending increases include \$192 million in real estate and \$41 million in professional services and management.

Philadelphia could follow in the footsteps of other cities such as Cleveland, Detroit and Baltimore where major foundations and civic leaders have pulled together to devise multi-anchor strategies for reinvesting in the community, according to the report.

As indicated in the latest report, the Controller believes that local government can and should play a role in facilitating an economic development strategy that leverages



anchor institution demand. As such the Controller recommended the following:

- Form a broad coalition to build support and capacity, including the anchor institutions, workforce developers, financial institutions, business groups and city officials.
- Work with procurement directors at the anchors and help create an inter-institution collaborative purchasing structure.
- Use the city's policy tools to create targeted incentives for investment in production of manufacturers, which must be tied to job creation.
- Track input commodities so second tier commodity manufacturers can grow in the future.

to Maximize Jobs

City Controller Alan Butkovitz released a study of the Port of Philadelphia's land at Southport and found that more than 8,000 jobs could be created by utilizing the area for containers, autos and energy. The Controller's Office studied the existing port usage and compared Philadelphia's statistics to ports in other cities. The report estimated that the 239-acre complex at the Philadelphia Navy Yard would generate the following total direct iobs:

- 8,100 if the entire acreage was dedicated to a container terminal
- 6,800 a combination of a container terminal and energy port
- 5,800 a combination of a container terminal and auto facility

The Navy Yard has been a Philadelphia institution since the end of the Civil War. When the United States Navy left the Navy Yard in 1996, Philadelphia was left with a large plot of vacant waterfront property. The Philadelphia Industrial Development Corporation (PIDC) took over the Navy Yard in 2000 to develop the parcels to fit the new evolving urban form. Four years later, a section where the Delaware River bends north - providing tremendous access and a



Proposed Southport Terminal (image from Philadelphia Regional Port Authority)



View of container terminal near proposed Southport expansion

prime location for an additional port was set aside for port expansion, something that has not happened since the 1970s.

The additional port comes at an important time in the evolution of the shipping and port industry. After nearly 25 years of planning and legal battles, the Delaware River ports in 2017 will add five feet to the river's depth, making it 45 feet deep. Deepening the waterway would allow 80-85% of the world's container ship fleet to access ports on the Delaware River. These ships, measuring 45 feet, would be able to carry up 10,000 Twenty Foot Equivalent Units (TEUs) in high water, twice as much as the largest ship ever to visit the Port of Philadelphia.

The Canal Panama expansion connecting the Pacific and Atlantic oceans is almost complete, allowing ships to carry nearly three times their previous cargo weight limit. The project will fundamentally change supply chains and distribution of goods throughout North America. Currently 55% of the goods that arrive on the East Coast from Pacific Asia are unloaded on the West Coasts and are transported to the east via

Permanent Jobs at Southport									
Use Direct Jobs Indirect Jobs									
Container	8,100	12,150							
Container + Auto	5,815	8,722							
Container + Energy	6,841	10,262							

land. Shipping goods to the East Coast through the Panama Canal adds five to ten days of travel time, but it is significantly less expensive than moving cargo by rail or truck.

Other East Coast ports are preparing for the dramatic increase in shipping activity once the Panama Canal opens to the larger ships. The Port of Baltimore has deepened its channel to 50 feet and set aside acreage for future development. The Port Authority of New York & New Jersey is deepening its channel, has set aside brown fields for additional warehouses, and is raising the Bayonne Bridge to reduce air draft constraints.

While Philadelphia will not be able to accommodate the largest ships afforded by the expansion of the Panama Canal, it could be well positioned to see increases from spill over and ships crowded out from the larger ports.

Philadelphia's Trash Compactors: Analysis of Costs & Collections

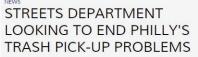
Released: May 2015

From 2013 through 2015, the Philadelphia Streets Department had as much as a 30 percent reduction in its trash compactor fleet. The City needs 324 compactors daily to meet budgetary and operational goals; however, it was as low as 230 during the two-year time period. In addition, approximately a third of the fleet was between 10 and 20 years old and the vehicles removed from service were not replaced.

As a result, the Controller's Office conducted a study of the City's deployment of trash compactors and found that the aging fleet had resulted in an 11 percent reduction in the collection rate, tripling the Streets Department's overtime costs.

A number of factors led to the lower rate, primarily a failure to replace vehicles that were removed from the fleet.

As a result, the City's collection rate dropped from 96 percent in Fiscal Year 2013 to 85 percent in Fiscal Year 2015. During this same two-year period, the overtime costs related to trash collection increased from \$1.2 million to \$3.5 million.





May 6, 2015, WPVI-TV ABC 6



Streets Department's Sanitation Crew hard at work

Additionally, about 80,000 households on any given week did not have their trash picked up on time or on the regular scheduled pick-up day over the last two years.

Recognizing the higher costs and the longer work weeks for employees associated with a reduced fleet, the City of Philadelphia's FY2016 Proposed Budget included a projection of \$4.9 million for the current year in the capital program to replace trash compactor trucks, and \$7 million each year until 2021, ensuring one-eighth (or 40 trucks) of the fleet are replaced each year.

At this projected rate, it would take about eight years for the trash compactor fleet to be replaced with new vehicles. With trash compactors expected to last eight years, the Controller's report indicated that funding would have to continue after the eight years so that the current problem does not occur again.

Along with reviewing the deployment status of Philadelphia's trash compactors, the Controller's analysis included an examination of collection procedures in other cities to realize best practices that can achieve maximum results.

This included the following cities:

- Baltimore In July 2009, the City implemented the "One PLUS ONE" system decreased the number of person hours for trash pickup by 5,296 hours and decreased the amount of vehicles needed by 12. Workers that were not needed became dedicated to other services, such as cleaning alleys and streets. Service requests completed on time increased from 60 to 92 percent in four years after implementation.
- Chicago In 2012, the city began the transition from ward-byward to grid-based collection of waste. Under the ward-based system, Chicago's cost of waste collection and disposal was significantly more than in most major metropolitan areas. The transition to a more efficient system of garbage collection reduced the average daily refuse collection truck deployment from 360 trucks to less than 320 trucks each day. In addition, the refuse collection costs were decreased by more than \$18 million annually, enabling the city to redirect resources to support other essential services.

Economic Impact Statement: Proposed Market East ___ Tax Increment Financing District

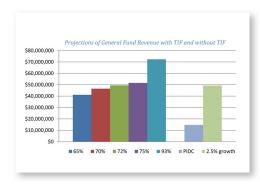
Released: May 2015

As required by §17-1100 of the Philadelphia Code, the Controller's Office performed an analysis of the Philadelphia Industrial Development Corporation (PIDC) of the proposed "Market East Tax Increment Financing (TIF) District," as put forth in Bill No. 150380.

The goal of the TIF is to enable the renovation of The Gallery Mall at Market East and simplify complex management and control relationships. The TIF District will be approximately 11.7 acres, with more than 1.2 million square feet of improvements and 1.1 million square feet of leasable space for office and retail. The TIF does not include the empty space or "air rights" above the existing roof structure of the Gallery.

The Controller's analysis determined that as much as \$194 million in new tax revenue would be generated over 20 years, if the City approved a Tax Increment Financing (TIF) plan for the developers.

If the Pennsylvania Real Estate Investment Trust and Macerich were allowed to enter into a TIF, it would enable it to revamp the mall, creating more jobs and boosting overall economic growth. The TIF acts as a





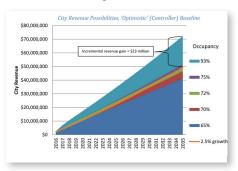
Rendition of the former Market East Gallery transformed into Philadelphia Fashion Outlets - Photo from Macerich website

loan that is repaid by projected future tax increases, which the City is not liable for even if payments do not meet projections.

The City, in turn, would gain new revenues from Sales, Wage, Use and Occupancy and Liquor taxes. Over the period of the TIF plan, these tax increases would provide additional revenues for the following:

- \$96 million for the School District of Philadelphia from sales, liquor, use and occupancy taxes
- \$58 million for the City's General Fund from wage taxes
- \$41 million for the Philadelphia Pension Fund from sales (after the school district portion)

The Gallery mall renovation is expected to increase occupancy rates to 93 percent from its previous 60 percent, according to the Philadelphia Industrial Development Corporation. If the City continued to maintain the Gallery mall at its current level and provided no TIF for the renovation, it would generate \$56 million in tax revenues over the 20 years, instead of \$250 million with the TIF.



In addition, the renovated mall would create 3,950 permanent jobs including 1,400 new jobs. There will be a commitment of 25 to 30 percent minority-owned inclusion among tenants of the new mall. However, the current TIF proposal does not address the City's requirement that recipients of City financial assistance adhere to minimum wage and benefit standards, as long as they employ at least 25 workers.

The City Controller urged City Council to include language in the proposal that would uphold the City Code relating to job quality.

Papal Visit Economic Impact Analysis: Survey & Review of Business Activity

Released: September 2015

For months prior to the September 2015 Papal Visit to Philadelphia, the business community needed, but was not provided, clear and consistent information from City Hall to enable them to plan accordingly. Unfortunately, the business community was left to conduct their own research to patch together specifics. Levels of confusion only increased as the World Meeting of Families/Papal Visit approached, according to the Pre-Papal Visit Survey released by the Controller's office.

The Pre-Papal Visit Survey found that businesses were excited for the Papal Visit, but were deeply confused about how to prepare, had received insufficient information from the Administration, and feared being treated as a utility rather than a business over the weekend.

Nevertheless, the tone about the upcoming visit was very optimistic, as nearly 50 percent of respondents expected revenues to be significantly higher than an average weekend. Still, businesses' concerns included the following:

• Forty-eight percent were provided little or no information but felt they were still able to plan while



Pope Francis greets Philadelphians and visitors

38 percent of respondents had insufficient information and were not able to plan.

- The Traffic Box, which was renamed the "Francis Festival Grounds" by city and event officials for the visit, 91 percent of respondents indicated that it created challenges to doing business. Respondents had three concerns: transportation for employees to get to work; securing supplies and deliveries; and trash removal.
- That the majority of businesses, 65 percent, indicated they are cautiously optimistic, while 24 percent expect to close during the Pope's visit.

After the papal events took place, the Controller's Office revisited the same sample to assess the actual impact on local businesses. The Post-Visit Survey revealed that much of the initial optimism was actually misplaced:

• Seventy-five percent reported that the Nutter Administration's handling of the WMOF/Papal Visit hurt their business

- Revenue was "significantly down" compared to last September, according to 69 percent of respondents.
- Fifty-five percent of respondents said the depressed activity of the week meant they were "significantly behind" yearly revenue projections, while another 30 percent reported they were "somewhat behind" yearly projections.

Many business owners hinted at one factor behind the significant revenue drop: many or all of their regular customers avoided or left town for all or part of the WMOF/Papal Visit week. The huge Philadelphia hospitality sector is propelled by business professionals and local customers as well as tourists. Restaurants, hotels, and retail establishments, which depend on regular customers, lost their most important clientele with the announcement of street closures and wholesale towing of vehicles the Sunday prior to the WMOF.

PAPAL VISIT SURVEY

In preparing the business community for the Papal Visit, the Mayor's Administration has:

Provided sufficient details to allow my business to plan
Provided little or no information but my business is still able to plan & function
Provided little or no information and my business is not able to plan & function
Took a hands-on approach &/ or helped indirectly to point me in the right direction

City of Philadelphia: Forecasted General Fund Statement of Operations FY2016-2020

Released: July 2015

In accordance with the Pennsylvania Intergovernmental Cooperation Authority (PICA) Act, the Controller's Office conducted an examination of the City of Philadelphia's FY2016-2020 Five-Year Plan. This analysis follows the American Institute of Certified Accountants standards and determines whether the financial projections are reasonable over the course of the plan.



The City Controller recommended PICA reject the Five-Year plan because it assumed overly optimistic revenues from the city's Business Income and Receipts Tax, Sales, Realty Transfer and Parking Tax, especially in the first two years of the plan. The overly optimistic estimates significantly inflated fund balances and lead the city to experience deficits from FY2017 and forward.

In addition, the Controller provided a negative opinion based on the following issues:

of property assessment appeals that still had to be adjudicated by the Board of Revision of Taxes, the remaining appeals could cost the city nearly \$12 million in Real Estate Tax revenue and unfavorably impact fund balances over the life of the plan.

- The plan assumed \$20 million over the five years from the creation of a Data Warehouse Project; however, the project was never fully implemented and there was no historical data on its ability to achieve such collections. The success rate of these appeals was between 50-60 percent, with the average reduction near 30 percent of the property's value.
- Unforeseen circumstances such as litigation, severe weather, or future unexpected commitments to the School District of Philadelphia could drastically impact city operations - further eroding the fund balance available for future appropriations.

PGW Pension Fund Oversight: Lowering the Rate of Return, Reducing Liability

As a board member of the Sinking Fund Commission which provides oversight of the Philadelphia Gas Works Pension Fund, the City Controller introduced a motion that would reduce the projected rate of investment return and increase the amount the gas company would have to fund into its employees' pension plan.



The Controller proposed lowering the projected investment return from 7.6 percent to 7 percent, which would force more dollars into the pension fund and reduce the overall unfunded liability at a much faster rate. At the time of the Controller's action, the unfunded liability for PGW's pension fund was approximately \$130 million.

Putting more money in to the fund now will mean that less money will be needed for the future.

The precedent-setting motion was approved by the PGW Fund and the action applied only to the PGW Fund because of its funding status and its asset allocation. The Controller indicated that this move would tackle

pension liabilities with a realistic approach to investment returns, meaning that every time investment returns are not met the funded liability would increase.

Released: November 2015

According to Controller Butkovitz, responsible defined benefit plans should be made available to all private and public employees. This would protect retirement plans for all citizens and provide a secure future.

Tracking City Revenues & Business Climate

January - December 2015

The Controller's Monthly Economic reports provide city officials, business leaders, regional economists, and residents with the latest economic conditions for the City of Philadelphia. This includes tax revenue collections, local employment data, real estate trends and timely information that indicates overall economic activity.

Over the last year, highlights from the Controller's economic reports included the following:

- As a result of a less than five percent compliancy rate with dog owners properly licensing their pets in Philadelphia, \$1.1 million was not collected from licensing fees. Instead of the estimated 348,828 dogs that should be licensed in the city, there were 10,654 in 2015, resulting in only \$200,000 collected for the General Fund.
- Over the last ten years, outdoor seating establishments have increased by 150 percent from 149 to 369. Since 2011, the city has



generated \$227,599 from outdoor cafe license fees. While there was a significant boost in revenues from fees, it was determined that there was a potential loss of \$17,000 annually by entities who did not pay for a license.

- New tax revenues provided the School District with \$146 million in the first year. This was due to the extension of the sales tax rate, which grants the School District the first \$120 million and the new \$2-a-pack cigarette tax, which provided \$45 million from from the date of the May 2015 economic report.
- A snapshot of 41 businesses located inside the Francis Festival Grounds found economic activity

was less than half of a typical weekend for restaurants and retailers. Over the Papal Visit weekend, restaurants reported business being down between 50 and 80 percent from the same dates last year.

• The City Controller's Fifth Annual Cost of Thanksgiving Dinner for Philadelphians indicated the average cost for a traditional dinner for 10 was \$46.60. This was a slight increase of \$0.18, or less than one percent, over last year's average cost. Philadelphians paid about \$3.50 less than the national average. ■

Overview of Economic Reports



Item	2014	2015	\$ Diff.	2015 U.S
16 lb Turkey	\$19.44	\$20.64	\$1.20	\$23.04
Whole Milk, 1 gal.	\$3.70	\$4.08	\$0.38	\$3.25
Pumpkin Pie mix, 30-oz	\$2.65	\$2.54	-\$0.11	\$3.20
Whipping Cream	\$2.44	\$2.59	\$0.15	\$1.94
Cubed Stuffing, 14 oz	\$2.66	\$2.78	\$0.12	\$2.61
Green Peas, 11b	\$0.92	\$0.90	-\$0.02	\$1.52
Rolls, 12	\$2.50	\$2.04	-\$0.46	\$2.25
Sweet Potatoes, 3lbs	\$2.63	\$2.24	-\$0.39	\$3.57
Fresh Cranberries, 12oz	\$2.75	\$2.37	-\$0.38	\$2.29
Pie shells (2)	\$2.43	\$2.45	\$0.02	\$2.47
Misc./Relish Tray*	\$4.30	\$3.97	-\$0.33	\$3.97
Total	\$46,42	\$46,60	\$0.18	\$50.11

Controller's Community Initiatives



"Working with the Community to produce valuable results"

Student Mentor Program: Compliance Audit Released: July 2015 of School Lunch Program

City Controller Alan Butkovitz launched the mentor program to provide youth of all ages in Philadelphia with financial education and real-life working experience. The Controller's staff teaches financial literacy to elementary and middle school students and they work with high school students to conduct performance audits.

The high school portion of the program worked with students from the Charter High School for Architecture and Design (CHAD). The students conducted a "mock" compliance audit of their school lunch program to ascertain if it met the requirements of the U.S. Department of Agriculture's Nutrition Standards in the National School Lunch and School Breakfast Programs. In addition, the students also wanted to ascertain the cost for their school's lunch program.

CHAD is a public independent high school that serves students in grades nine through twelve in Philadelphia, PA. As an institution that receives federal funding for its food service program, they are required to offer meals that meet or exceed the nutrition standards promulgated by



Student mentor from CHAD presents audit work at a press conference

the Department of Agriculture's Food and Nutrition Service (FNS) Agency.

CHAD outsources its food service management function to The Nutrition Group (TNG). Based out of Irwin, PA, TNG is a local player in the food service and facilities management industry. Its website promotes that the company strives "to maximize student participation in the National School Breakfast Program (NSBP) and National School Lunch Program (NSLP)."

The students' audit found that the servings offered on a daily basis for all food categories met federal guidelines for the weekly portions students are

required to receive.

The students documented food portions by measuring servings provided as part of their standard lunch. Students recorded photographed measurement data daily for five consecutive days.

While CHAD's lunch federal program met requirements, the students gave the school a failing grade for not providing the mock auditors with the food services contract. The document would have detailed the costs associated with the program.

To gain the full experience of presenting their audit findings, the students held a mock press conference which was attended by CHAD's principal, teaching representative and members of the media. students designated a classmate as the spokesperson and created a visual graphic to complement their work.

While this was not an authorized audit by the City Controller, the students' work was conducted utilizing professional auditing standards and guidelines.

In addition to the CHAD mock audit, the Controller's Office staff taught financial literacy courses in classrooms at six different schools, reaching more than 200 students in grades 4 through 12.



Controller Butkovitz recognized the students & staff for their outstanding work & commitment

Community Affairs: Gathering Ground-Level Information & Taking Quick Action

January - December 2015

The City Controller's Community Affairs Division is the outreach and resident services unit for the Office. By understanding the concerns and issues affecting residents in neighborhoods across the city, the team provides insight and support to audits and special investigations that are already being conducted as well ideas for performing additional reviews.

Throughout the year, staff attend meetings and events at several community outlets such as neighborhood town-halls, Police District Advisory Councils, civic associations, senior citizen community centers, drug free coalitions and many others.

In addition, Community Affairs provides support for other units within the Controller's Office. When local businesses reported they were being left in the dark by the former Administration's Papal Visit logistics, the staff worked with the Financial Policy Unit to meet with business owners and to assist with distributing surveys. This helped to gauge businesses' concerns

and ultimately led the former Administration taking action and providing transparency surrounding the event plans.

In many cases, Community Affairs helps coordinate spe-

cial events and initiatives through the Controller's Office that range from several topics including the following:

• Financial Literacy - staff identified opportunities to promote financial education in the classroom for all ages as well as afterschool programs. As a result, the Controller's financial education outreach initiative significantly expanded and new community partnerships were formed.

Number of Participating Community Affairs Events - 2015								
Town Hall Meetings	37							
Community Meetings	98							
Police Service Areas	50							
Police District Advisory Council	46							
Civic Associations	34							
Senior Meetings	7							
Other Events	58							

- Student Mentors staff created partnerships with several schools to offer students the opportunity to join the Controller's mentor program. In addition, several internships were provided through Community Affairs that allowed high school students to gain reallife working experience as well as learn about the role and functions of local government.
- <u>Neighborhood Coalitions</u> the team established several partnerships to work with community leaders in creating safe neighborhoods.











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