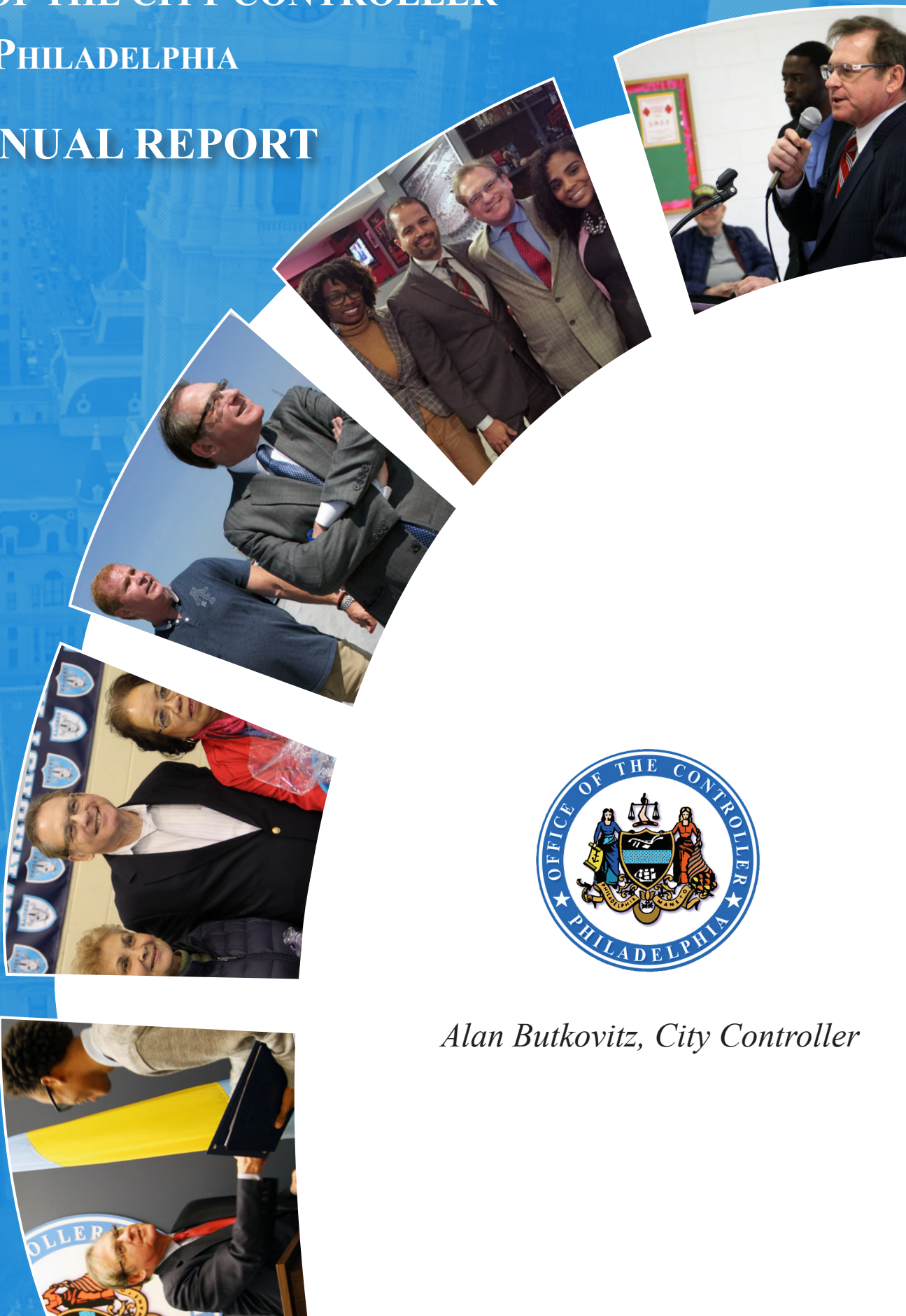


OFFICE OF THE CITY CONTROLLER CITY OF PHILADELPHIA

2016 ANNUAL REPORT



Alan Butkovitz, City Controller

“Leadership that Provides Philadelphia...”

2016

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

2012
Award of Excellence
National Association of
Government Communicators

2013
Gold Knighton
Award

2014
Distinguished
Knighton Award

2016
Distinguished
Knighton Award

2006
Silver Knighton
Award

2007
Bronze Knighton
Award

2008
Silver Knighton
Award

2009
Silver Knighton
Award

2010
Gold Medal Winner
Best Website

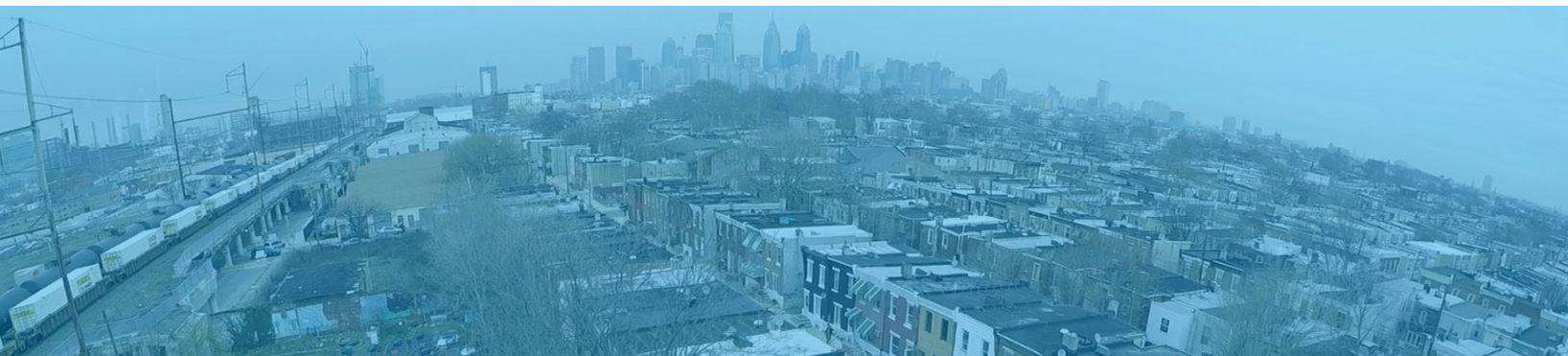
...with Fiscally-Sound Solutions”

2016 Annual Report

Office of the City Controller
City of Philadelphia

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Message from the City Controller

The work conducted by our office requires the need to mine below the surface in order to uncover the facts - no matter the resistance and barriers that are placed in our path.

This was quite evident over the last year with our investigation into the Mayor's Fund (Mayor's Fund) for Philadelphia.

The Mayor's Fund, which is supposed to operate as a city-run non-profit to support community-based programs to benefit all Philadelphians, appeared to operate partly as a financial resource for select individuals in 2014 and 2015. Our Post-Audit team uncovered numerous instances of questionable spending in relation to the \$400,000 that was supposed to be designated for grant awards.

We discovered tens of thousands of dollars in credit card purchases that were used to buy flights and hotels to Rome, hundreds of Uber rides, meals at restaurants around the country, and clothing and apparel items from major retail stores - all without proper approvals, receipts and justifications.

While our staff encountered several road blocks throughout their work, they showed resilience and continued to dig even further with a more in-depth follow-up investigation.

While auditors and investigators were reviewing the Mayor's Fund, our Pre-Audit's Technical Unit was saving taxpayers \$1.3 million by uncovering contractors who tried to overcharge the city for work that was either improperly billed or never performed. It takes a thorough review of invoices and on-site inspections to realize these types of savings.

In addition, our Policy Unit established the City of Philadelphia at the forefront of the national discussion surrounding retirement security. Along with issuing a report that outlined several plans that would give city government a larger role in helping Philadelphians build a secure future after retirement, we hosted a forum with professionals from around the country as well as leading retirement advocates such as AARP, the University of Pennsylvania's Pension Research Council and the Center for Retirement Initiatives.

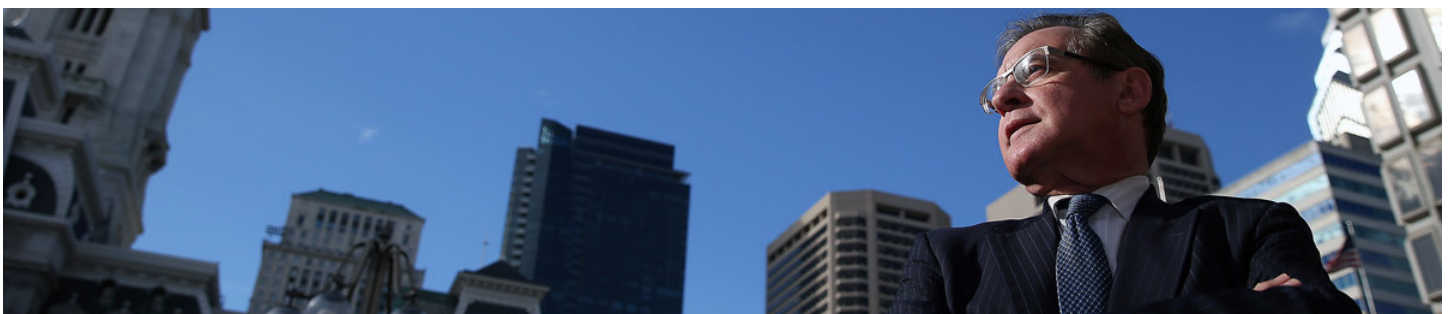
Our work over the last year has continued to make a significant impact on changing administrative policies and procedures. We were again recognized nationally by the Association of Local Government Auditors and received the Knighton Award for our 2016 audit of the Fire Department's Brownout and Rotation Policies.

Whether it has been an audit, investigation or policy initiative, much of our work has been ground breaking, transforming the role of the City Controller's Office. We provide Philadelphians of all ages with essential resources to improve their own lives while making sure city government is operating efficiently and effectively.

We have some of the most experienced, knowledgeable professionals in the country taking on new challenges every day. Most importantly, they do not back down when presented with obstacles.

As always, the work performed by our staff is to be commended.


ALAN BUTKOVITZ
City Controller



Highlights from 2016

In the News



Butkovitz stamping out problems at mail center

APRIL 28, 2016

by Claudia Vargas, Staff Writer

The City's mail center was in "complete disarray," Controller Alan Butkovitz said.

Use of overtime had increased while the volume of mail had decreased within a two-year period according to a report by his office released Wednesday.

newsworks

SEPTEMBER 13, 2016

Philadelphia city controller catches \$1.2 million of contractor overcharges

BY TOM MACDONALD

Philadelphia's city controller's office says by auditing contracts in detail, his office has saved the city more than a million dollars.

Philadelphia Controller Alan Butkovitz says his technical department has come up with a new process to catch contractors who are charging more than their contract allows or those billing for services they

PHILADELPHIA BUSINESS JOURNAL

Phila. Controller Butkovitz calls for more retirement saving

May 24, 2016

Too many Philadelphia residents are not saving enough for their golden years, according to the city's controller.

About a third of seniors in Philadelphia are living in poverty, said Controller Alan Butkovitz.

The Philadelphia Inquirer

Philly controller: City tuition reimbursement program poorly run

NOVEMBER 17, 2016

by Claudia Vargas, Staff Writer

Taxpayers contributed \$2.3 million for city employees to earn college degrees in the last five years, but nearly half of that investment has been lost due to mismanagement, according to a report from the city controller.

"Most, if not all, of the agencies had managed their tuition reimbursement program poorly," the Controller's Office said in its report, released Wednesday. "These poorly run programs contributed to tuition overpayments, questionable degrees, and the failure of agencies to collect

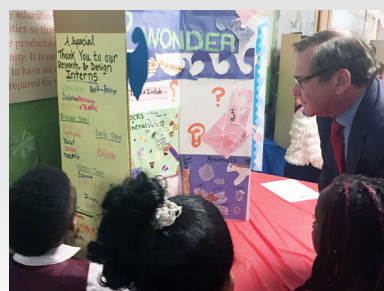
Around the Community



Learning about vertical farming inside Metropolis Farms, the future of urban farming



Discussing latest news and updates with professionals at Young Involved Philadelphia's opening night



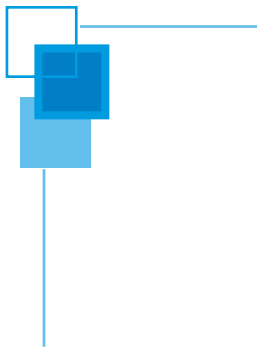
Attending the Thomas G. Morton Microsociety's Career Fair hosted by students



Recognizing businesses and community members at the Asian American Chamber of Commerce banquet



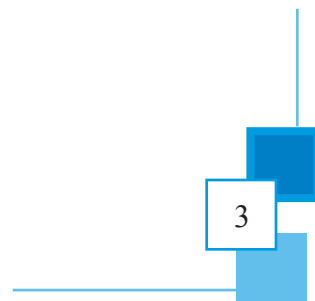
Joining with elected officials to recognize Financial Literacy Month in April



ANNUAL DEPARTMENTAL AUDIT



*Auditing Every City Department,
Making Impactful Recommendations*



Annual Departmental Audit (FY2015)

Released: December 2016

The Controller's Office examined the financial affairs of Philadelphia's various agencies for FY2015 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 focus of this 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.

The Controller's Office noted widespread deficiencies involving internal controls over petty cash and payroll expenditure activities that the Office of the Finance Director needs to address with agency heads.

More than half of the City's 42 agencies had at least one problem with how they were managing petty cash. These accounts, which totaled \$1.5 million in expenditures for FY15, provide departments with sufficient cash for minor expenditures.

With more than one million dollars of cash constantly flowing through 42 city agencies, there has to be better accountability held in regards to disbursement of city funds.

The Annual Audit indicated that more than 33 percent of all city agencies did not perform their petty cash bank and fund reconciliations in a timely manner. More specifically, the Office of Fleet Management circumvented the \$500 petty cash spending limit by splitting payments to replenish their EZ Pass account held with the Delaware River Port Authority.



In addition, Fleet Management was unable to provide support for the Mayor's Office and Police Department's EZ Pass usage, which accounted for close to 20 percent of the total usage.

Other issues identified in the Annual Audit included finding the city's sick leave policy was still not enforced in more than 40 percent of all city agencies. The city was also unable to recover \$4,705 from two former employees of the Department of Streets and the Board of Revision of Taxes who continued to be paid after their termination dates.

The Annual Audit included the following recommendations:

- Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office.
- Immediately implement training workshops for all city departments.

- Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office.

A complete breakdown of findings by department as well as specific findings identifying these deficiencies is included on the following page. ■

Annual Departmental Audit (FY2015)

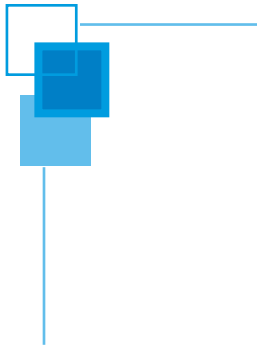
Released: December 2016

Summary of Findings

	City Council	OIT	Office of the Mayor	DHCD	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBH/IDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	Homeless Services	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 / Zoning	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	Register of Wills	District Attorney's Office	Sheriff's Office	City Commissioners	First Judicial District				
Petty Cash																																														
Inadequate documentation of disbursements										✓							✓																										✓			
Inadequate Segregation of Duties	✓		✓			✓						✓	✓					✓	✓													✓		✓						✓						
Unauthorized Custodian									✓										✓																											
Untimely Performance of Reconciliations	✓		✓		✓	✓	✓		✓			✓		✓		✓											✓		✓					✓									✓			
Inadequate Approval of Reconciliations	✓												✓																	✓					✓									✓		
Improper Safeguarding/Commingling of Funds																											✓		✓																	
Improper Disbursements						✓											✓											✓																✓		
Checks Not Deposited in Unclaimed Monies						✓			✓		✓								✓													✓														
Revenue and Receipts																																														
Inadequate monitoring of fees								✓																																						
Inadequate duty segregation												✓																																		
Inadequate safeguards over receipts																					✓																									
Untimely recording of receipts																																			✓											
Inadequate policy and procedure							✓	✓													✓															✓										
Personal Services																																														
Inadequate documentation of paid leave	✓	✓	✓		✓		✓		✓	✓	✓				✓					✓		✓							✓				✓		✓						✓				✓	
Accuracy of payroll not checked												✓							✓																✓							✓		✓		
Inadequate lateness policy	✓	✓	✓	✓		✓			✓	✓	✓					✓					✓	✓	✓	✓										✓		✓							✓			
Employee overtime not preauthorized							✓					✓																		✓				✓								✓		✓	✓	
Attendance sheets improperly used						✓	✓					✓						✓																								✓				
Inadequate duty segregation			✓		✓										✓														✓				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sick leave policy was not enforced	✓					✓	✓	✓	✓	✓	✓		✓	✓		✓		✓										✓	✓						✓	✓	✓	✓				✓	✓	✓	✓	
Employee evaluations not performed		✓							✓	✓	✓		✓	✓				✓							✓	✓	✓	✓								✓										
Attendance sheets improperly reviewed			✓																																											
Erroneous payments to separated employees							✓																									✓					✓	✓				✓				
Improper handling and distribution of checks																													✓																	

Sample Department: Fleet Management Findings, Recommendations & Action

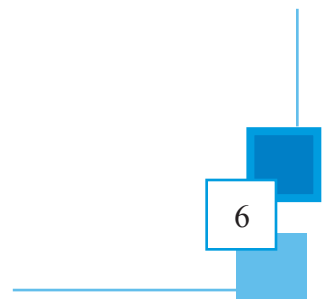
Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH A petty cash purchase was split in an effort to evade the \$500 spending limit. The agency circumvented the \$500 petty cash expenditure limit established by the Director of Finance, by splitting a \$2,000 payment into four payments of \$500, to replenish their EZ Pass account held with the Delaware River Port Authority.	Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office. In addition, management should contact the city's Procurement Department to request approval for a direct purchase authorization to pay for such reoccurring expenditures in accordance with Procurement Department Directive #6 - Direct Purchase Authorization and Procedure [102515.01].	In order to keep sufficient funding in the Commercial EZ-Pass Account, OFM deposits sufficient funds which are necessary for OFM's administrative and operational purposes. At present there are no other available forms of payment to replenish EZ-Pass Accounts. OFM is working with Finance to identify an efficient solution to the finding.
Petty cash disbursements lacked supporting documentation. Fleet Management was unable to provide the EZ - Pass logs used to track and record the daily usage of EZ - Pass transponders used by Mayor's Office and Police Department vehicles.	Failure to obtain the proper supporting documentation for petty cash disbursements could lead to unauthorized EZ-Pass use and the expenditure of unnecessary taxpayer dollars.	Management should ensure all petty cash disbursements be supported by proper supporting documentation in accordance with standard accounting procedures of the city's Finance Office [102515.02].	OFM provides EZ-Pass support service to the Mayor's Office and Police Department. OFM will submit EZ-Pass usage statements to the departments on a quarterly basis during the fiscal year for review and approval. This process will begin first quarter FY2017.



CITY & SCHOOL DISTRICT FINANCIAL STATEMENTS



*Ensuring Compliance with Laws,
Agreements & Contracts*



Report on Internal Control & Compliance

City of Philadelphia (FY2015)

Released: July 2016

The City Controller's FY2015 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.



While the city's financial statements were presented fairly, in all material respects, the audit identified a number of weaknesses and deficiencies in the process that city management uses to prepare the statements. These weaknesses and deficiencies contributed to errors exceeding \$1 billion, which included:

- unauthorized approvals for payroll and other types of disbursements increased the risk of improper expenditures,
- bank account reconciliations were not timely completed with more than 85 percent of accounts not reconciled until more than two months after the fiscal-year end, and
- city agencies frequently failed to report new grant awards, correctly identify awards, and properly record expenditures in grant accounting records. These conditions hindered the ability of the

city's grants accounting unit to accurately and timely report grant activity to the federal government.

The audit found no recorded evidence of current conditions or usage for 2,700 properties in the city's inventory.

The city disclosed no updated inventory records for its own facilities such as recreation centers, police stations, parks, historical mansions and many others. The failure to inventory has increased the risk of inaccurate accounting records for the city.

Auditors some of the properties were more than 200 years old and others dating back to earlier than 1900 including the Stenton Mansion (1793), Glen Foerd Garden House (1850), Thomas Eakins House Annex (1854) Pier 9 Warehouse (1900) and Addison Street Park (1900).

The Government Finance Officers Association recommends that governments periodically inventory tangible capital assets so that all assets are accounted for no less than once every five years.

The audit also identified several improvements from prior years, which included:

- the Fire Department's handling of EMS receivables demonstrated better oversight,
- year-end procedures for Water Fund accounts were more accurately and timely completed, and
- controls had been put in place to ensure that only active employees had access to city's purchasing and accounting systems. ■

Facility	Year Built	Location
Glen Foerd Garden House	1850	5001 Grant Ave., 19114
Thomas Eakins House Annex	1854	1729 Mt. Vernon St., 19130
Ryerss Museum and Library	1859	7370 Central Ave., 19111
Pier 9 Warehouse	1900	21 N. Christopher Columbus Blvd., 19106
Addison Street Park	1900	720 Addison St., 19147

Graphic depicting historic properties that were not inventoried

Report on Internal Control & Compliance School District of Philadelphia (FY2015)

Released: August 2016

The Controller's Office conducted an audit of the school district's basic financial statements for Fiscal Year 2015. 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 School District's financial statements were in accordance with generally accepted accounting principles, but the Office identified some concerns including the following:

- the District continued to hold \$6.5 million due to former employees that have separated from service — some as far back as 2001. In doing so, the District appears to be in violation of applicable labor agreements, and, for at least \$1.2 million of the amount, in violation of Pennsylvania's escheat law.
- nearly \$5.0 million of Student Activity Funds continued to be at risk for theft and misuse, as schools holding the funds failed to follow established policies and procedures. District management did not adequately enforce those policies and procedures.



- TransPass activity we examined at five District schools continued to suggest that passes were missing and unaccounted for. The missing TransPasses totaled nearly \$3,700 and were part of the District's \$32.9 million Student TransPass Program. Poorly designed procedures coupled with a failure to properly implement others that were in place appear to be the cause for the lack of accountability over the passes.

In releasing to issuing the findings of the audit, the City Controller urged city leaders to allow the Controller's Office greater auditing authority to help address the School District's projected \$600 million deficit by 2021.

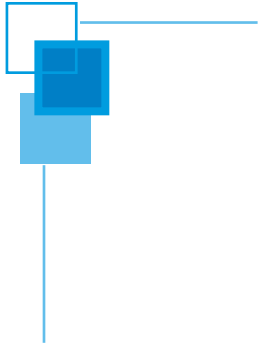
are limited to reviewing financial statements and grant audits. In addition to greater auditing authority, the City Controller recommends the School District establish a Five-Year Budget that is reviewed by an independent agency such as the Pennsylvania Intergovernmental Cooperation Authority (PICA). Similar to the process utilized for approving the City's budget, PICA could endorse the School District's financial plan which would then allow the city to release education funds to the School District. ■

Summary of Conditions Noted Regarding School Equipment

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			✓
Swenson Arts Technical High School	15	1	15	1	✓		
Philadelphia High School for Girls	10	1	10	2	✓		✓
Penn Treaty School	15	1	15	0	✓		
Bartram High School	10	8	10	4	✓	✓	
Creative & Performing Arts High School	15	7	15	1	✓	✓	✓
Franklin Learning Center	10	2	10	2	✓	✓	
Roxborough High School	10	5	10	5	✓	✓	
Martin Luther King High School	15	5	15	5	✓	✓	
Randolph Technical High School	15	6	15	3	✓	✓	✓
Totals	125	37	125	23			

Graphic indicating schools that were missing equipment

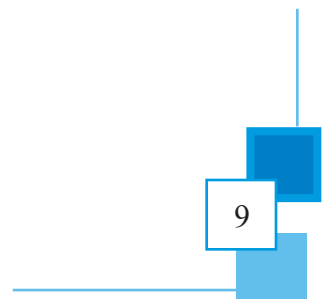
An agreement between the City and School District would allow the Controller's Office the ability to take a deeper examination of how tax dollars are spent and contracts are awarded. The City Controller's auditing capabilities



PERFORMANCE AUDITS & SPECIAL REVIEWS



*Defining Precise Issues that Can Lead
to Maximum Efficiencies*



Philadelphia Prison System: Audit of PhilaCor Program

Released: January 2016

In response to a request from the Philadelphia Prison System, the City Controller's Office conducted a performance audit of the PhilaCor Program to ascertain whether PhilaCor was maintaining its financial records in accordance professional standards and ensuring the efficiency of its operations. PhilaCor is the inmate trades program consisting of ten industry shops such as carpentry, dry cleaning, culinary and textiles that are located throughout the Philadelphia Prison System.

The program's primary purpose is to train inmates so they are equipped with transferable job skills and a work ethic that will prepare them for reentry into society and employment after their release. Operating revenues include income from the goods and services sold by the various industry shops and token sales that are used to pay for culinary and dry cleaning. Expenditures charged to the program include raw materials, supplies, equipment leases and inmate wages.

The City Controller's auditors discovered that the program's expenditures outpaced incoming



Philadelphia Industrial Correctional Center

revenues by almost \$365,000 over a three-year period.

Expenditures of \$2,961,891 were incurred during fiscal years 2012 through 2014, but only \$2,597,363 of revenues had been recorded.

At the time the audit was released, Controller Butkovitz stated that PhilaCor cannot maintain itself financially when it's spending more money for goods than it's generating for its services.

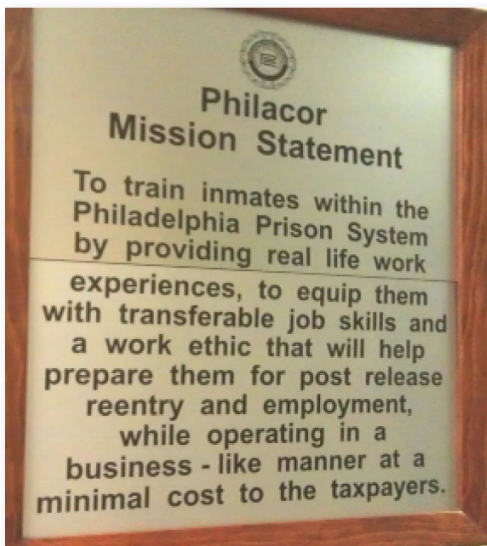
The main reason the finances were falling short was due to a lack of skills needed to operate the program in a business-like manner. While the PhilaCor managers, who work for the Prison System, are skilled in their crafts, most were not provided with policies and procedures to manage the financial affairs. More importantly, it was determined that the Prison's management did not provide adequate oversight to ensure that the program was operating efficiently.

There was also a potential revenue loss due to the poor oversight of prison tokens, which is the form of currently for patrons to pay for

goods and services at PhilaCor's Dry Cleaning Shop and Culinary Shop. Patrons must purchase tokens from dispensing machines, with each token equal to one dollar. In one sampling of the token reconciliations for Dry Cleaning services, auditors found no explanation for an overage of \$1,203 on one date and shortage of \$1,061 on another day.

A review of the cash logs indicated that collections were performed as infrequently as 35 to 102 days apart, averaging about one deposit every two months. Auditors observed a coin count by the Prison staff which found that nearly \$22,000 had accumulated inside the token machines.

The Controller's Office recommended that the Prison System management provide guidance in the form of written detailed procedures, adequate training, and oversight of the correctional industries program. Additionally, cash needs to be counted and deposited on a regular basis to safeguard against potential loss. ■



Philadelphia Fire Department: Department Needs to Reconsider Its Brownout & Rotation Policies

Released: February 2016

Under former Mayor Michael Nutter, the City implemented two controversial policies within the Philadelphia Fire Department (PFD) in an effort to cut costs.

The Brownout Policy, which included daily closures of several engine companies during day and night shifts, went into effect in 2010. The Rotation Policy, which was to ensure that all firefighters have equal opportunity to work in various assignments, was implemented in 2013.

In December 2015, the City Controller's Office released preliminary data of the PFD's emergency response times during the period of the Brownout and Rotation policies. The data indicated that 45,000 fire emergencies did not have an engine arrive on the scene of an emergency on time.

Two months later, the City Controller's Office issued the complete performance audit of the PFD's response times and concluded that the former mayor's policies jeopardized public safety and contributed to increased costs.



Throughout the years the policies were in place, the PFD's ability for a first engine to arrive on scene within the national standard of five minutes and 20 seconds for 90 percent of all responses dropped by 80 percent to as low as 74 percent.

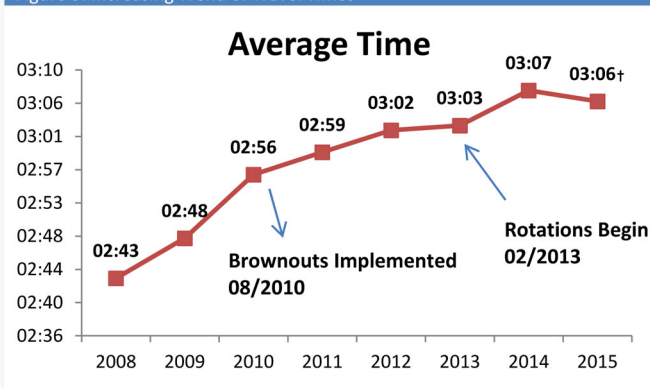
The audit determined that it took first engines more time to reach the scene because they were traveling from greater distances than those that were close but browned out. The Brownout Policy also made it difficult for engines to reach certain high-hazard occupancies such as hospitals, schools and nursing homes on time because the distance increased significantly for the next available responding station.

fighters climbed from \$15.7 million in Fiscal Year 2010 to \$34.2 million in Fiscal Year 2014. , the

The Controller's Office also found that data regarding on-scene arrival times in the PFD's database was sometimes incomplete and inaccurate, often when the fire incident involved a death or injury. This included three separate incidents from 2010 through 2014 that involved children, elderly and firefighters who died or were injured.

When Mayor Jim Kenney took office, one of his first actions was to address the policies implemented under the prior administration. Mayor Kenney recognized the dangers and increased costs and eliminated the policies. ■

Figure 3: Increasing Trend of Travel Times



Report graphic illustrating travel times

In addition to fire engines taking longer to reach the scene of an emergency and jeopardizing public safety, the overtime costs associated with the Brownout Policy had doubled within the five-year period. Overtime for fire-

Review of Mayor's Fund for Philadelphia

Released: August 2016

An Agreed-Upon-Procedures audit was conducted at the request of the executive director of the Mayor's Fund (The Fund) for Philadelphia to assist in evaluating the propriety of Marathon Reserves expenses incurred during 2014 and 2015. The executive director had concerns that some of the Marathon Reserve funds may not have been spent appropriately.

The Fund, which operates as a non-profit primarily from the proceeds of the Philadelphia Marathon, allocated \$200,000 in 2014 and 2015 to a special account called the "Marathon Reserves," which was controlled by the former City Representative who was also The Fund's chairwoman. These funds were expected to support grants for initiatives to improve the city.

However, as the Controller's Office reviewed the \$400,000 in expenditures over the two-year period, auditors discovered numerous instances of questionable spending for items



associated with airfare, hotel rooms, restaurants and bars, Uber and taxi travel, shoes and many other purchases that did not appear to meet the mission of the The Fund.

Of the 21 expenditures selected for review, only five appeared to be grant related. The majority of payments were associated with several credit cards linked to The Fund and there were no supporting invoices or explanation as to the purpose of the charges. Many of the expenditures were made by The Fund's former chairwoman under the prior mayoral administration and were done so without the Board's approval.

One of the questionable charges included \$52,000 at the Philadelphia Courtyard Marriott for rooms that were paid for staff and some family members during the 2015 Papal Visit. There were no receipts provided, no record of how many rooms were purchased or who the rooms were for.

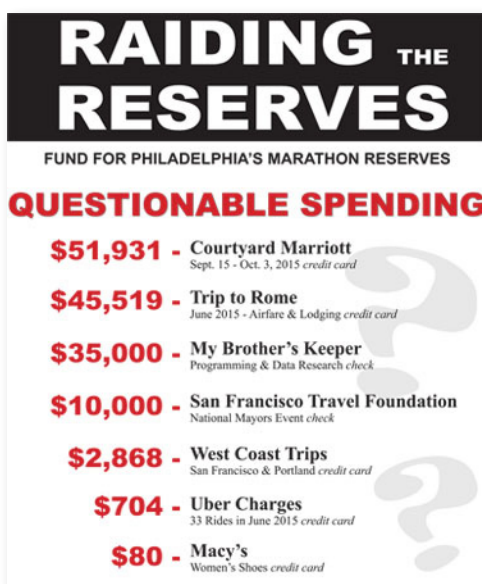
Other credit card purchases that were not grant related, not approved by the Board and contained no supporting invoices included:

- \$45,000 - purchases made for flights and hotels to Rome

- \$704 - charges for 33 Uber rides in month
- \$333 - several charges relating to lodging and food in Portland, Oregon, and
- \$80 - for a pair of woman's shoes from Macy's

In addition, the Marathon Reserves account was used to fund celebration events instead of making grant awards. This included \$45,000 paid to various vendors for the Mayor's 2015 Tree Lighting Ceremony. The origin of the vendors' invoices for this event raised red flags with the auditors.

Due to the questionable charges in a relatively small sampling, the City Controller when releasing the report called for a more in-depth investigation to ascertain the extent The Fund was used for purchases that did not meet the mission of the nonprofit. ■



Graphic depicting several questionable charges

Office of Human Relations: Audit of Tuition Reimbursement Program

Released: November 2016

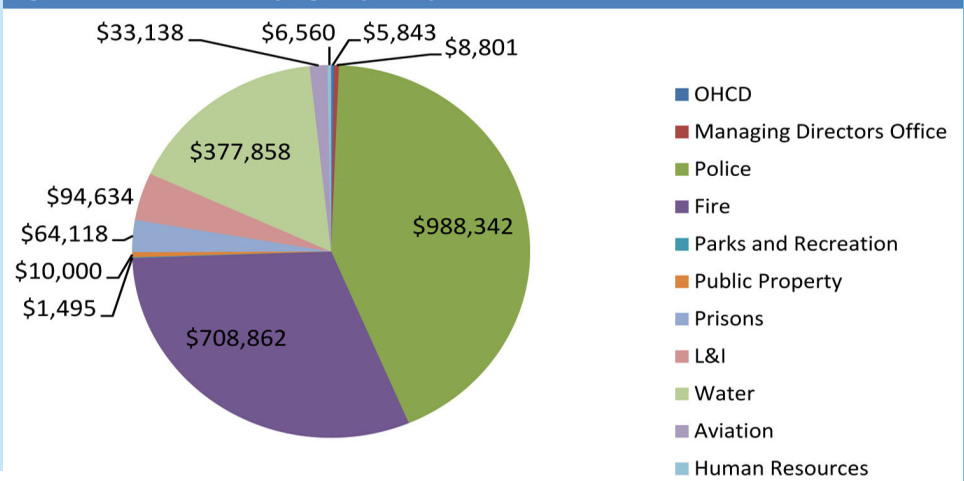
Concerned about the risk of poor oversight with respect to employee tuition reimbursements, the City Controller's Office conducted a performance audit of the City of Philadelphia's tuition reimbursement program. The objective of the audit was to determine whether the program was being effectively managed to prevent waste and abuse.

The city's tuition program is regulated under the Civil Service and allows all city departments to provide the benefit to their staff at the discretion of the agency's appointed authority. Each department is responsible for administering the reimbursements to their employees.

From 2011 through March 2016, 11 city agencies reimbursed their employees \$2.3 million in tuition for undergraduate and graduate degree programs. Most, if not all, of the agencies had managed their tuition reimbursement program poorly.

Of the total amount spent by the city during this period, the Controller's auditors determined the city failed to recover almost \$100,000 in payments from former employees who left employment too early. This included 27 employees who wilfully ended their

Figure 1: Tuition Costs by Agency – July 2011 to March 2016



Report graphic depicting the tuition costs by agency

employment with the city prior to the required two years of continued employment. Employees who leave the city within one year are required to return 100 percent of reimbursement payments and those who leave between one and two years are required to return a prorated portion.

In one instance, an employee left the city as shortly as four days after the date of his last tuition reimbursement. Another employee left three months after his last tuition reimbursement, having received more than \$50,000 in reimbursements during his tenure with the city.

However, the auditors found no evidence the city had the necessary tools in place to ensure the recovery of the tuition payments.

The audit also found that another \$45,000 was incorrectly reimbursed to city employees for the following:

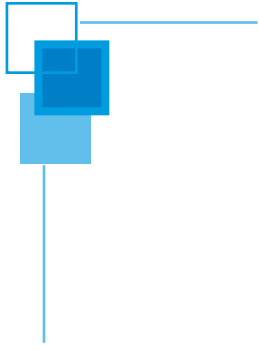
- items such as books which were against the administering department's policy,
- grants, scholarships or other discounts that some employees already received, and
- payments for courses that employees failed.

In addition, auditors were unable to identify any instances of when tuition benefits were reported on an employee's W-2 for federal, state or local income tax purposes. As a result it is estimated that the uncollected city Wage Tax revenues were between \$80,000 and \$90,000 for the period under the audit.

Employee Title	Agency	Reimbursed Amount
Water Field Customer Service Manager	Water	\$38,016
Utility Financial Services Manager	Water	\$35,415
Staff Engineer I	Water	\$31,604
Building Plans Examination Engineer I	L&I	\$27,000
Senior Departmental Human Resource Associate	Water	\$26,819
Environmental Engineer IV	Water	\$26,233
Environmental Scientist II	Water	\$24,485
Geographic Information Systems Specialist III	Water	\$23,900
Mass Spectrometrists	Water	\$22,050
Building Plans Examination Engineer I	L&I	\$20,106

Report graphic illustrating the largest tuition reimbursements

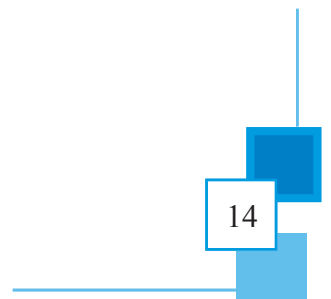
The city is supposed to recover tuition reimbursements through payroll deductions, which are submitted by the individual department to the Office of the Director of Finance. In turn, Finance is charged with terminating the employee's final paycheck or pension contributions by amounts the employee owes.



EXPENDITURES & RECEIPTS, ENGINEERING INSPECTIONS



*Examining Expenditures
& Saving Tax Dollars*



Pre-Audit Unit: City Project Inspections

January - December 2016

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 \$1.3 million in 2016. The majority of savings, 52 percent, were related to contracts at the Philadelphia International Airport. The bulk of these savings were the result of recovering money from contractors charging rates higher than allowable by contract or recovering money from contractors charging additional fees for costs that



View of construction project at the Philadelphia International Airport

are included as part of the original contract.

A breakdown of additional savings by departments included the following:

- \$565,932 - Public Property
- \$36,550 - Water Department
- \$2,821 - Streets Department

There were more than 50 projects where the Controller's Office identified savings. Some of these included:

- Public Property - \$272,131 was saved due to identification of incorrect equipment and labor charges on a city-wide contract for asbestos remediation.
- City Hall - \$86,400 was saved by uncovering a contractor who billed for several items that were not allowable by the contract. This included billing for grooved concrete for the apron around City Hall, which was not implemented.
- Water Pollution Control Plant - \$7,250 was saved by uncovering a contractor who billed for rates that were higher than allowable

and used improper labor rates for some of the work that was performed at the site.

The Pre-Audit Unit has already launched an education outreach initiative to help city departments identify areas where contractors are overbilling or billing incorrectly. The City Controller's Pre-Audit Deputy and in-house Engineer provided presentations and workshops to educate personnel who oversee capital contracts in all departments what they are supposed to look for once they receive an invoice and how to properly use tools and resources to determine the appropriate cost for work performed.

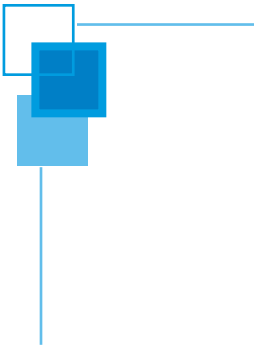
The major departments that completed capital work adjusted their process of reviewing invoices that include labor rates, taxes and insurances, material costs, equipment rates and necessity of equipment. ■

Pre-Audit's Technical Unit: City Project Inspections

January - December 2016

Breakdown of Findings & Savings

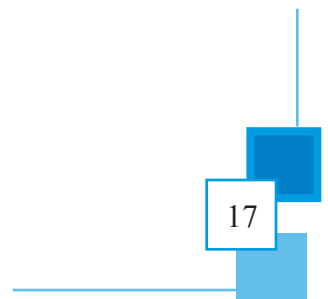
Project	Department	Issue(s)	Savings
On call Contract	Airport	Labor Rates and Taxes and Insurance Rates	\$ 274,000.00
Asbestos Remediation	Public Property	Equipment Rates	\$ 148,500.00
Asbestos Remediation	Public Property	Taxes and Insurances Rate	\$ 123,631.24
On call Contract	Airport	Labor Rates	\$ 110,000.00
On Call Contract	Public Property	Labor rates, equipment rates, labor hours, supervision, necessity of equipment	\$ 95,483.75
City Hall Work	Public Property	Job Order Contracting System Issues	\$ 86,385.75
On Call Paving	Airport	Labor Rates and Taxes and Insurance Rates	\$ 58,253.27
On call Contract	Airport	Labor Rates	\$ 57,000.00
On call Electrical	Public Property	Labor Rates and Taxes and Insurance Rates	\$ 55,113.00
On call General Construction	Airport	Math Error	\$ 54,626.34
Demolition at Airport	Airport	Change order cost was too high (lump sum)	\$ 52,097.00
TSA CCTV Project	Airport	Warranty, Project Manual, Handling Hours, General Requirements	\$ 33,061.00
On call Electrical	Public Property	Taxes and Insurances Rate	\$ 27,584.00
On call mechanical	Airport	Labor Rates and Taxes and Insurance Rates	\$ 20,778.00
Water and Sewers	Water	Taxes and Insurances Rate	\$ 7,456.59
Nursing Home	Public Property	Job Order Contracting Proposal Review	\$ 7,418.28
Water Pollution Control Plant	Water	Supervision Charges, labor rates, labor hours, taxes and insurances	\$ 7,250.48
Raw Water Basin	Water	Taxes and Insurances Rate	\$ 7,208.82
Water and Sewers	Water	Taxes and Insurances Rate	\$ 4,795.08
Health Center	Public Property	Excessive labor hours	\$ 4,221.75
Raw Water Basin	Water	Taxes and Insurances Rate	\$ 3,739.22
Zoo Building	Public Property	Missing Equipment on a credit change order	\$ 3,159.96
Police Building	Public Property	Personal Protective Equipment, Tools	\$ 2,566.00
Water Mains	Water	Labor Rates and Taxes and Insurance Rates	\$ 2,213.10
Citywide ADA Ramps	Streets	Inaccurate Unforeseen conditions	\$ 2,000.00
Water and Sewer	Water	Labor Rates and Taxes and Insurance Rates	\$ 1,933.46
On call Contract	Airport	Markups	\$ 1,683.00
Canoe House	Public Property	Labor Rates and Taxes and Insurance Rates	\$ 1,602.80
Police Building	Public Property	Equipment Rates, Markups, Labor Costs	\$ 1,513.00
Police Building	Public Property	Credit for work not completed	\$ 1,325.00
Job Order Contracting Electrical	Public Property	JOC Labor Rate	\$ 1,269.96
Airport Signs	Airport	Taxes and Insurances Rate	\$ 1,157.00
Airport Signs	Airport	Credit Markup	\$ 1,005.26
Water pollution control plant	Water	credit markup	\$ 943.80
Roof of City Building	Public Property	Credit Markup	\$ 861.33
Incinerator	Streets	Supervision Charges	\$ 820.80
Water and Sewer	Water	Taxes and Insurances Rate	\$ 749.33
Police Building	Public Property	Labor Hours, Equipment rates, General Liability Insurance	\$ 748.64
Library	Public Property	Labor rate, materials, equipment rates	\$ 711.97
On Call Electrical	Public Property	Small Tools	\$ 640.50
City Hall Work	Public Property	Material Cost	\$ 634.00
Playground	Public Property	material cost, equipment cost, labor hours	\$ 590.27
On call Contract	Public Property	Math Error	\$ 513.75
On Call Paving	Airport	Operating Equipment	\$ 465.32
City Hall	Public Property	Bond Charge	\$ 415.65
Police Building	Public Property	Equipment Rates	\$ 403.68
Police Building	Public Property	Equipment rates, supervision	\$ 388.00
On call contract	Airport	Small Tools	\$ 379.62
On call Contract	Airport	Small Tools	\$ 330.18
On Call Mechanical	Airport	Gas cylinder deposit	\$ 269.36
Water Plant Work	Water	Bond Charge	\$ 260.18
Fire Department	Public Property	Material Tax	\$ 128.03
Police Building	Public Property	Markups	\$ 121.34
Total			\$ 1,270,407.86



FRAUD & SPECIAL INVESTIGATIONS



*Examining the Many Layers Below
the Surface to Uncover the Facts*



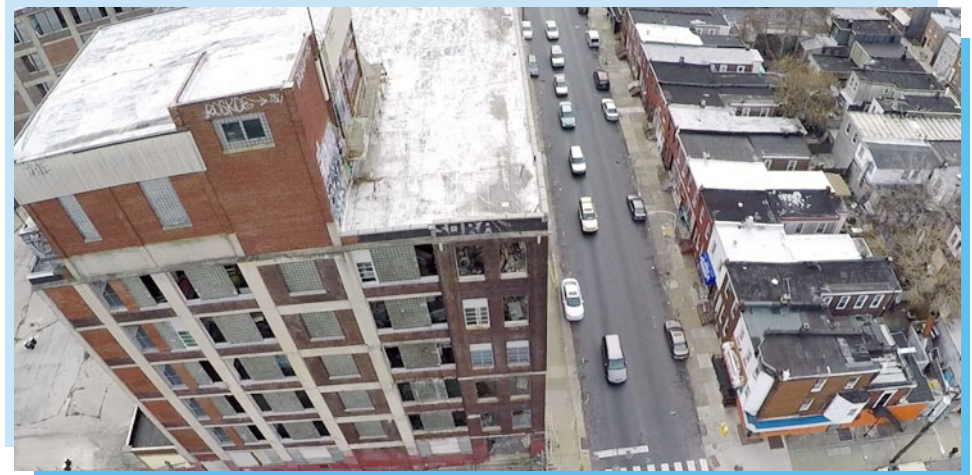
Utilizing Drones to Improve Public Safety in the City of Philadelphia

Released: January 2016

As part of an ongoing effort to provide recommendations for the City of Philadelphia to improve its oversight and operations of vacant and dangerous buildings, the City Controller's Office set its sights to the sky and deployed an aerial drone to record video and photographs of unsafe structures.

The drone's footage captured several concerning conditions such as missing roofs, weak structures and signs of trespassing on large buildings and row homes across the city. The immediate advantage of utilizing a drone was realized with the ability to cover more ground in less time, making the process more efficient and effective. A visual inspection of one block consisting of 56 homes could be completed in 30 seconds.

Along with the visual inspection, the City Controller issued a report that outlined best practices for the city to implement drones as a method to improve public safety and enhance numerous government services.



Aerial view of abandoned school captured by a school

The report outlined several city agencies and departments that could utilize a drone, including:

- Fire Department - aid fire and EMS vehicles to survey traffic and street conditions in route of an emergency to increase response times.
- Streets Department - monitor streets that haven't been plowed and allow crews to dispatch trucks to clear the snow from these areas.
- SEPTA - deploy drones along rail lines and other transportation routes during inclement weather and other instances where there are track conditions.
- Parks and Recreation - aerial imagery to assess stream conditions, ecological patterns and wildlife populations.

Cities across the U.S. have implemented drones to improve services. In Somerville, Massachusetts, they utilize a drone as a new tool to join the city's fight against snow-covered roof collapses. In Minnesota, a drone was used by engineers for bridge inspections, eliminating the need to close bridges and connecting roads. Additionally, in Ann Arbor, Michigan, they are evaluating potholes and identifying severe rutting and draining uses with their infrastructure system.

The report and testing the drone technology underscored the City Controller's record since taking office almost 12 years ago of consistently exploring potential solutions to deliver more effective government services. ■



City Controller presents the drone

Investigations into City's Mail Center Operations

Released: February - October 2016

After receiving several tips through the Fraud Hotline regarding questionable activity in the City's Mail Center, the City Controller's Office launched an investigation that eventually led to numerous findings covered in several issued reports throughout the year.

The Mail Center processes daily outgoing mail for all city departments and agencies such as notices, bills, parking violations, and court notices.

The initial discovery by the City Controller's Fraud and Special Investigations Unit determined that tens of thousands pieces of mail were not being processed in a timely fashion. The report issued February 2016, "Assessment of Mail Center Operations - Initial Investigative Findings," documented an instance where investigators found an estimated 4,000 water bill notices stored in the Mail Center one day before the payment due date.

Other instances of mail-processing issues, included:

- subpoenas for individuals to appear in Traffic Court were observed on the same day that the individuals were in court, and
- several parking violations issued by the Philadelphia Parking



Stacks of mail located within the City's Mail Center

Authority were observed in the Mail Center 10 days after they were supposed to be mailed.

As the investigation continued, the City Controller issued a second report April 2016, "Ongoing Investigation of Revenue Department - Mail Center Operations," that found improper mail sorting procedures were costing the city in excess of approximately \$1.5 million annually. On-site inspections found Mail Center employees were wasting funds on postage costs by not appropriately processing mail through the sorting machine.

In addition, from 2013 to 2015, the investigators found the amount of overtime paid to Mail Center employees increased by 27 percent, from \$131,235 to \$171,427. During the same time frame, the volume of mail pieces processed decreased from 10 percent, from 13.2 million pieces to 11.9 million.

While focusing on the overtime costs and amount of work that wasn't being performed, the investigators

uncovered time fraud by employees who were paid thousands of dollars for overtime they never worked. In the third investigative report issued October 2016, "Revenue Department Mail Center Operations - Review of Time Fraud," investigators utilized video surveillance and time records over an eight week period.

It was determined that almost 300 hours valued at \$10,000 were considered overpayments for overtime that was not performed. This was conspired by the Mail Center's Supervisor and the Administrative Officer, who both knowingly certified the overtime for themselves and other Mail Center employees.

The Supervisor alone certified more than 100 hours of his own time when he was not at the work site along with certifying almost 170 hours of overtime for the other Mail Center employees.

The City Controller's reports prompted the Revenue Department to take several actions to reform the Mail Center. This included reducing the overtime, installing video cameras and eliminating backlogs of mail. ■



Press visual depicting the overtime abuse

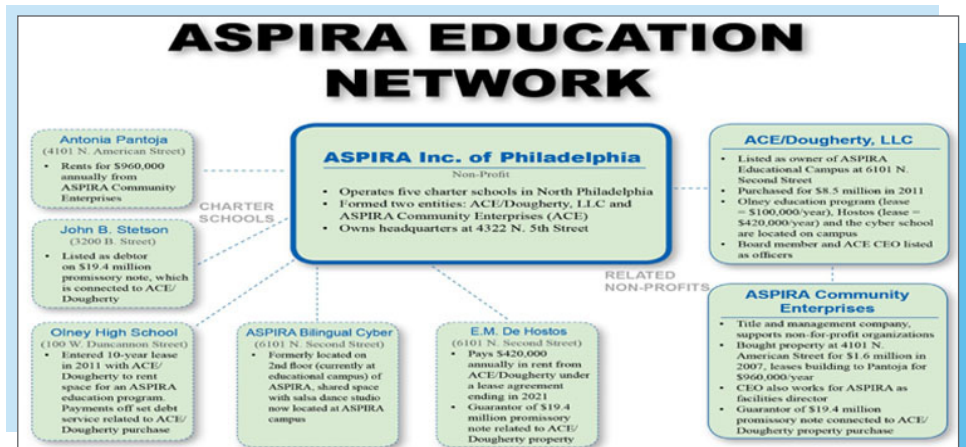
Review of Charter School Oversight: Examination of Charter Schools Operated by Education Providers

Released: May 2016

The City Controller's Office has led the national forefront in conducting investigations, financial analysis and operational reviews of charter schools. With more than 80 operating in the City of Philadelphia and minimal oversight from the School District of Philadelphia's Charter School Office, the City Controller's reports have provided insight into how charter schools function as stated by Pennsylvania law.

The most recent review focused on management practices by ASPIRA, Inc., of Pennsylvania (ASPIRA) and The Universal Companies (Universal), which operate five and seven schools, respectively. These management companies oversee the primary functions within each school and have access to the allocated funding streams that are provided to the schools in order to operate.

The City Controller found minimal oversight of the education providers due to an outdated Pennsylvania Charter School Law. There several areas of concern such as incomplete financial data, lack of transparency, non-compliance with the Ethics Act and questionable leasing agreements between the education companies and their related parties.



Report graphic depicting the ASPIRA Education Network

This included uncovering a dance studio located on the same floor as the ASPIRA cyber school, which was the also the location for ASPIRA's headquarters. The dance company was utilizing a public non-profit space for an unregistered and unregulated commercial business.

When reviewing documents for Universal, the Controller's Office determined there was an apparent conflict of interest between Universal Institute Charter School, Universal Community Homes and Universal Education Company. Several board members at the charter school served on the boards of other Universal-associated entities including the Universal Companies Board, which is the company that oversees the other entities.

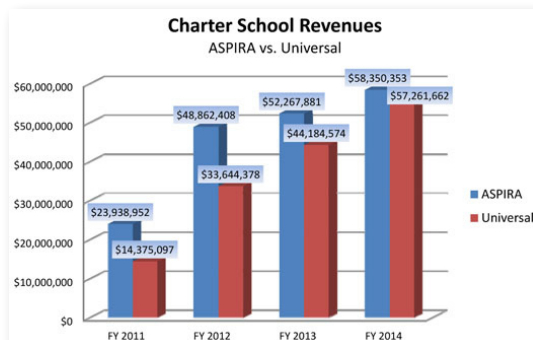
In addition, Universal indicated that it was operated by an entity known as, "The Universal Education Companies, Inc.," which is a Delaware non-profit corporation registered to do business within Pennsylvania. However, Universal provided no evidence that its company was registered to do business in Pennsylvania.

Other findings included:

Ethics forms filed by ASPIRA contained incomplete information or discrepancies, including one administrator who failed to report income received from the Pennsylvania Public School Employees' Retirement System. It is a violation of the retirement code for an administrator to be paid by the school and also receive retirement pay.

Five Universal schools did not meet the state requirement of having at least 75 percent of the professional staff members state certified.

Both ASPIRA and Universal were noncompliant with the state's Right to Know Law by not posting mandated information on their websites. ■



Report graphic showing revenue growth

Streets Department Highways Unit: Review of Pothole Repair & Response

November 2016

After a local media report highlighted issues with the City's pothole repair process, the City Controller's Office reviewed the records of the Philadelphia Streets Department to examine its repair process and response time in repairing potholes.

With a standard response time of three business days for pothole repairs, the Controller's Office wanted to ascertain the efficiency of the Streets Department pothole repair process and to formulate any necessary recommendations to improve repair times in all neighborhoods.

The Fraud and Special Investigations team examined the records for 21,397 potholes filled between January 2015 and June 2016 maintained by the Streets Department. While 80 percent of potholes were repaired within the standard one to three day response time, it was discovered that the city was not meeting its annual goal of paving 131 miles for almost the last decade.

Meeting this goal helps the Streets Department strengthen the road structure and reduce potholes. A look back at prior year progress found that 119 miles were paved in Fiscal



Pothole problems were identified in neighborhoods across the city

Year 2009. Since then, the city hasn't reached the half-way mark, reaching a low of 22 miles in Fiscal Year 2013, which marked the same year the Highway Division's budget was only \$18 million.

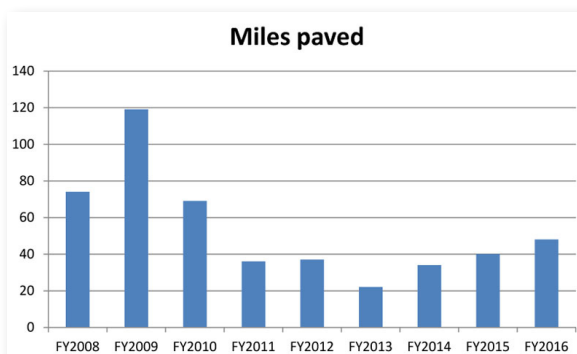
The average annual budget over the last decade for this division was \$25 million.

The number of potholes filled jumped from 14,451 in Fiscal Year 2012 to 35,341 in Fiscal Year 2016, marking a 145 percent increase. Prior to Fiscal Year 2012, the annual average of potholes filled was 12,712.

By not meeting the annual paving goal, the number of potholes increased and required more time and resources to repair the defects.

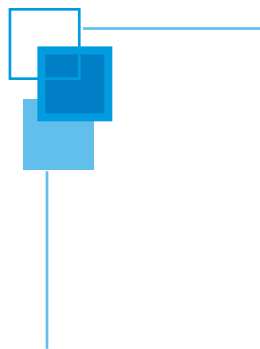
provided several recommendations to improve pothole oversight, including:

- improve and monitor record keeping to avoid multiple entries of the same case,
- improve coordination with PennDOT to ensure the appropriate agency makes the repairs to roads shared by the city and state,
- consider using drone technology to determine problem roads and monitor repairs regularly, and
- pursue appropriate funding so that the Streets Department can increase the number of roads paved each year in an effort to decrease the number of potholes that need repair. ■



Review of miles paved by the Streets Department

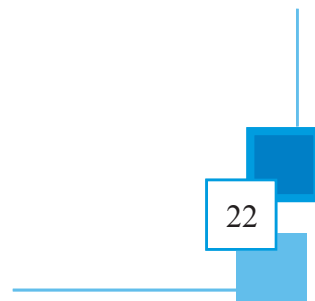
The City Controller's report



FINANCIAL POLICY & ECONOMIC REPORTS



*Analyzing Latest Revenues & Trends
Impacting the Local Economy*



Retirement Security in Philadelphia - An Analysis of Current Conditions and Paths to Better Outcomes

Released: May 2016

National studies have determined that much of the responsibility for retirement planning and savings have shifted to the individual. This is due to the rise of defined contribution retirement plans and the decline of defined benefit pensions along with gains in life expectancy and the surge of nontraditional work arrangements.

The negative consequences of inadequate retirement savings will be most severe at the local effort. With Philadelphia already facing a 26 percent poverty rate, the highest of any large U.S. city, the City Controller's Office identified several options where the City of Philadelphia could take the lead in providing financial security for future generations.

The City Controller's study of Philadelphia's future retirement climate indicated that 33 percent of retired seniors in the city live in poverty.

A senior household in Philadelphia needs \$28,750 a year to meet its basic needs without relying on public assistance. More than half of Philadelphia's senior households live on less than that. Additionally, 21 percent are in the Supplemental Nutritional Assistance Program.

The retirement study stated that insufficient retirement assets of Philadel-



Controller Butkovitz joined national experts to discuss the future of retirement

phians poses a risk to the fiscal and economic health of Philadelphia.

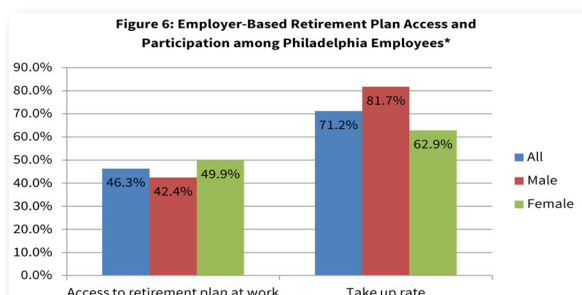
A premise for the large number of seniors living in poverty can be attributed to 54 percent of employees in the city who do not have access to a retirement plan through their employer.

To address this issue, the City Controller strongly recommended the state or city could administer an Open Multiple Employer Plan (Open MEP), which is a tax-advantaged Defined Benefit or Defined Contribution retirement plan that eligible employers without retirement plans would voluntarily join. Participating employers would share the costs of the plan and most of the administrative and fiduciary responsibilities would be managed by the sponsoring government agency or be passed on to a financial services provider.

Other solutions proposed in the City Controller's report included:

- Secure Choice Auto IRA - a government entity would establish a payroll deduction IRA program with automatic enrollment and default contribution features. This would require that all private-sector businesses within its jurisdiction that do not offer a retirement savings plan enroll in the program with employees having the option to opt-out.
- Prototype Plans - similar to Open MEP where employer participation would be voluntary but the employers would have the freedom to choose between certain plan features.
- Encourage myRA - a free Roth IRA that safely invests citizens' savings in a new US Treasury Security Fund that cannot lose money.

The report is a road map for local and state officials to establish legislation that would provide the structure for a designated plan. ■



Graph depicting demographic breakdown

An Open MEP is a voluntary plan for participants and offers low costs and liabilities, which can be attractive for small businesses that want to offer a retirement plan for their employees.

Employee Pension Income Conversion (EPIC) Plan Introduced before City Pension Board

Released: June 2016

In an effort to reduce the unfunded liability for the Philadelphia Municipal Pension Fund, the City Controller introduced the Employee Pension Income Conversion (EPIC) plan before the Philadelphia Pension Board.

The EPIC Plan would allow city employees in the Legacy Plan, known

as Plan 67, to convert to Plan 87 in return for a one-time cash payment. The cash sum would be determined by the difference in expected payments between the two plans, and employees would continue to receive a monthly pension payment but at the less costly plan.

If all eligible employees and pensioners in the Legacy Plan convert, it would reduce the unfunded liability by \$1 billion and save the city \$136 million annually for the City's Minimum Municipal Obligation. The savings through the reduced annual obligation could be allocated back into the Pension System and pay off the remaining unfunded liability at a quicker rate.

A 50 percent participation rate would reduce the unfunded liability by \$204 million and reduce the annual obligated payment by \$27 million.

The City Controller also indicated that for any type of proposal that allows employees and pensioners to choose a different financial plan, a financial education component must be required for anyone that opts into the plan. ■



City of Philadelphia: Forecasted General Fund Statement of Operations FY2017-2021

Released: July 2016

In accordance with the Pennsylvania Intergovernmental Cooperation Authority (PICA) Act, the Controller's Office conducted an examination of the City of Philadelphia's FY2017-2021 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 indicated that PICA must be mindful of any litigation that may occur from critics of the Sweetened Beverage Tax, who have reportedly vowed court challenges against the tax.

The city estimated that \$416 million would be collected over the five years, before additional costs for collection, advertising and auditing. The city indicated that the revenues from the new tax would fund three major initiatives: expanded Pre-K, community schools and debt service for Rebuilding Community Infrastructure program when those programs are fully funded.

labor agreements over the five years. The City is responsible for identifying additional funds to cover any costs above the budgeted amount. This includes any unforeseen circumstances such as litigation, severe weather, or future unexpected commitments to the School District of Philadelphia. ■



The City Controller's analysis also indicated that the Five-Year Plan does not include any potential costs above \$200 million in obligations for future

Department of Labor's Ruling to Open Path to Retirement Security Plans at City Level

Released: December 2016

The U.S. Department of Labor issued a final ruling that would allow cities to establish retirement plans for workers who do not have access to workplace savings.

The City Controller commended the Department of Labor's move and

stated that it would provide a strong foundation to help solve the crisis of retirement security for Philadelphians. The ruling would allow Philadelphia the ability to establish a payroll deduction plan under federal law and it would protect workers' rights by giving them the option to opt out of auto-enrollment.

safe harbor describing circumstances in which an employer's actions comply with the Employee Retirement Income Security Act.

Previously, only state governments could administer these types of plans. ■



The City Controller joined officials in New York City and Seattle to provide supportive statements to the Department of Labor prior to making its final ruling. It provides guidance for eligible cities and other political subdivisions to help them design retirement programs by providing a

Tracking City Revenues & Business Climate

January - December 2016

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:

Employment growth in the city increased by 40,500 jobs since the end of the Great Recession. There were 684,200 jobs recorded in January 2016 compared to 643,700 in January 2010. This marked a six percent growth rate over this period with the most jobs added coming from the Education and Healthcare and Leisure and Hospitality industries.

Philadelphia's consumer prices increased by 0.65 percent over the last year, marking a much slower rate than the U.S. average and other major metropolitan markets. Based on data

from the Consumer Price Index, the U.S. index jumped by 1.1 percent, which was about four-tenths above the Philadelphia Metropolitan area. Philadelphia's rate was also lower than Los Angeles, Houston, New York City and Chicago.

The City collected \$19.1 million in Amusement Tax revenues in Fiscal Year 2016, marking a two percent increase over the prior year. The bump in revenues was attributed to the Flyers making the playoffs and hosting three games in the first round. Based on the average playoff ticket price and attendance for each game, it was estimated that \$500,000 was generated in Amusement Tax, about the same amount that provided the year-over-year increase.

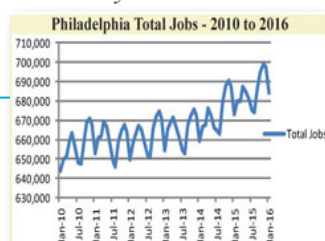
The December economic report outlined the potential impact to Philadelphia if the Affordable Care Act (ACA) was repealed. When the report was released, the City Controller joined with the Mayor to in breaking down the numbers, which found that more than 220,000 Philadelphians would lose their health insurance if the ACA was repealed without an appropriate replacement. In addition, the City could stand to lose hundreds of millions of dollars in Medicaid expansion funding, which helps pay for mental health and substance abuse services. Since Fiscal Year 2015, the city received \$493 million in expansion funding. ■

MONTHLY Economic Report

Financial Forecast & Snapshot for Philadelphia and the Region

Overview of Economic Reports

February 2016



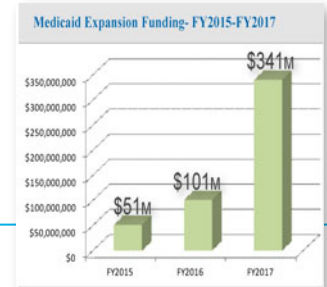
April 2016

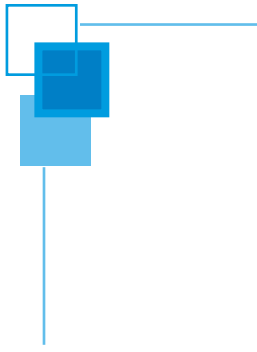


August 2015

FY	Revenues	Team(s) in Playoffs
2007	\$16.20	Eagles
2008	\$17.99	Phillies, Flyers, 76ers
2009	\$21.58	Eagles, Phils, Flyers, 76ers
2010	\$21.28	Eagles, Phillies, Flyers
2011	\$21.74	Eagles, Phils, Flyers, 76ers
2012	\$21.66	Phillies, Flyers, 76ers
2013	\$18.55	-
2014	\$19.99	Eagles, Flyers
2015	\$18.75	-
2016	\$19.14	Flyers

December 2016

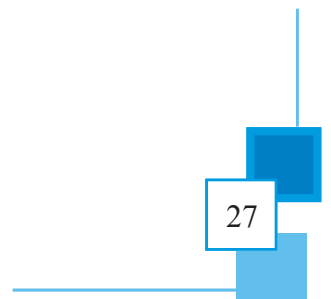




CONTROLLER'S COMMUNITY INITIATIVES



*Providing valuable resources,
benefiting all Philadelphians*



Student Mentor Program: Review of Monies Owed for Police Services

Released: June 2016

Under the guidance of the City Controller's staff, students from the Philadelphia Electrical and Technology (PET) Charter High School conducted a mock audit of outstanding monies owed for services provided by the Philadelphia Police Department.

The PET students decided to conduct this review to ascertain how much it cost the city to host large events, such as the Papal Visit and annual Made in America concert. While there are many costs associated with these types of events, they wanted to focus on police services since the City Controller previously conducted similar reviews. The prior reports were critical of entities who did not pay for services they received as well as provided recommendations for the city to improve billing and accountability.

The students started their work by obtaining the Police Department's most recent Aging Receivables report, which included the names of businesses and individuals who owed the city for police services, how much was owed the date the service was provided. This allowed the students



Student from the Philadelphia Electrical and Technology Charter High School

to analyze the different size of events and frequency that police services are requested throughout the year.

Their analysis found that the City of Philadelphia was owed \$5.3 million from 607 entities for police services. Four of the entities have owed the city more than \$100,000 for longer than 90 days.

The students were alarmed by the period of time that some businesses still had not paid for police services. In addition, they found that some of the same businesses had outstanding balances that were current, less than 30 days past due, and delinquent, more than 90 days old.

- entities with both credits and outstanding receivables for services rendered on different dates should have the credits applied to the oldest outstanding receivable.
- for events that have city-wide impact, Open Data Philadelphia should publish actual income and expenditures, or economic assessments to ensure that information pertaining to expenditures paid for with taxpayer funds are available to the public. ■



Controller Butkovitz acknowledged the outstanding work displayed by the students

The students made the several recommendations that they believed could increase the collection rate. This included the following:

- the city should discontinue ongoing relationships with entities who consistently do not pay outstanding amounts due.

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

January - December 2016

The Office of Community Affairs serves residents throughout the city by acting as the eyes and ears in the community and acting as an advocate for residents - cutting through the red tape and getting answers. In many instances, these issues have either initiated or supported audits and investigations.

Some of the initiatives and projects over the last year included:

- Young Involved Philadelphians (YIP) Event - the office partnered with Clarifi, AARP-PA and the Greater Hispanic Chamber of Commerce to host a retirement panel discussion and workshop during YIP's Annual State of Young Philly conference. The discussion focused on the future of retirement for millennials.
- Financial Wellness Fairs - the events were held throughout various sections of the city and provided an opportunity for all community members to receive vital information about retirement planning and many other financial wellness topics.
- Fraud Awareness Presentations - Community Affairs established a presentation that focuses on the top scams gathered from sources such as the Philadelphia Police Department and the Pennsylvania Attorney General's Office. This information informs the public of the ways in which scam artists target and deceive their victims.
- Men Can 2016 (stand against Domestic Violence) - Community Affairs collaborated with the Lutheran Settlement House to conduct a rally in order to raise awareness around the issue of domestic violence.
- Financial Literacy - the team toured ten high schools while collaborating with the Federal Reserve Bank of Philadelphia and other experts to provide valuable content to high school students.

Number of Participating Community Affairs Events - 2016

Town Hall Meetings	50
Community Meetings	190
Police Service Areas	75
Police District Advisory Council	125
Civic Associations	85
Fraud Presentations	51
Senior Meetings	70
Other Events	45

They also distributed Money Smart cards, which are wallet-sized cards that provide free resources in regard to loans, budgeting and financing, to all high schools.

- Education Listening Tours - partnered with the School District of Philadelphia to offer residents the opportunity to engage in intimate dialogue with Superintendent Dr. Hite about the future of schools in our city. ■





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