

# CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

*Promoting honest, efficient, and fully accountable government*

**ANNUAL AUDITOR'S REPORT  
ON  
PHILADELPHIA CITY AGENCIES  
FISCAL YEAR 2012**





# CITY OF PHILADELPHIA

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City Controller

GERALD V. MICCIULLA  
Deputy City Controller

May 22, 2014

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

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal year 2012 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for agencies marked with an asterisk occurred under the administration of a previous agency head.

We discussed our findings and recommendations with management of the city agencies during the course of the audit as well as with you and your staff at an exit conference. You have elected to not provide a written response to the report. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years. We believe that, if implemented by management, these recommendations will improve internal controls and the operations of these agencies.

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

Very truly yours,

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

ALAN BUTKOVITZ  
City Controller

cc: Honorable Michael A. Nutter, Mayor  
Honorable Darrell L. Clarke, President  
and Honorable Members of City Council  
Members of the Mayor's Cabinet



# ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY AGENCIES

## EXECUTIVE SUMMARY

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

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

### What The Controller's Office Found

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

- Nearly 55 percent of all city agencies still lacked written policies that defined lateness or prescribed the consequences of arriving late to work. Many of the agencies lacking a formal lateness policy also were lax in requiring their employees to properly submit leave requests for paid time off, leaving themselves exposed to higher risks for employee abuse of city time.
- The duties of entering payroll and the supervisory and executive level reviews of payroll entries still were not segregated for 50 percent of city agencies. In some cases the same individual performed all three functions, exposing the agencies to a high level of risk for undetected errors and providing opportunities for a person to perpetrate irregularities on payroll entries entered to the payroll system.
- The city's sick leave policy was still not enforced in thirteen city agencies. Most notably in City Council, where its employees were not subject to the same sick abuse sanctions as their civil service counterparts, one administrative level employee, who is no longer employed by Council, used almost forty-seven undocumented sick days which is the approximate equivalent of working a four-day work week for an entire year.
- Travel reimbursement vouchers totaling \$23,123 for five Sheriff Office employees were not properly authorized and not supported by properly approved mileage worksheets. Employees could submit fraudulent reimbursable expense vouchers with little chance of detection.

A number of city agencies took corrective action on some of the prior year conditions. Noteworthy of mentioning is the Mayor's Office of Community Empowerment and Opportunity, Police Department, Prisons, Fleet Management, and the Youth Commission all of whom implemented all of our prior recommendations.

### What The Controller's Office Recommends

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

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## INTRODUCTION

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### BACKGROUND

#### Organization of Philadelphia Government

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

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

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

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

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

#### Management

Agency heads and their deputies are responsible for the effective and efficient management of their agency's operations. The findings and recommendations section of this report includes a discussion of the functions of each city agency examined, the fiscal 2012 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

#### City Accounting System and Internal Controls

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

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

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

## FINDINGS AND RECOMMENDATIONS



City of Philadelphia  
City Council  
Findings and Recommendations  
Fiscal Year 2012

Functions

City Council is the legislative body of the Philadelphia city government responsible for legislating all municipal matters. It executes the legislative function by enacting and amending ordinances. Council enacts ordinances dealing with a wide scope of city matters, such as public health, public safety, zoning, budgeting, building and housing, and the regulation of business, trades, and professions. To aid in the performance of its legislative functions, Council conducts investigations and inquiries into those matters requiring its attention. These investigations are authorized by resolutions. Council’s investigatory power is important since it is the principal means for the legislative body to check on the administrative operations. Council has 17 seats. Ten members are elected from each of the city’s 10 Council districts and seven members are elected from the city at large. Council members serve a four-year term concurrent with the Mayor’s. The Council elects a president from among its members. Council employees, with the exception of the Chief Clerk (who is selected by the entire Council) and the staff of the individual council members, are appointed by the Council President.

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

Appropriations:  
General Fund                    \$15,049,972

Estimated Revenues:                    \$ -0-

Number of Full Time Employees:  
Exempt    176

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100111.01].</p>	<p>City Council allows a 15 minute grace period. Employees arriving after that 15 minute grace period, and, at the discretion of the appointing Councilmember, are asked to use vacation or comp time.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was still not enforced.</u> City Council still had not designed and implemented a sick leave policy for its staff, all of whom are exempt. Council's staff is not subject to the same policy enforced against Civil Service employees; but for example, one administrative level employee in particular, who is no longer employed by Council, used almost forty-seven undocumented sick days, which is the approximate equivalent of working a four-day work week for an entire year. Additionally, we observed many other Council employees that had exceeded the eight-day limit on undocumented sick leave as set forth in the city's policy for curbing sick-leave abuse.</p>	<p>The purpose of a sick sick leave policy is to curtail unnecessary or arbitrary use of sick leave by employees. Failure to design, implement, and enforce such a policy may lead to some employees abusing sick time.</p>	<p>We recommend that City Council design, implement, and enforce a sick leave policy. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that occur when abuse takes place [100111.05].</p>	<p>City Council employees serve at the will of the appointing Councilmember. Although we do not enforce the City's Sick Leave Abuse Policy, City Council does however enforce the following: Employees who are absent for three consecutive or more days due to illness or injury must submit a physician's statement authorizing their absence. Employees absent for 5 consecutive days are sent FMLA documentation for completion by their physician.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For twenty of the twenty-six pay periods in fiscal 2012, two payroll unit employees alternately performed both the supervisory review and executive level approval of payroll. Additionally, during another pay period, one of these employees initiated entries to the payroll system and performed the supervisory and executive review functions, thereby performing all three duties.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [100111.06].</p>	<p>Implemented 1/22/2013</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Formal employee requests for compensated absences were not required by management for three of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100110.01].</p>	<p>City Council does not use leave request slips. Employees are required to submit in writing to their supervisor with a copy to Linda Rios or Mary Ellen Milovsky of all requested leave.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Daily attendance records were not checked for the computation of hours worked.</u> There was no evidence that daily attendance records were checked for the computation of total hours each day and pay period.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record, and evidence their responsibility for the computations by signing or initialing the daily attendance record [100111.02].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100111.03].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Innovation and Technology  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

<u>Appropriations:</u>	
General Fund	\$63,942,751
Water Fund	16,861,699
Grants Revenue Fund	34,506,845
Aviation Fund	6,294,985
Capital Fund	<u>42,706,000</u>
Total Appropriations	<u>\$164,312,280</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$48,051,000
From Other Governments	5,166,000
From Other Funds	<u>28,965,000</u>
Total Estimated Revenues	<u>\$82,182,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	190
Exempt	<u>130</u>
Total employees	<u>320</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Reconciliation of franchise fee revenue still was not performed.</u> OIT personnel could not provide evidence that franchise fees due the city per the franchisees' audit reports were reconciled to revenue amounts recorded in the city's books and records.</p>	<p>Failure to reconcile franchise fees due the city, per the franchisees' audit reports, to the city's records may result in the understatement and loss of revenue.</p>	<p>The franchise fees due the city based on the audit reports of gross revenues should be reconciled to the city's books and records and, where applicable, reviewed for reasonableness using comparable measurement criteria [100411.01].</p>	<p>OIT's Finance Unit currently reconciles the franchise fees paid by providers on a quarterly basis against statements that are received by the providers, the payment amount submitted to the City (via check or wire), deposited through Revenue, and the figures as they are reported in FAMIS.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p><b>[Controller's Office Evaluation of Agency's Response:</b> The evidence obtained during the audit indicated that reconciliations were not performed between the franchises' audit reports and the revenue amounts recorded in the city's books and records].</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100410.02].</p>	<p>OIT's HR representative, who was tasked with developing the departmental lateness policy, resigned from the organization on May 3, 2013. OIT recently hired a new HR Director and has also established an internal Policy Steering Committee. The HR Director and the Policy Steering Committee have prioritized the development, approval, and implementation of a formal lateness policy. The Committee expects to have a formal lateness policy in place before the end of FY14.</p>
<p><u>Employee evaluations were not performed.</u> The agency could not provide a recent performance evaluation for four out of five employees we tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [100410.03].</p>	<p>In the fall of 2013, OIT embarked on an organization-wide effort to complete performance evaluation reports for all civil service employees prior to the end of 2013. As a result, OIT has completed current performance evaluation reports for 80% of its civil service employees. Efforts are continuing to achieve a 100% evaluation completion rate for both civil services and exempt employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by all five employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100410.06].</p>	<p>OIT employees now record their time and attendance in Oracle Time &amp; Labor (OTL). All employee leave is reported in OTL and subject to supervisory approval at the end of each pay period.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Control totals of receipts were not independently prepared.</u> The employee who opened the mail did not prepare a listing of checks received, but instead forwarded the checks to another employee who prepared both the listing of receipts and the deposit summary. The listing of receipts should be independently prepared at the time the checks are received.</p>	<p>Failure to independently prepare a listing of receipts could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection.</p>	<p>The employee who opens the mail should also prepare a listing of all receipts, which should then be independently compared to the validated deposit summary after the deposit is made with the city's Department of Revenue [100411.02].</p>	<p>Implemented.</p>
<p><u>City sick leave policy was not enforced.</u> There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We noted nineteen employees who had excessive undocumented sick leave time but had been notified by the agency in accordance with city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of the policy relies upon continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave notification policy, including employee counseling, be complied with by management [100411.03].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100411.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Mayor  
Findings and Recommendations  
Fiscal Year 2012

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct agency having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2012 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation, Mayor's Office of Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes.

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

Appropriations:  
General Fund                   \$ 8,749,569  
Water Fund                     56,160  
Grants Revenue Fund        4,177,302  
Aviation Fund                 86,610  
Total Appropriations        \$13,069,641

Estimated Revenues:  
Non-Tax Revenue             \$ 102,000  
From Other Governments    4,078,000  
Total Estimated Revenues    \$4,180,000

Number of Full Time Employees:  
Civil Service                   2  
Exempt                         69  
Total employees               71

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Incompatible duties continued to weaken controls over cash receipts.</u> One employee handled all aspects of the revenue process: receiving, recording and depositing cash receipts. The same employee also functioned as the petty cash custodian.</p>	<p>Failure to segregate these duties increases the risk of undetected errors in both the revenue receipt and petty cash functions, and may provide an opportunity to perpetuate and conceal irregularities and commingle funds.</p>	<p>We recommend the duties of receiving, recording and depositing revenues be segregated, and the duties of the petty cash custodian be assigned to a different employee who is independent of the cash receipt function [100511.01].</p>	<p>The revenues we typically receive are reimbursements for travel. They are separate from the Petty Cash account. None of the revenue received affects the Petty Cash account. The checks are also typically received by a separate person who has nothing to do with the petty cash account. We will give the duties of depositing checks to a different employee.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by all four employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100512.01].</p>	<p>Employees do notify the Chief of Staff's office when they will be out of the office. They are required to do so by e-mail. We then keep a calendar of when people are out and what type of leave they are using. This calendar is then compared to timesheets.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For all twenty-six pay periods in fiscal 2012, one individual performed both the supervisory and executive level reviews of payroll postings. For thirteen of these periods, the individual also initiated entries into the system, thereby performing all three duties.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll [100512.02].</p>	<p>During FY12 we had various staff changes that resulted in only one person being authorized to approve timesheets. This has since been corrected and we now have 3 different people doing approvals.</p>
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [100511.02].</p>	<p>We will implement this process.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was still no written lateness policy available to guide management and staff of the Mayor's Office and its related offices on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The Mayor's Office may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100510.01].</p>	<p>We will update our lateness policy to include disciplinary actions for excessive lateness.</p>



CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll checks for the Mayor's Office of Arts and Culture were not adequately reviewed prior to distribution.</u> There was no evidence that someone independent of the payroll preparation process compared the biweekly payroll checks to the payroll register and scanned them for unusual amounts.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll, which may result in employees being underpaid or overpaid.</p>	<p>Require someone independent to make this comparison and scan the checks for unusual amounts. The process should be documented [100511.03].</p>	<p>Implemented.</p>
<p><u>Management for the Mayor's Office of Arts and Culture did not periodically review payroll costs to determine whether any significant variances had occurred between payroll periods or amounts budgeted.</u> There was no evidence to suggest that such a review was being performed.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the Mayor's Office operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [100511.04].</p>	<p>Implemented.</p>
<p><u>Commission on Aging daily attendance sheets were not properly completed.</u> The hours worked for a randomly selected employee of the Commission on Aging could not be documented because her time reports were not properly completed. For several days in the pay period tested, the employee's time reports failed to indicate either a sign-out time or a sign-in time. In addition, these incomplete time reports were authorized by a supervisor.</p>	<p>Failure to require employees to record their work hours increases the risk that someone will be paid for time not actually worked. In addition, grant funded payroll costs may be disallowed by grantors if supporting documentation is not properly prepared.</p>	<p>Require employees to properly complete attendance records and remind supervisors that only complete and properly prepared attendance sheets should be authorized [100510.04].</p>	<p>Implemented.</p>
<p><u>No separation of duties existed for the requisition, approval, receipt and payment for goods and services.</u> The incompatible functions of purchasing, receiving goods and services, and authorizing payment were assigned to one individual.</p>	<p>Failure to segregate duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the functions of preparing purchase requisitions, approving purchase requisitions, receiving goods and services, and authorizing payments to separate employees [100511.06].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Housing and Community Development  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$ 3,020,000
Grants Revenue Fund	127,142,000
Community Development Fund	65,304,080
Housing Trust Fund	<u>16,000,000</u>
Total Appropriations	<u>\$211,466,080</u>

Estimated Revenues:

Non-Tax Revenues	\$ 250,000
From Other Governments	<u>212,197,000</u>
Total Estimated Revenues	<u>\$212,447,000</u>

Number of Full Time Employees:

Exempt 59

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Receipts still were not adequately safeguarded.</u> Checks received by the department were not restrictively endorsed before being deposited.</p>	<p>Failure to restrictively endorse checks needlessly exposes the agency to the risk of loss in the event that checks are lost, misplaced, or misappropriated.</p>	<p>Restrictively endorse all checks for deposit only to the credit of the City of Philadelphia immediately upon receipt [100611.02].</p>	<p>Effective December 9, 2013, OHCD will restrictively endorse all checks for deposit only to the credit of the City of Philadelphia upon receipt.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<b>PERSONAL SERVICES</b>			
<p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was not evident on the daily attendance records.</u> The daily attendance records we examined did not show the total hours worked each day by each employee.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record. [100612.01].</p>	<p>A review of hours worked by each employee is conducted bi-weekly, initially by the assistant responsible for payroll and again by the Human Resources Manager. Going forward, the Human Resources Manager will evidence this by initialing each daily attendance record once it is reviewed.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100610.02].</p>	<p>Management continues to believe formal implementation of a documented lateness policy would be inopportune primarily due to union concerns regarding work rules. However, management asserts that employees who have lateness issues are subject to progressive disciplinary action.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Control totals of receipts were not independently prepared.</u> The employee who opened the mail did not prepare a listing of checks received, but instead forwarded the checks to another employee who prepared both the listing of receipts and the deposit summary. The listing of receipts should be independently prepared at the time the checks are received.</p>	<p>Failure to independently prepare a listing of receipts could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection.</p>	<p>The employee who opens the mail should also prepare a listing of all receipts [100611.01].</p>	<p>Due to the small number of checks received, this finding is no longer deemed applicable.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee overtime was not preauthorized.</u> Despite OHCD's policy of requiring employees to obtain supervisory authorization for overtime and compensatory time in advance of it being earned, we frequently observed its approval after the fact.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [100611.03].</p>	<p>Implemented.</p>
<p><u>Employees did not always sign daily attendance sheets in order of their arrival.</u> We observed several instances when employees were signing in and recording a start time on the daily attendance sheet earlier than the start time of the employee who had signed the sheet on the previous line.</p>	<p>Failure to require employees to sign in order of their arrival on the daily attendance sheet increases the risk that someone could be paid for time not actually worked.</p>	<p>Require all employees to sign the daily attendance sheets in order of arrival [100611.04].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100610.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 Mayor's Office of Community Empowerment and Opportunity\*  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head

Eva Gladstein  
 Executive Director  
 Mayor's Office of Community Empowerment and Opportunity  
 990 Spring Garden Street, 7<sup>th</sup> Floor  
 Philadelphia, PA 19123

Appropriations:

Grants Revenue Fund      \$9,006,887

Estimated Revenues:

From Other Governments      \$9,007,000

Number of Full Time Employees:

Exempt      138

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.	Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100811.01].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p>City sick leave policy still was not enforced. There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We observed 41 instances of when employees who had excessive undocumented sick leave time were not notified by the agency in accordance with city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [100810.03].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Managing Director  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Richard Negrin, Esq., Managing Director  
Office of the Managing Director  
1430 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$22,972,270  
Grants Revenue Fund 12,297,989  
Capital Fund 5,808,000  
Total Appropriations \$41,078,259

Estimated Revenues:  
Non-Tax Revenue \$ 2,743,000  
From Other Governments 11,329,000  
Total Estimated Revenues \$14,072,000

Number of Full Time Employees:  
Civil Service 43  
Exempt 151  
Total Employees 194

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [101012.01].</p>	<p>Management implemented recommendation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and supervisory and executive reviews of the Mayor's Office of Community Empowerment &amp; Opportunity CEO's (formerly the Mayor's Office of Community Services) employee payroll time records were not segregated.</u> During fiscal year 2012, the MDO was responsible for posting and approving the CEO's payroll time records. For all twenty-six pay periods during the fiscal 2012, two employees of the MDO alternately initiated entries to the payroll system based on employee timesheets, while also signing off in the system as performing the supervisory and executive-level reviews, thereby performing all three duties.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry, the supervisory review and the executive-level review of the bi-weekly payroll whenever possible [101012.02].</p>	<p>Management implemented recommendation.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Management did not periodically review payroll costs to determine whether any significant variances had occurred between payroll periods or amounts budgeted.</u> No evidence existed to suggest the procedure was being done.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the MDO's operations.</p>	<p>Management should review personnel services costs periodically to determine whether any significant variances have occurred between payroll periods or amounts budgeted. [101011.01].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101011.02].</p>	<p>Implemented.</p>



City of Philadelphia  
Police Department  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Charles H. Ramsey, Commissioner  
Police Department  
314 Police Headquarters  
8<sup>th</sup> and Race Streets  
Philadelphia, PA 19106

Appropriations:

General Fund	\$550,686,244
Grants Revenue Fund	33,169,257
Aviation Fund	14,148,410
Capital Fund	<u>35,634,000</u>
Total Appropriations	<u>\$633,637,911</u>

Estimated Revenues:

Non-Tax Revenue	\$ 3,770,000
From Other Governments	<u>35,519,000</u>
Total Estimated Revenues	<u>\$39,289,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	6,560
Civil Service - Civilian	810
Exempt - Civilian	<u>10</u>
Total Employees	<u>7,380</u>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Daily attendance record postings were still not properly authorized.</u> We noted numerous instances where daily attendance data posted to the department's payroll system was still not approved by a supervisor. These situations occurred because the payroll was either processed without any approval or it was approved by the same employee who posted it.	Systemic errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate duties also provides opportunities for a person to perpetrate and conceal irregularities when performing normal duties. Ultimately employees may be paid for time not worked.	Instruct district personnel as to the proper procedures to be followed when processing daily attendance records. The duties of entering payroll data into the system should be segregated from the duties of performing supervisory reviews and approvals [101110.01].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Police sick leave policy was still not enforced.</u> There was no evidence that the Police Department's sick leave policy (Directive 66) was routinely enforced. We noted one sampled employee had excessive undocumented sick leave occurrences; however, management did not impose any of the policy's sick leave abuse sanctions.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [101110.02].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Streets\*  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

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

Appropriations:

General Fund	\$121,353,134
County Liquid Fuels Tax Fund	4,950,000
Special Gasoline Tax Fund	22,864,000
Grants Revenue Fund	19,472,282
Capital Fund	<u>160,138,000</u>
Total Appropriations	<u>\$328,677,416</u>

Estimated Revenues:

Non-Tax Revenue	\$24,058,000
From Other Governments	<u>52,095,000</u>
Total Estimated Revenues	<u>\$76,153,000</u>

Number of Full Time Employees:

Civil Service	1,667
Exempt	<u>6</u>
Total Employees	<u>1,673</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Of the five employees tested, one was not placed on the official Excessive Use of Sick Leave List and three were not penalized in accordance with the city’s sick leave policies. Furthermore, the department could not provide us with the eighth day notification letter for one of these employees, nor could they provide the fifth day warning letters for two of the employees tested.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city’s sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [101212.01].</p>	<p>Additional internal controls have been implemented to ensure documentation of notification to be compliant with the sick leave policy and to ensure appropriate sanctions are enforced.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee overtime was not preauthorized.</u> Overtime was paid without evidence that management had pre-approved the requests. Management could not provide approved authorization forms for any of the five employees (twenty-five sample dates) tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [101211.01].</p>	<p>All overtime worked is approved prior to work being performed and time posted in the payroll system.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The evidence obtained during the audit indicated that employee overtime was not preauthorized].</p>
<p><u>Documentation supporting and authorizing employee leave time was still not always prepared.</u> The Streets Department could not provide authorized leave requests for five of the ten employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101210.01].</p>	<p>Electronic and paper leave requests are utilized throughout the Streets Department to request authorization for leave. Supervisors and managers have been notified and are reminded that leave request approvals must be provided for all leave taken. We will continue to stress the importance of appropriate requests and approvals in accordance with standard procedures.</p>
<p><u>Payroll data entry, and supervisory and executive reviews of payroll time record entries were still not always segregated.</u> Our payroll testing noted that for fourteen of the twenty-six payroll periods in fiscal 2012, the same payroll unit employee initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. We also observed two other instances where an employee signed off as performing both the supervisory review and the executive approval.</p>	<p>Failure to segregate duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [101210.02].</p>	<p>Based on the findings of the FY11 audit, we instructed our payroll unit to change this practice. Except in cases where the payroll supervisor and/or manager were unavailable, the payroll manager signs off on payroll eliminating this issue. This practice became effective in January 2013.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101210.03].</p>	<p>Implemented.</p>

City of Philadelphia  
Fire Department  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head

Lloyd Ayers, Commissioner  
Philadelphia Fire Department  
240 Spring Garden Street  
Philadelphia, PA 19123

Appropriations:

General Fund	\$190,031,950
Grants Revenue Fund	5,781,293
Aviation Fund	6,203,000
Capital Fund	<u>15,547,000</u>
Total Appropriations	<u>\$217,563,243</u>

Estimated Revenues:

Non-Tax Revenue	\$37,400,000
From Other Governments	<u>5,581,000</u>
Total Estimated Revenues	<u>\$42,981,000</u>

Number of Full Time Employees:

Civil Service – Uniformed	2,039
Civil Service - Civilian	100
Exempt - Civilian	<u>7</u>
Total Employees	<u>2,146</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not performed.</u> The department was unable to provide a recent employee performance evaluation for two of the ten employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [101312.01].</p>	<p>The Department will in the future ensure that all performance evaluations are done on time.</p>

City of Philadelphia  
 Department of Public Health  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head

Donald F. Schwarz, MD, MPH  
 Deputy Mayor, Health & Opportunity – Health  
 Commissioner  
 Department of Public Health  
 Room 600 Municipal Services Bldg.  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102-1679

Appropriations:

General Fund	\$110,426,170
Grants Revenue Fund	100,497,493
Acute Care Hospital Fund	145,062,807
Capital Fund	<u>28,413,000</u>
Total Appropriations	<u>\$384,399,470</u>

Estimated Revenues:

Non-Tax Revenue	\$ 14,477,000
From Other Governments	<u>156,977,000</u>
Total Estimated Revenues	<u>\$171,454,000</u>

Number of Full Time Employees:

Civil Service	837
Exempt	<u>12</u>
Total Employees	<u>849</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>The computation of hours worked by each employee and used for data entry into the payroll system was not evident on the daily attendance records.</u> The daily attendance records we examined did not show that the payroll unit computed the total hours worked for each employee.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee and evidence their responsibility for the computations by signing or initialing the daily attendance record [101412.01].</p>	<p>The DPH Human Resources Office will review this procedure with the payroll staff to ensure compliance with the recommendations. Moving forward, payroll staff will recalculate hours worked and notate time used and earned accordingly and daily. Payroll staff will also ensure that they initial every timesheet.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The city's sick leave policy still was not enforced.</u> All five employees tested had eight or more undocumented sick days, but payroll records indicated that they were not placed on the excessive use of sick leave list or penalized in accordance with the city's sick leave policy. We also noted the department could not always provide us with documentation that it issued the required fifth day warning letter or the eight day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that policy sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [101410.04].</p>	<p>The DPH Human Resources Office is in the process of developing internal procedures to increase compliance measures, including greater communication between the Human Resources staff and division supervisors and managers and active monitoring of the OIT payroll system to ensure proper identification of staff who violate the city's sick leave policy.</p>
<p><u>The agency's lateness policy still did not define lateness or establish sanctions.</u> Management was unable to provide us with a lateness policy that defined lateness or established specific progressive sanctions for repeated violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101410.06].</p>	<p>DPH believes that its existing policy is appropriate at this time because it gives management the opportunity to discipline when necessary, without being locked into particular actions if there are other factors to consider.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101411.01].</p>	<p>Implemented.</p>
<p><u>Annual employee performance ratings and suggestions for improvement were not always performed and documented by management.</u> We found that one of five employees tested did not have a current performance report on file.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [101410.05].</p>	<p>Implemented.</p>



City of Philadelphia  
 Department of Behavioral Health and Intellectual Disabilities Services  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head  
 Arthur C. Evans, Jr., Ph.D., Commissioner  
 Department of Behavioral Health and  
 Intellectual Disabilities Services  
 1101 Market Street, 7<sup>th</sup> Floor  
 Philadelphia, PA 19107

Appropriations:  
 General Fund \$ 14,271,572  
 Grants Revenue Fund 267,094,530  
 Health Revenue Fund 919,154,000  
 Total Appropriations \$1,200,520,102

Estimated Revenues:  
 Non-Tax Revenue \$ 5,000,000  
 From Other Governments 1,107,249,000  
 Total Estimated Revenues \$1,112,249,000

Number of Full Time Employees:  
 Civil Service 235  
 Exempt 13  
 Total Employees 248

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> All five employees tested had eight or more undocumented sick days, but none were penalized in accordance with the city's sick leave policy. We also noted that the department could not always provide us with documentation that it issued the required fifth day warning letter or the eighth day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [101512.01].</p>	<p>DBHIDS will immediately coordinate with the Health Department Office of Human Resources, to ensure the issuance of the fifth day uncertified sick leave warning letters and to ensure that sick abuse notification letters are sent to DBHIDS employees. We will ask the Office of Human Resources to send quarterly summaries of DBHIDS' employee sick leave warning letters and sick leave abuse notifications to the DBHIDS Human Resource Professional for follow-up with division directors.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The department could not provide authorized leave requests for three of the ten employees tested.	Failure to obtain formal leave requests or maintain documentation substantiating employee absences from work may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].	The department will insure that updated Leave Request procedures are distributed to all employees and are monitored and enforced by supervisory and timekeeping personnel. Timesheets from all DBHIDS divisions will now reviewed on a weekly basis by Management Services Division and Office of Human Resources supervisory and timekeeping personnel for corrective action and follow-up with Unit Supervisors.
<u>Lateness policy still did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours in response to our request for a lateness policy. However, that document neither defined lateness nor established progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101510.02].	The department will modify and incorporate additional language into our Lateness policy within ninety days that would define lateness and establish sanctions. The revised policy will be reviewed with stakeholders, distributed to all employees, monitored and enforced by supervisory personnel.
<u>Employee evaluations were still not performed.</u> The department did not provide a recent employee performance evaluation for three out of the ten employees we tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [101510.04].	Beginning July 1 <sup>st</sup> of each year, DBHIDS Human Resources distribute employee performance forms and issues reminders to department administrators, managers and supervisors for all DBHIDS city employees. Department administration will address this issue with directors of the affected Units where compliance issues have been identified.

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.	Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101511.01].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Daily attendance sheets were still not being used contemporaneously.</u> Our testing of payroll records noted several instances in one division where employees were not signing out and back in for lunch.	Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.	Require employees to contemporaneously sign the attendance sheets [101510.05].	Implemented.

City of Philadelphia  
 Department of Parks and Recreation  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

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

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

Both the Philadelphia Museum of Art and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Department of Parks and Recreation for fiscal year 2012.

<u>Name and address of agency head</u> Michael DiBerardinis Deputy Mayor and Commissioner Department of Parks and Recreation 1515 Arch Street, 10 <sup>th</sup> Floor Philadelphia, PA 19102	<u>Appropriations:</u> General Fund                   \$ 48,894,555 Grants Revenue Fund       10,270,965 Capital Fund <u>147,388,000</u> Total Appropriations <u>\$206,553,520</u>	<u>Estimated Revenues:</u> Non-Tax Revenue               \$ 1,494,000 From Other Governments <u>10,222,000</u> Total Estimated Revenues    \$ <u>11,716,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                   594 Exempt <u>10</u> Total Employees <u>604</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Of the four employees eligible to be placed on the Excessive Use of Sick Leave List, none were given fifth day warning letters or issued eighth day notifications letters placing them on the list. Consequently, these employees continued to use between 17 and 58 undocumented sick days and were not penalized accordingly.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [101612.01].</p>	<p>We agree with the recommendation and will continue to enforce the city's sick leave policy and notify employees.</p>
<p><u>Unclaimed paychecks were not adequately safeguarded.</u> Auditor observed two unclaimed paychecks dated seven weeks prior to our testing date that should have been returned to the Treasurer's Office within one week.</p>	<p>Unclaimed paychecks could be stolen and/or misplaced.</p>	<p>Require someone to adequately safeguard unclaimed paychecks [101612.02].</p>	<p>We agree with the auditor's recommendation and will lock all unclaimed checks in the safe. The safe will remain locked at all times.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101611.01].</p>	<p>We agree with the auditor's recommendation and will develop a formal lateness policy for the department. We will ensure that the policy is communicated to employees and will work with supervisors to enforce.</p>
<p><u>Employees still did not always sign daily attendance sheets in order of their arrival.</u> We observed several instances when employees were signing in and recording a start time on the daily attendance sheet earlier than the start time of the employee who had signed the sheet on the previous line.</p>	<p>Failure to require employees to sign in order of their arrival on the daily attendance sheet increases the risk that someone could be paid for time not actually worked.</p>	<p>Require all employees to sign the daily attendance sheets in order of arrival [101611.02].</p>	<p>We will continue to emphasize the importance of employees signing the daily attendance sheet in chronological order. We will work with supervisors to ensure compliance.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing leave time still was not routinely prepared.</u> Management could not provide us with authorized leave requests for all ten employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101610.03].</p>	<p>We agree with the recommendation and will re-emphasize to supervisors the need to have all authorized leave appropriately documented.</p>
<p><u>Employee evaluations still were not performed.</u> The agency could not provide us with a recent employee performance evaluation for three of the five employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [101610.04].</p>	<p>We agree with the auditor's recommendation and will strive to make annual performance reviews a high priority. The department will continue its efforts toward full compliance.</p>

City of Philadelphia  
 Department of Public Property  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

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

Appropriations:

General Fund	\$169,221,235
Water Fund	3,739,360
Aviation Fund	26,900,000
Capital Fund	<u>39,085,000</u>
Total Appropriations	<u>\$238,945,595</u>

Estimated Revenues:

Non-Tax Revenue	\$ 8,618,000
From Other Governments	<u>18,000,000</u>
Total Estimated Revenues	<u>\$26,618,000</u>

Number of Full Time Employees:

Civil Service	141
Exempt	<u>9</u>
Total Employees	<u>150</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Lateness policy did not establish progressive sanctions for violations.</u>            While the department had a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations [102011.01].</p>	<p>The Department met with DC47 and DC33 to review the revised lateness policy, which included specific sanctions for lateness violations. We have agreed on the policy and the discipline and it will be in effect 4/1/14. Draft Policy is attached.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entries were still not being adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries into the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102010.03].</p>	<p>Implemented.</p>



City of Philadelphia  
 Department of Human Services  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head  
 Anne Marie Ambrose, Commissioner  
 Department of Human Services  
 1515 Arch Street  
 Philadelphia, PA 19102

Appropriations:  
 General Fund \$111,934,770  
 Grants Revenue Fund 559,753,406  
 Capital Fund 1,507,000  
 Total Appropriations \$673,195,176

Estimated Revenues:  
 Non-Tax Revenue \$ 5,015,000  
 From Other Governments 614,568,000  
 Total Estimated Revenues \$619,583,000

Number of Full Time Employees:  
 Civil Service 1,570  
 Exempt 63  
 Total Employees 1,633

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not always performed.</u> The department could not provide a current performance evaluation for two of the ten employees we tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective action.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102212.01].</p>	<p>The Department will work with division leadership to assure completion of annual performance reports and will assign HR staff to monitor compliance.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was not enforced.</u> Of the five employees tested, three employees had eight or more undocumented sick days but payroll records indicated that they were not placed on the excessive use of sick leave list or penalized in accordance with the city's sick leave policy. We also noted the department could not always provide us with documentation that it issued the required fifth day warning letter or the eight day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [102212.02].</p>	<p>The Department will enforce and manage the sick leave policy.</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> One of the five separated employees tested received a full bi-weekly salary for the period after her date of separation. The department recovered most of the erroneous disbursement from the employee's terminal leave and the remaining amount was deducted from the employee's pension.</p>	<p>Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [102212.03].</p>	<p>The payroll supervisor will regularly spot check the payroll data.</p>
<p><u>Daily attendance sheets were still not used contemporaneously.</u> Our testing of payroll records found that employees in three payroll units (Unit 31, Family Service Region IV 037 Unit, and Unit 87) were not consistently signing out and back in for lunch.</p>	<p>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.</p>	<p>Require employees to contemporaneously sign the attendance sheets [102210.01].</p>	<p>A large number of our employees work in the field. However, the Department will re-issue the Time &amp; Attendance policy and procedures to all staff.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and supervisory reviews of payroll time record entries were not always segregated.</u> For eighteen of the twenty-six pay periods during fiscal year 2012, the same individual initiated entries into the payroll system and performed the supervisory-level approval of payroll.</p>	<p>Failure to segregate duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry and the supervisory review of the bi-weekly payroll whenever possible [102210.02].</p>	<p>Due to staff shortage, the payroll supervisor was required to assist with payroll preparation. We are in the process of re-staffing the human resources department at DHS. In the meantime, the human resources manager or her designee will review and payroll data.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets. Our limited testing of randomly selected payroll entries disclosed an instance where an employee's overtime hours were not recorded in the payroll system.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102211.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia Prison System  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Louis Giorla, Commissioner  
Philadelphia Prison System  
7901 State Road  
Philadelphia, PA 19136-3407

Appropriations:  
General Fund \$227,172,870  
Grants Revenue Fund 1,680,000  
Capital Fund 36,260,000  
Total Appropriations \$265,112,870

Estimated Revenues:  
Non-Tax Revenue \$1,350,000  
From Other Governments 1,205,000  
Total Estimated Revenues \$2,555,000

Number of Full Time Employees:  
Civil Service 2,124  
Exempt 3  
Total Employees 2,127

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entries still were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be deleted during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102310.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [102310.03].</p>	<p>Implemented.</p>
<p><u>The city's sick leave policy still was not enforced.</u> The agency did not appear to be complying with the city's sick leave policy. There was no evidence that two of the five employees tested who had reached five undocumented sick leave days had been notified that they were close to be being placed on the city's "Excessive Use of Sick Leave List" as required by the policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We again recommend that the sick leave notification policy, including employee counseling, be complied with by management [102310.04]</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Supportive Housing  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Dainette M. Mintz, Director  
Office of Supportive Housing  
1030 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$ 36,466,253  
Grants Revenue Fund 57,496,138  
Capital Fund 3,883,000  
Total Appropriations \$97,845,391

Estimated Revenues:  
Non-Tax Revenue \$ 1,933,000  
From Other Governments 56,902,000  
Total Estimated Revenues \$58,835,000

Number of Full Time Employees:  
Civil Service 152  
Exempt 5  
Total Employees 157

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting personnel time in the field was incomplete.</u> When employees work outside the office, management does not require that they complete a field destination sheet that would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Require employees to use call in/out procedures and field destination sheets [102412.01].</p>	<p>OSH will develop a field destination sheet for use by employees working in the field including a call-in verification procedure. This procedure will be implemented in late FY14.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry, and supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For three of the twenty-six pay periods during fiscal year 2012, the same person performed both the supervisory review and the executive level approval of payroll. We also observed two pay periods where the same person initiated entries to the payroll system and performed the supervisory review, and one period where one employee performed all three duties.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [102411.01].</p>	<p>OSH recognizes the importance of segregation of duties. Due to the small size of our department, there are only three individuals whom are authorized as an approver at the executive level. OSH will continue to utilize different individuals whenever possible to ensure proper segregation.</p>
<p><u>Lateness policy still did not establish progressive sanctions for violations.</u> While the agency had a written lateness policy, the policy did not establish specific sanctions for repeated violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to include progressive sanctions for violations of the policy, which define the number of lateness occurrences and the resulting penalties. Issue the revised policies to employees and implement the progressive sanctions for violations [102411.02].</p>	<p>OSH-HR will review the lateness policy with Labor Relations to establish progressive sanctions for repeat violators.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll attendance were still not authorized contemporaneously.</u> Our payroll testing found that a supervisor failed to authorize one employee's time card for all five pay periods we reviewed for that employee. In addition, OSH staff conducted an internal review of fiscal year 2011 payroll records and noted that for all 17 employees selected for review, there were instances where supervisory approval on the timesheets was missing.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for that time that was worked.</p>	<p>Supervisors should review and verify time actually worked. All time cards should be routinely authorized as historical records of time worked [102410.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entries were still not adequately checked.</u> Management provided us with a copy of a memorandum summarizing the results of an independent internal review of selected fiscal year 2011 payroll records conducted in October 2011 by department staff. According to the memorandum, this review included spot checking payroll data entries by reference to daily attendance records. Management informed us that this process will be conducted annually. We believe such reviews should be performed more frequently than once a year so that errors and/or irregularities can be detected and corrected on a timelier basis.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102410.03].</p>	<p>Implemented.</p>
<p><u>City sick leave policy was still not enforced.</u> There was no evidence of effective monitoring of the city's sick policy, particularly by the payroll unit located at the Riverview facility. Our testing noted seven Riverview employees who had excessive undocumented sick leave time in calendar 2010 but had been notified by the department as required by the city's sick leave policy. In addition, we found five employees, three of whom worked at Riverview, had not been notified that their undocumented sick leave incidents had become excessive in calendar 2011.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [102410.04].</p>	<p>Implemented.</p>



City of Philadelphia  
Office of Fleet Management\*  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:

General Fund	\$53,651,989
Water Fund	8,509,626
Grants Revenue Fund	205,416
Aviation Fund	8,108,573
Capital Fund	<u>3,557,000</u>
Total Appropriations	<u>\$74,032,604</u>

Estimated Revenues:

Non-Tax Revenue	\$2,940,000
From Other Governments	<u>205,000</u>
Total Estimated Revenues	<u>\$3,145,000</u>

Number of Full-Time Employees:

Civil Service	338
Exempt	<u>1</u>
Total Employees	<u>339</u>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized contemporaneously.</u> We found that supervisors periodically failed to authorize employee time sheets.</p>	<p>Employee may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Require supervisors to document their review and approval of all timesheets [102511.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee overtime was not preauthorized.</u> Overtime was worked without evidence that management had pre-approved the overtime. For all five sample employees tested, written supervisory approvals were obtained after the overtime hours were worked.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [102511.02].</p>	<p>Although supervisors approve employee overtime weekly after the overtime is worked, we believe management has established appropriate safeguards to control overtime. Therefore, we consider this recommendation implemented.</p>
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102510.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Licenses and Inspections  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

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

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

Appropriations:

General Fund	\$22,370,983
Grants Revenue Fund	15,451,827
Community Development Fund	<u>594,024</u>
Total Appropriations	<u>\$38,416,834</u>

Estimated Revenues:

Non – Tax Revenue	\$47,177,000
From Other Governments	<u>16,046,000</u>
Total Estimated Revenues	<u>\$63,223,000</u>

Number of Full Time Employees:

Civil Service	311
Exempt	<u>11</u>
Total Employees	<u>322</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Billings to property owners for abatement costs were still overstated.</u> Billings to property owners for clean and seal abatement costs were overstated due to an error in the billing system that incorrectly added an additional half-hour for each employee and truck assigned to a clean and seal job. Therefore property owners were overcharged an average of 34 percent of the bill on the four invoices we tested.</p>	<p>Property owners were inaccurately billed for abatement worked performed.</p>	<p>The abatement billing system should be reviewed to ensure that only authorized costs are included in the billings to property owners [102610.05].</p>	<p>This billing system error has been corrected. Clean &amp; Seal billings to property owners no longer contain the half-hour error.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Approved leave requests could not be provided for four of the seven employees tested. In addition, another employee's leave request did not agree to the leave time taken per the employee's attendance record and payroll time record.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102612.01].</p>	<p>The Department will address this observation by ensuring that all leave requests are accurately documented in the Department's electronic time and attendance system and employee attendance and payroll records.</p>
<p><u>City sick leave policy was not enforced.</u> Of the four employees who exceeded eight undocumented sick days, only one was placed on the Excessive Use of Sick Leave List and subjected to the penalties outlined in the policy. The remaining three employees were not placed on the Excessive Use of Sick Leave List, nor were they issued an eighth day letter notifying them that this would occur. Consequently, these three employees were paid for additional sick time used in violation of the city's sick leave policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [102612.02].</p>	<p>The Department strives to ensure that the citywide Sick Leave Policy is consistently enforced. The Department will ensure that all penalties of the policy are enforced and that fifth day warning letters and eighth day notification letters are sent to applicable employees.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot-checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102612.03].</p>	<p>The Department will implement this recommendation and will require someone independent of payroll to perform documented spot-checks.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee evaluations were still not performed.</u> Recent performance evaluations could not be provided for three of the ten civil service employees we tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102610.06].</p>	<p>The Department will implement this recommendation and will enforce the requirement that all civil service employees receive an annual performance evaluation.</p>
<p><u>Supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For nine of the twenty-six pay periods in FY 2012, the same person performed both the supervisory and executive reviews of the bi-weekly payroll.</p>	<p>Combining multi-level reviews undermines the objective of the review process. It increases the risk of errors going undetected during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the supervisory review and the executive-level review of the bi-weekly payroll whenever possible [102610.08].</p>	<p>The Department will implement this recommendation.</p>
<p><b>OTHER EXPENDITURES</b></p> <p><u>Expenditure file documentation did not always include evidence of the receipt of goods and services.</u> – Our testing found that the department did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services for three of seven expenditures selected for testing.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as invoices and receiving reports in order to support the validity of departmental transactions [102612.04].</p>	<p>The Department will safeguard the referenced documentary evidence for departmental transactions.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Receipts were still not adequately safeguarded.</u> Cashiers in the Licenses Issuance and Permit Units did not restrictively endorse checks when received. In addition, the Licenses Issuance Unit routinely stored its checks overnight in a freely accessible in-basket or in an unlocked desk drawer.</p>	<p>Checks may be lost, misplaced, or misappropriated. In addition, checks returned by the bank for insufficient funds may not be identifiable with the underlying transaction.</p>	<p>Restrictively endorse all checks at the time of payment with the appropriate department codes, including a unique identifier number such as license or permit number to allow bank returned checks to be traced to the initiating transaction [102610.01]. We also recommend that the department store checks overnight in a more secure location such as a locked cabinet or safe [102610.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Verification of license fee revenues was still not performed.</u> The department did not reconcile license fee income as recorded in its data base with actual amounts of revenues received and reported by the city's Revenue Department. We noted differences between license fee revenues reflected in the department's data base and the revenues recorded in the city's books and records.</p>	<p>Failure to perform adequate reconciliation procedures could result in lost, misappropriated, or misclassified revenues going undetected.</p>	<p>All revenues associated with the issuance of licenses and permits should be reconciled to Revenue Department records to ensure that all income has been recorded and properly classified. Significant differences should be investigated [102610.03].</p>	<p>Implemented.</p>
<p><u>Controls over the billing process were ineffective.</u> Our testing found that not all costs incurred for emergency demolitions and clean and seal abatements were billed to property owners and submitted to the Revenue Department for collection actions that include the filing of liens. We selected twelve properties from the department's data base and determined that bills for two properties (one emergency demolition and one clean and seal abatement) were not generated and sent to property owners and the Revenue Department.</p>	<p>The lack of effective controls to ensure that all property owners are billed and the Revenue Department is timely notified of the billings, results in lost revenue to the city.</p>	<p>All demolition and clean and seal activity should be billed to property owners and communicated timely to the city's Revenue Department. Confirmation that all billings were received by the Revenue Department should be obtained [102610.04].</p>	<p>Implemented.</p>
<p><u>Daily attendance sheets were not used contemporaneously.</u> Our testing of payroll records for five randomly selected employees found that employees in one unit of the units examined were not signing out and back in for lunch.</p>	<p>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.</p>	<p>Require employees to contemporaneously sign the attendance sheets [102610.07].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia Water Department  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Howard M. Neukrug, P.E., Commissioner  
Philadelphia Water Department  
ARAMARK Tower, 5<sup>th</sup> Floor  
1101 Market Street  
Philadelphia, PA 19107

Appropriations:

Water Fund	\$ 313,634,700
Water Residual Fund	32,538,000
Capital Fund	<u>715,757,000</u>
Total Appropriations	<u>\$1,061,929,700</u>

Estimated Revenues:

Non-Tax Revenue	\$ 38,985,000
From Other Governments	3,000,000
From Other Funds	<u>92,898,000</u>
Total Estimated Revenues	<u>\$134,883,000</u>

Number of Full Time Employees:

Civil Service	1,824
Exempt	<u>7</u>
Total Employees	<u>1,831</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not always performed and documented by management. Three of the eleven employees selected for testing did not have current evaluations on file.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102812.01].</p>	<p>We agree that employee performance evaluations should be issued each year. Since the last audit we have hired a Deputy Water Commissioner of Human Resources and Administration who has been quite insistent on the preparation and submission of annual performance reports. I will again direct our General Manager of Human Resources to assign someone on his staff to follow up with PWD personnel who have not completed filling out their employee's evaluations.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employees earning emergency duty pay continue to be overpaid.</u> The payroll unit was not effectively monitoring and enforcing civil service regulations for employees designated by the department as emergency duty employees. A civil service regulation allows emergency duty employees to be paid an additional pay step increase throughout the year to respond to emergency situations outside of normal working hours. The same regulation prohibits these employees from also earning compensatory time.</p> <p>However, our current year review continued to find that in addition to receiving the one step pay increase, an emergency duty employee was also earning compensatory time ( at the rate of time and one half) for work outside of the normal work day. Accordingly, the emergency duty employee was improperly receiving two premium pay rates for the same hours worked.</p>	<p>The lack of adherence to civil service regulations has allowed emergency duty employees to be Systematically overcompensated for the same hours worked. This abusive practice has resulted in the unnecessary expenditure of taxpayer money.</p>	<p>Prohibit emergency duty employees from earning compensatory time or any other premium time in accordance with civil service regulations. The practice of paying two premium pay rates for the same hours worked should be ceased immediately [102810.02].</p>	<p>PWD management agrees that PWD employees designated as “Emergency Duty Employees” may have been erroneously overcompensated, by earning both a premium pay rate and earning both a premium pay rate and earning overtime in the form of cash or compensatory time. To comply with the Controller’s audit recommendation and with Civil Service Regulation 6.1426, the Department issued a policy and procedure regarding Emergency Duty Pay. The policy outlines procedures for payment of Emergency Duty Pay.</p>



City of Philadelphia  
 Department of Records  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$4,009,212
Capital Fund	<u>489,000</u>
Total Appropriations	<u>\$4,498,212</u>

Estimated Revenues:

Non-Tax Revenue	<u>\$24,945,000</u>
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Number of Full Time Employees:

Civil Service	63
Exempt	<u>1</u>
Total Employees	<u>64</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Recommendation
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting personnel time in the field was incomplete.</u> When employees work in a field location, management does not require that they complete a field destination sheet that would provide information on the employees' location, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Require employees to use call in/out procedures and field destination sheets [103112.01].</p>	<p>The Records Department is using the Field Assignment Record form and will continue to do so. Additionally, we will ensure that controls are in-place. The appropriate supervisor and manager will review and monitor the field work record for submission and completeness as part of standard operating procedure.</p>

City of Philadelphia  
Office of the Director of Finance and Sinking Fund Commission  
Findings and Recommendations  
Fiscal Year 2012

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide an agency and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The office of the Director of Finance established a dedicated administrative service center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Youth Commission, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the agency. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director.

Name and address of agency head

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

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

Appropriations:

**Finance**

General Fund	\$1,180,878,281
Water Fund	102,302,000
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	120,000,667
Aviation Fund	49,517,000
Community Development Fund	24,989,314
Acute Care Hospital Fund	252,193
Capital Fund	<u>32,107,000</u>
Total Finance	<u>1,511,046,455</u>

**Sinking Fund Commission**

General Fund	223,906,507
Water Fund	196,176,853
Aviation Fund	130,853,348
Car Rental Tax Fund	<u>5,000,000</u>
Total Sinking Fund	<u>555,936,708</u>

Total Appropriations \$2,066,983,163

Estimated Revenues:

**Finance**

Non-Tax Revenue	\$ 13,420,000
From Other Governments	557,053,000
Revenue From Other Funds	22,700,000
<b>Sinking Fund Commission</b>	<u>0</u>
Total Estimated Revenues	<u>\$613,173,000</u>

Number of Full Time Employees:

**Finance**

Civil Service	88
Exempt	<u>68</u>
Total Employees	<u>156</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b><u>PERSONAL SERVICES</u></b></p> <p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was not evident on the daily attendance records.</u> All nine daily attendance records we examined did not show the total hours worked each day by each employee.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [103512.01].</p>	<p>Payroll unit employees do check the calculations of employee hours on each daily attendance record. However, only the total hours worked for Exempt employees is noted. Going forward the total number of hours worked will be noted for each employee on the daily attendance record and it will be initialed. This procedure will be implemented immediately.</p>
<p><u>Payroll data entry and supervisory review of payroll time record entries still were not always segregated.</u> For twelve of the twenty-six pay periods in fiscal 2012, the same Finance Department employee performed data entry of the daily attendance records into the payroll system while also performing the supervisory-level review of the data entry for employees of both the Finance Department and the Office of Innovation and Technology.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry and the supervisory review of the bi-weekly payroll whenever possible [103510.02].</p>	<p>Finance does have segregation of these duties assigned. Generally, the departmental payroll clerk posts the payroll transactions, the HR Manager reviews and approves as Supervisor and the Fiscal Officer or ASC Director approves at the Executive level. We are aware of this requirement and make every effort to comply each and every payroll posting. However, there are circumstances that make it impossible to comply every time. For example, the HR Manager who approves at the Supervisor level may have to make corrections and/or post payroll if the departmental payroll clerk is absent. With a limited staff it is difficult to comply every payroll.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to define mandated work hour schedules and guide management and staff on the consequences of lateness.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103510.05].</p>	<p>A departmental Lateness Policy has been drafted and is in the process of being reviewed. Once finalized, we will begin the notification and implementation process with the Unions.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee overtime was not preauthorized</u> - Overtime was paid without evidence that management had pre-approved the overtime. Management could not provide an approved overtime authorization form for a sampled employee that worked overtime during the pay period tested.</p>	<p>Loss of original records may conceal irregularities and undermines management's ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to maintain and safeguard supporting documentation as part of the department's daily routine in order to support the validity of payroll transactions [103510.03].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [103510.07].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Revenue\*  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

<u>Name and address of agency head</u> Clarena I. W. Tolson, Commissioner Department of Revenue Municipal Services Building, 6 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$19,899,715 Water Fund 15,850,626 Grants Revenue Fund 21,000,000 Acute Care Hospital Fund 35,000 Total Appropriations <u>\$56,785,341</u>	<u>Estimated Revenues:</u> Tax Revenue \$2,686,452,000 Non-Tax Revenue 551,725,000 From Other Governments <u>32,010,000</u> Total Estimated Revenues <u>\$3,270,187,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 510 Exempt <u>14</u> Total Employees <u>524</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE RECEIPTS</b></p> <p><u>Duties for processing revenues were not adequately segregated.</u> The same employee prepares the Payment In Lieu Of Taxes (PILOT) collections for deposit, records the transactions into the Taxpayer Inquiry and Payment System (TIPS), and reconciles the validated deposit summaries to the accounting records.</p>	<p>Failure to independently process and record revenue could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection once the revenue is posted.</p>	<p>Duties for processing revenues should be adequately segregated. We recommend that an employee prepare the checks for deposit and a separate employee record the revenue into the TIPS. We also recommend that an employee independent of the deposit and reporting process reconcile the validated deposit summaries to TIPS, and reconcile the check intake file (titled "PILOT" which includes the dates checks are received, taxpayers name and the amount) to the city's centralized accounting system (FAMIS) [103612.01].</p>	<p>The department is instituting a process whereby a validated receipt, verifying checks have been processed, will be returned to the department's Tax Law unit. The Tax Law unit will notify the director of accounting should it not receive the notice within five business days.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Water billings for sheriff sale properties were incorrect.</u> Our review of the Water Revenue Bureau's billing records disclosed that penalties accrued on delinquent balances, that were incurred prior to a sheriff sale, were erroneously transferred to the new owners. Account balances were only adjusted subsequent to complaints by the new property owners.</p>	<p>Improper billings place an unfair and unlawful burden on property owners. In addition, water related receivables are misstated on the city's books and records.</p>	<p>Ensure the integrity of the billing process by pursuing software changes that will prevent the issuance of incorrect billings to new owners of sheriff-sale properties [103610.01].</p>	<p>The flow of information regarding properties transferred at sheriff sale is anticipated to improve once integration with the new Sheriff's Office information system is put in place. The new information system will allow Water Revenue Bureau's accounting and billing systems to interface directly with the Sheriff's Office. This will reduce new owners receiving bills with the previous owners charges.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> During our testing of payroll records, management could not provide formal paid leave requests for any of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103610.02].</p>	<p>We are unable to add new employees to the on-line leave request system. We will reinforce with managers and supervisors to use the paper request system for those requests unable to be processed electronically.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The city sick leave policy still was not enforced.</u> Our payroll testing disclosed that sick leave abuse warning letters were not always distributed to employees in a timely manner, prescribed financial sanctions were not imposed on employees on the Sick Abuse List, and documentation supporting placement on the Sick Abuse List was not maintained by the department.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [103611.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Procurement Department  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Hugh Ortman, Commissioner  
Procurement Department  
120 Municipal Services Bldg.  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102 - 1685

Appropriations:  
General Fund \$4,151,574  
Water Fund 69,028  
Grants Revenue Fund 150,000  
Total Appropriations \$4,370,602

Estimated Revenues:  
Non-Tax Revenues \$ 968,000  
From Other Governments 150,000  
Total Estimated Revenues \$1,118,000

Number of Full Time Employees:  
Civil Service 39  
Exempt 4  
Total Employees 43

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not performed.</u> The department did not provide recent performance employee evaluations for three of the ten employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [103812.01].</p>	<p>The Procurement Department is currently on track and up to date with preparing and administering annual civil service employee evaluations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy still does not define sanctions for violations of the policy.</u> While the department's lateness policy defines when an employee is considered late, it does not specify disciplinary action for those who chronically report late for work.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue and implement a comprehensive employee lateness policy [103810.04].</p>	<p>The Procurement Department is actively working with the Office of Human Resources to redevelop and implement a comprehensive departmental lateness policy.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [103811.02].</p>	<p>Implemented.</p>



City of Philadelphia  
Office of the City Treasurer  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Nancy E. Winkler  
City Treasurer  
640 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102-1681

Appropriations:  
General Fund   \$904,699

Estimated Revenues:  
Non-Tax Revenues                                 \$ 8,911,000  
From Other Governments                       5,200,000  
Total Estimated Revenues                     \$14,111,000

Number of Full Time Employees:  
Civil Service   9  
Exempt    5  
Total Employees   14

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Treasurer’s Office could not provide authorized leave requests for the six employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city’s Finance Office [104012.01].</p>	<p>Recommendation will be implemented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [104012.02].</p>	<p>A departmental Lateness Policy will be drafted. Once finalized, we will begin the notification and implementation process with the Unions.</p>
<p><u>Payroll data entry and supervisory review duties were not adequately segregated.</u> For twelve of the twenty-six pay periods in fiscal 2012, the same payroll unit employee performed data entry of the daily attendance records into the payroll system and also signed off in the system as performing the supervisory-level review.</p>	<p>Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Segregate the duties of initiating entries to the payroll system from those of performing supervisory reviews [104012.03].</p>	<p>Payroll duties for CTO are performed by the Finance Administrative Services Center. This comment has been addressed in Finance's audit report.</p>
<p><u>Employee evaluations were not performed.</u> Annual performance ratings and suggestions for improvement were not routinely performed and documented by management. Five of the eight civil service employees tested did not have a current performance evaluation on file.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees [104012.04].</p>	<p>Finance ASC distributes the performance evaluations to CTO Supervisors with the deadline for completion. The ASC will continue to notify Supervisors of outstanding evaluations and will also notify Department Head to ensure that performance evaluations are submitted for all civil service employees as required.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Daily attendance sheets were still not used contemporaneously.</u> Employees were not consistently signing out and back in for lunch. We noted that employees not signing out for lunch included those times as part of their regular work week.</p>	<p>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.</p>	<p>Require employees to contemporaneously sign the attendance sheets [104010.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the City Representative\*  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

<u>Name and address of agency head</u> Desiree Peterkin-Bell, City Representative and Mayor's Director of Communications Office of the City Representative One Parkway Building - 12 <sup>th</sup> Floor 1515 Arch Street Philadelphia, PA 19102	<u>Appropriations:</u> General Fund	\$ <u>907,766</u>	<u>Estimated Revenues:</u> \$ <u>-0-</u>
			<u>Number of Full Time Employees:</u> Civil Service 4 Exempt <u>2</u> Total Employees <u>6</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>The city's sick leave policy still was not enforced.</u> The one employee in the agency who exceeded eight undocumented sick days was not placed on the Excessive Use of Sick Leave List, nor was he issued an eighth day letter notifying him that this would occur. Consequently, this employee was paid for additional sick time used in violation of the city's sick leave policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [104111.01].</p>	<p>No response was received from management.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries still were not always segregated.</u> For twenty-five of the twenty-six pay periods in fiscal year 2012, the same person performed both the supervisory and executive level reviews of payroll. Additionally, for two of these periods, the same person also initiated entries to the system, thereby performing all three duties.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [104110.01].</p>	<p>No response was received from management.</p>
<p><u>Payroll data entries were still not adequately checked.</u> For three out of five employees tested, the time logged on the attendance records did not agree with the on-line payroll time records. Employees were being charged for leave time even though they worked a full day and conversely employees were not being charged for the correct leave time taken.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104110.02].</p>	<p>No response was received from management.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [104110.04].</p>	<p>No response was received from management.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> During our testing of payroll records, we noted that formal employee requests for leave time were not always obtained in advance by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104111.02].</p>	<p>Implemented.</p>
<p><u>Daily attendance sheets were still not being used contemporaneously.</u> Civil service employees of the agency were still not signing out and back in for lunch.</p>	<p>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.</p>	<p>Require employees to contemporaneously sign the daily attendance sheets [104110.03].</p>	<p>Implemented.</p>
<p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [104110.05].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Director of Commerce  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head

Alan Greenberger  
Deputy Mayor for Economic Development and  
Director of Commerce  
1515 Arch Street – 13<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 18,646,956
Hotel Tax Fund	42,502,000
Grants Revenue Fund	38,019,643
Community Development Fund	16,543,996
Capital Fund	<u>128,995,000</u>
Total Appropriations	<u>\$244,707,595</u>

Estimated Revenues:

Non-Tax Revenue	\$ 338,000
From Other Governments	54,564,000
Hotel Room Rental Tax	<u>42,500,000</u>
Total Estimated Revenues	<u>\$97,402,000</u>

Number of Full Time Employees:

Civil Service	14
Exempt	<u>7</u>
Total Employees	<u>21</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For ten of the twenty-six pay periods during fiscal year 2012, the same individual performed both the supervisory review and executive level approval of payroll for the Commerce Department.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [104211.03].</p>	<p>Different individuals are assigned for the supervisory and executive review. On occasions when payroll approval has to meet a specific timeline, the approval is done by that individual who is available.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll attendance records were still not being authorized by supervisory personnel.</u> Of the fifty-one attendance records reviewed for fiscal 2012, forty-one were not approved by a supervisor.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [104210.01].</p>	<p>The payroll attendance records are the daily sign-in sheets that reflect many employees and there are different supervisors. For any leave taken, the supervisors approved leave slips. Effective April 1, 2012 employees began clocking in and requested time off through Stromberg. Each employee's time is approved by his/her supervisor.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide Commerce management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>Commerce may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [104211.01].</p>	<p>Implemented.</p>
<p><u>The city's sick leave policy was not enforced.</u> Commerce did not appear to be complying with the city's sick leave policy. There was no evidence that one of the five employees tested who had reached five undocumented sick leave days had been notified that he was close to being placed on the city's "Excessive Use of Sick Leave List" as required by the policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave notification policy, including employee counseling, be complied with by management [104211.02].</p>	<p>Implemented.</p>
<p><u>Daily attendance records were not used contemporaneously.</u> Employees were not consistently signing out and back in for lunch.</p>	<p>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.</p>	<p>Require employees to contemporaneously sign out and in for lunch on the attendance sheets [104210.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104210.03].</p>	<p>Implemented.</p>
<p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [104210.04].</p>	<p>Implemented.</p>



City of Philadelphia  
Division of Aviation  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:  
Aviation Fund \$ 155,144,000  
Capital Fund 1,613,354,000  
Total Appropriations \$1,768,498,000

Estimated Revenues:  
Non-Tax Revenues \$379,889,000  
From Other Funds 2,000,000  
From Other Governments 3,000,000  
Total Estimated Revenues \$384,889,000

Number of Full Time Employees:  
Civil Service 741  
Exempt 10  
Total Employees 751

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not performed.</u> Annual performance ratings and suggestions for improvement were not routinely prepared for three of the five employees we tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [104310.01].</p>	<p>To underscore management's responsibility to prepare annual reports in a timely manner, the DOA is using more frequent communication: from HR to appropriate personnel, reminders at staff meetings, and emails.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Authorization codes of individual airport officials responsible for approving purchase requisitions and authorizing payments were not maintained in a manner that prevented unauthorized use by others.</u> Of 34 fiscal year 2011 expenditure transactions tested, 14 (40 percent) had been approved by an unauthorized individual using the authorization code of a former DOA executive that had retired.	Although none of the expenditures examined were found to be improper, allowing individuals the unauthorized access to authorization codes of others increases the risk of improper payments. Moreover, accountability for expenditures is threatened.	Take measures to ensure that access codes of all separated employees are timely revoked [104311.01].	Implemented.

City of Philadelphia  
Law Department  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Shelley R. Smith, City Solicitor  
Law Department  
17<sup>th</sup> Floor, One Parkway Building  
1515 Arch Street  
Philadelphia, PA 19102

Appropriations:

General Fund	\$13,119,245
Water Fund	3,039,948
Grants Revenue Fund	842,820
Aviation Fund	1,878,074
Community Development Fund	<u>198,350</u>
Total Appropriations	<u>\$19,078,437</u>

Estimated Revenues:

Non-Tax Revenue	\$1,250,000
From Other Governments	<u>1,041,000</u>
Total Estimated Revenues	<u>\$2,291,000</u>

Number of Full Time Employees:

Civil Service	31
Exempt	<u>159</u>
Total Employees	<u>190</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Law Department was unable to provide approved leave requests for all five employees selected for testing. Leave requests are verbally approved by the Law Department.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the City's Finance Office [104411.02].</p>	<p>Documentation supporting and authorizing leave time for exempt lawyers and legal assistants is often completed via email and sometimes granted orally. Going forward, the Law Department will require and enforce the use of the leave request form.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and independent supervisory and executive level reviews were not adequately segregated.</u> The same person performed both the supervisory and executive level reviews for ten of the twenty-six fiscal year 2012 pay periods. Additionally, the person who initiated entries to the payroll system on four other pay periods also performed the supervisory level review.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [104410.03].</p>	<p>Currently, we only have three persons assigned to review time records. In the event of an absence by one of the employees assigned to payroll, the same person completing the entry of time records into the payroll system has also performed the supervisory review. Going forward we will designate a fourth employee to be available for payroll to ensure segregation of duties and multi-level reviews.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Proper use of the Law Department's daily attendance records were not always enforced by department management.</u> Although the department had a suitable attendance record (time clock card) to capture employee hours worked, one of five employees whose payroll records we examined, frequently (50 percent of 16 days inspected) did not use the time clock card appropriately – either employee failed to punch out and back in for lunch, or utilized the reverse side of a previously used time card. Despite the employee's misuses of the time clock cards, her supervisor approved them.</p>	<p>Use of the time clock system in an inappropriate way may lead to payroll errors and/or left of time.</p>	<p>Without exception, require all employees to use the attendance system they way it was designed [104411.01].</p>	<p>Implemented.</p>
<p><u>City sick leave policy still was not being enforced.</u> Evidence examined suggests the Law Department is still not complying with the city's sick leave policy. Of five employees whose payroll records we examined, one having excessive undocumented sick leave (5 days) was not officially notified that she was in jeopardy of being placed on the "Excessive Use of Sick Leave List".</p>	<p>The purpose of the city's sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees abusing sick time.</p>	<p>Effective use of the city's sick leave policy relies upon the continuous monitoring and then notification to employees that sanctions may result from excessive use of sick leave without appropriate evidence of being ill. We continue to recommend that management comply with the sick leave notification policy including, employee counseling when necessary [104410.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. We found that three of the four randomly selected employees did not have a current performance evaluation on file.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [104410.02]</p>	<p>Implemented.</p>
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104410.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Board of Ethics  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
J. Shane Creamer, Jr., Esquire  
Executive Director  
Board of Ethics  
Packard Building - 2<sup>nd</sup> Floor  
1441 Sansom Street  
Philadelphia, PA 19102-3026

Appropriations:  
General Fund

\$810,000

Estimated Revenues:  
Non-Tax Revenue

\$50,000

Number of Full Time Employees:  
Exempt

8

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<b>PERSONAL SERVICES</b>  <u>Supervisory and executive reviews of payroll time record entries were not always segregated.</u> For seven of the twenty-six pay periods tested, the same individual performed both the supervisory and executive level reviews.	Combining multi-level reviews undermines the objective of the review process. It increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.	Different individuals should perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [104512.01].	This observation has been addressed. Different individuals now perform the supervisory review and executive level review of the bi-weekly payroll.
<u>Payroll data entries still were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot-checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.	Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104511.02].	This observation has been addressed. A staff member, independent of the payroll process, performs an occasional comparison of daily attendance records with online attendance records.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> During our testing of payroll records leave requests were not provided for four of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave requests forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104510.02].</p>	<p>This observation has been addressed. Documentation to support the authorization of employee leave time occurs by either an email request to a supervisor or by completing a paper form that is submitted to a supervisor.</p>
<p><u>The city sick leave policy still was not adopted and enforced.</u> There was no evidence that employee sick leave was monitored by the payroll unit. We noted three sampled employees who had excessive undocumented sick leave time but had not been notified by the agency in accordance with the city's sick leave policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Even though all employees at the Board of Ethics are exempt, we continue to recommend that management adopt the same sick leave policy utilized citywide for civil service employees [104510.03].</p>	<p>The Board will consider implementation of a sick leave policy in the future.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide the management and staff, or define mandated work reporting patterns.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [104510.04].</p>	<p>The agency has not established a formal lateness policy. We have concluded that the very small size of the agency, coupled with the required executive approval of employee time sheets sufficiently mitigate the condition and its related risk. Therefore, no further corrective action is deemed necessary.</p>





City of Philadelphia  
Office of the Inspector General  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:  
General Fund                    \$1,281,451

Estimated Revenues:                    \$-0-

Number of Full Time Employees:  
Exempt    17

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry, supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same payroll unit employee performed both the data entry and supervisory review of payroll for three of the twenty-six pay periods during fiscal year 2012. Additionally, in four of the twenty-six pay periods, another employee performed both the supervisory and executive level reviews over payroll.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the data entry, supervisory review, and the executive level review of the bi-weekly payroll whenever possible [104812.01].</p>	<p>The recommendation has been implemented as of FY14. Three different individuals now perform data entry, supervisory review, and executive level review.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>OTHER EXPENDITURES</b></p> <p><u>Expenditure file documentation did not include evidence of the receipt of goods and services.</u> During our test of expenditures we noted the OIG did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services.</p>	<p>Failure to maintain original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as receiving reports, in order to support the validity of departmental transactions [104812.03].</p>	<p>The recommendation has been implemented as of FY14.</p>
<p><u>Duties for processing purchases and expenditures are not adequately segregated.</u> One individual is fully or partially responsible for preparing and approving requisitions, approving invoices, and authorizing payments for goods and services.</p>	<p>Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the functions of approving purchase requisitions and invoices, and authorizing payments to separate employees [104811.02].</p>	<p>The recommendation has been implemented as of FY14.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was not enforced.</u> The OIG did not appear to be complying with the city's sick leave policy. There was no evidence that three employees of the OIG who had reached five undocumented sick leave days had been notified that they were close to the criteria (eight undocumented sick leave days) for being placed on the city's "Excessive Use of Sick Leave List."</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave notification policy, including employee counseling, be complied with by OIG management [104811.01].</p>	<p>Due to the small size of the department and that no excessive sick leave was observed, this comment is no longer deemed applicable.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide the OIG management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The OIG may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [104810.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia City Planning Commission and Zoning Code Commission  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

The Zoning Code Commission (ZCC) was created by an amendment to the Philadelphia Home Rule Charter approved by voters at the general election held on May 15, 2007, and certified on June 4, 2007. Its mission is to conduct a comprehensive analysis of and make recommendations regarding reforms to the Philadelphia Zoning Code. The ZCC has thirty-one members including the executive director of the PCPC who serves as the chair. The ZCC also employs a full time executive director whose appointment requires approval of two-thirds of the members. Having completed the revision of the Philadelphia Zoning Code during fiscal 2012, the Zoning Code Commission was dissolved.

<u>Name and address of agency head</u> Gary Jastrzab, Executive Director Philadelphia City Planning Commission One Parkway Building 1515 Arch Street, 13 <sup>th</sup> Floor Philadelphia, PA 19102	<u>Appropriations:</u> <b>Philadelphia City Planning Commission</b> General Fund \$2,257,200 Grants Revenue Fund 704,478 Community Development Fund 382,236 Total Appropriations <u>\$3,343,914</u>  <b>Zoning Code Commission</b> General Fund <u>\$225,000</u>	<u>Estimated Revenues:</u> <b>Philadelphia City Planning Commission</b> Non-Tax Revenues \$ 501,000 From Other Governments <u>586,000</u> Total Estimated Revenues <u>\$1,087,000</u>  <u>Number of Full Time Employees:</u> <b>Philadelphia City Planning Commission</b> Civil Service 36 Exempt <u>2</u> Total Employees <u>38</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was not evident on the daily attendance records.</u> All ten daily attendance records we examined did not show the computation of hours worked each day.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll, which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [105112.01].</p>	<p>This procedure is now in place. The timekeeper is now adding up the daily hours for each employee on the daily attendance record and initialing the total.</p>
<p><u>City sick leave policy was still not enforced.</u> Our testing revealed that of the five employees tested, three exceeded eight undocumented sick days and were not placed on the Excessive Use of Sick Leave List, nor were they issued an eighth day letter notifying them that this would occur. Consequently, these three employees were paid for additional sick time used in violation of the city's sick leave policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by the city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [105110.03].</p>	<p>At this time, sick leave doctor notes are being entered timely so that the five-day notifications and the eight-day sick abuse letters will be issued promptly and accurately, if required.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For nine of the twenty-six pay periods during fiscal year 2012, the same individual performed both the supervisory review and executive level approval of payroll. On one of these occasions, the individual also initiated entries to the payroll system; thereby performing all three duties. We also observed three additional pay periods where the person performing data entry also provided the supervisory review or executive level review.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry, the supervisory review, and the executive review of the bi-weekly payroll whenever possible [105110.06].</p>	<p>At the time of the audit, one of the Executive Level signers had left the agency, and a replacement had not yet been named. At this time, the replacement has been appointed, and his name has been added to the signature card as an authorized signer for payroll. All efforts will continue to be made to have all three levels of the payroll signed off on by three different authorized signers, whenever possible.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [105111.01].</p>	<p>Implemented.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> During our testing of payroll records, we noted that on several occasions formal employee requests for paid leave time were not obtained by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with the Finance Office's standard accounting procedures [105110.01].</p>	<p>Implemented.</p>

City of Philadelphia  
The Free Library of Philadelphia  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:  
General Fund \$33,863,362  
Grants Revenue Fund 11,879,884  
Capital Fund 6,542,000  
Total Appropriations \$52,285,246

Estimated Revenues:  
Non-Tax Revenue \$ 1,202,000  
From Other Governments 11,880,000  
Total Estimated Revenues \$13,082,000

Number of Full Time Employees:  
Civil Service 642  
Exempt 1  
Total Employees 643

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> Although the Library requires most employees to complete a vacation schedule at the beginning of each year, when employees take non-scheduled administrative leave or other paid leave time throughout the year, no formal leave request is required.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105211.01].</p>	<p>The Free Library used leave request slips when we used weekly time sheets. Once we switched to daily time sheets, where all leave time and work time are signed and approved by supervisors daily on the time sheet, we discontinued this process, as it is redundant.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>A formal lateness policy was still not established and communicated to employees.</u> While the department has a written lateness policy, the policy did not adequately define lateness or establish specific sanctions for repeated lateness violations.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [105211.03].	The Free Library will re-issue a departmental lateness policy and distribute it to all active employees.
<u>City sick leave policy still was not enforced.</u> Of the five employees tested who exceeded eight undocumented sick days, only one was placed on the Excess Use of Sick Leave List and none were penalized in accordance with the city's policy. Furthermore, none of these employees received the required fifth day warning letter or the notice on the eighth day placing them on the Excessive Use of Sick Leave List.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy including employee counseling and subsequent sanctions set forth in the policy be adopted and enforced by management [105210.02].	The Free Library will amended its sick leave control check process to ensure that employees receive timely sick leave warning notifications and that employees are placed on the Sick Abuse List as necessary. Free Library's payroll office will conduct a sick leave control check at the end of each payroll period to better ensure employee compliance with the City-wide sick leave policy.

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll duties were not adequately segregated.</u> The same payroll unit employee is sometimes performing data entry to the payroll system based on employee timesheets and also signing off in the system as performing both the supervisory and executive-level reviews.	Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.	Segregate the duties of entering payroll data from those of performing supervisory and executive reviews [105211.02].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Unclaimed paychecks, as well as employee earnings and deduction advices are not returned to the City Treasurer's Office within one week if an employee cannot be located.</u> Instead, the Library's policy is to return such items to the City Treasurer's Office in six to eight weeks.	The Library may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance requirements with the state's unclaimed monies law.	Comply with the unclaimed paycheck procedures (E-9901) of the city's Finance Office [105211.04].	Implemented.



City of Philadelphia  
 Commission on Human Relations  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head  
 Rue Landau, Esquire  
 Executive Director  
 Commission on Human Relations  
 601 Walnut Street, Suite 300 South  
 Philadelphia, PA 19106

Appropriations:  
 General Fund            \$2,039,260

Estimated Revenues:  
 From Other Governments            \$250,000

Number of Full Time Employees:  
 Civil Service                            26  
 Exempt                                    2  
 Total Employees                        28

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not performed.</u> Annual performance ratings and suggestions for improvement were not routinely performed and documented by management.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all employees by supervisory personnel and monitor compliance for follow-up and resolution [105412.01].</p>	<p>Not all performance evaluations were completed this fiscal year. Supervisors have been reminded to complete all evaluations each year.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Duties for processing personal services expenditures were not adequately segregated.</u> The person posting payroll to the on-line system was also the person obtaining the paychecks/stubs from the Treasurer, scanning paychecks before distribution, and distributing the paychecks/stubs to employees. Another employee approved daily attendance records, performed the supervisory review, and authorized appointments and changes in employee rate changes.</p>	<p>Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Duties for processing personal services expenditures should be adequately segregated [105412.02].</p>	<p>A different employee has been assigned to pick up and scan paychecks.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> Management provided a copy of a lateness policy in draft form that defined lateness and detailed the progressive sanctions for violation of the policy. However, this policy had not yet been finalized and issued to employees.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Finalize, issue, and implement the employee lateness policy that has been drafted [105410.02].</p>	<p>The lateness policy has been sent to the unions for review. It will be implemented in January 2014.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries still were not always segregated.</u> For fourteen of the twenty-six payroll periods during fiscal year 2012, the same individual performed both the supervisory and executive reviews over payroll. In addition, for three other pay periods, the person who initiated entries to the payroll system based on employee timesheets also performed the supervisory review.</p>	<p>Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [105410.03].</p>	<p>This has been corrected. The Clerical Supervisor inputs data. The Administrative Officer performs the supervisory level review. And, the Executive Director performs the executive level review.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.	Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [105410.04].	Implemented.

City of Philadelphia  
Office of Human Resources and Civil Service Commission  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

<u>Name and address of agency head</u> Albert L. D’Attilio, Esq., Director Office of Human Resources Municipal Services Building, 15 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> <b>Office of Human Resources</b> General Fund <u>\$5,228,327</u>  <b>Civil Service Commission</b> General Fund <u>\$170,309</u>	<u>Estimated Revenues:</u> <u>\$0</u>  <u>Number Full Time of Employees:</u> <b>Office of Human Resources</b> Civil Service                      75 Exempt <u>5</u> Total Employees <u>80</u>  <b>Civil Service Commission</b> Civil Service <u>2</u>
Doris A. Smith, Chairperson Civil Service Commission Municipal Services Building, 16 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102		

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																												
<p><b>PERSONAL SERVICES</b></p> <p>City sick leave policy was not enforced. OHR did not always place its employees and those of certain agencies within the Shared Services Program<sup>1</sup>, on the Excessive Use of Sick Leave List when they reached eight undocumented sick days, nor did they penalize those employees in accordance with the city's sick leave policy. We also noted OHR could not always provide us with documentation that it issued the required fifth day warning letter or the eight day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list. Table 1 shows the policy was not always enforced for the following agencies within the Shared Service Program, as well as for the Office of Human Resources.</p> <p><b>Table 1: Sick Leave Policy Not Enforced</b></p> <table border="1" data-bbox="176 753 707 1338"> <thead> <tr> <th></th> <th colspan="3">Number of employees</th> </tr> <tr> <th>City agency</th> <th>No 5<sup>th</sup> day warning letter</th> <th>No 8<sup>th</sup> day warning letter</th> <th>Sick abuse penalties not enforced</th> </tr> </thead> <tbody> <tr> <td>Public Property</td> <td>2</td> <td>2</td> <td>1</td> </tr> <tr> <td>Fleet Management</td> <td>1</td> <td>4</td> <td>4</td> </tr> <tr> <td>Records</td> <td>0</td> <td>2</td> <td>1</td> </tr> <tr> <td>Procurement</td> <td>4</td> <td>2</td> <td>2</td> </tr> <tr> <td>Human Resources</td> <td>3</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>Source: Prepared by the Office of Controller</p>		Number of employees			City agency	No 5 <sup>th</sup> day warning letter	No 8 <sup>th</sup> day warning letter	Sick abuse penalties not enforced	Public Property	2	2	1	Fleet Management	1	4	4	Records	0	2	1	Procurement	4	2	2	Human Resources	3	1	1	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by the city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [105612.01].</p>	<p>The Shared Services Program payroll staff makes every effort to enforce the sick leave policy however during fiscal year 2012, this task was the responsibility of a former supervisor who did not always make sure that the payroll staff sent out timely notifications. The current supervisor ensures that the payroll staff is tracking the undocumented sick leave usage and sending out timely 5-day notifications and 8-day placement letters. Discipline is applied by the HR Manager according to the sick leave policy.</p>
	Number of employees																														
City agency	No 5 <sup>th</sup> day warning letter	No 8 <sup>th</sup> day warning letter	Sick abuse penalties not enforced																												
Public Property	2	2	1																												
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Procurement	4	2	2																												
Human Resources	3	1	1																												

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

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was not always prepared for some of the agencies within the Shared Services Program.</u> OHR could not provide authorized leave requests for four out of five employees tested for the Department of Public Property, and for three out of five employees tested for the Office of Mural Arts.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105612.02].</p>	<p>Leave time was authorized and approved in the operating department by the employee's supervisor and noted on the timesheet/timecard. Timesheets and timecards are signed by the employee's supervisor or manager, indicating his or her approval of the reported leave. The Office of Human Resource payroll staff only posts time indicated on an approved timesheet/timecard.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The evidence obtained during the audit indicated the department does not obtain formal employee leave requests for some of the agencies within the Shared Service Program].</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed two employees, within the Shared Services agencies, who remained on the city's payroll after their last day of work with the city. Specifically, we noted that a Department of Public Property employee was inappropriately paid for four days after his last day of work and another check was cut for two weeks of pay in the following pay period. The Office of the Director of Finance found the errors and was able to deduct the four days of overpayment from the employee's termination pay as well as reverse the payment for the two weeks of salary before payment was made to the employee. We also noted a check for a two week pay period was cut for an employee of the Procurement Department after her last day of work. The Office of the Director of Finance again found the error and was able to withhold the employee's check before the check was mailed to the employee.</p>	<p>Errors or irregularities occurred and were not detected by OHR during the normal process of preparing the bi-weekly payroll. In one of the instances, this situation allowed a separated employee to be paid erroneously.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [105612.03].</p>	<p>While the Office of Human Resources makes every effort to separate employees in a timely manner, we acknowledge that occasionally the payroll staff does not receive notification until after payroll has posted. Because the Office of Human Resources audits the payroll after payroll closes, we catch "errors" during that audit period. In those instances, we notify Central Finance of our findings so that adjustments can be made prior to the employee receiving an erroneous paycheck. We have adjusted our process to include additional audits of the payroll.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was not evident on the daily attendance records.</u> OHR did not illustrate their recalculations of total hours worked each day by each employee for all eleven daily attendance records that we examined for the Department of Public Property and for two daily attendance records that we examined for the Office of Fleet Management.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll, which may result in payroll paid to employees being incorrect.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [105612.04].</p>	<p>The Office of Human Resources' payroll staff ensures that the employee has completed a full work day by counting their total hours worked and deducting the time taken for their lunch break. Although we don't actually write the total number of hours worked or the total hours that the employee is to be paid, we do indicate leave time used (or charged) when the employee does not work a full workday and check indicated overtime when the employee works more than 8 hours in a workday.</p>
<p><u>Employee evaluations were not recently performed.</u> Annual employee performance ratings and suggestions for improvement were not performed for three of the ten OHR employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [105612.06].</p>	<p>The Office of Human Resources is proud to state that our compliance rate is consistently and significantly better than the overall rate for the city. Our FY 13 compliance rate was 90%.</p>
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For twenty-three of twenty-six pay periods in fiscal 2012, two OHR payroll unit employees alternately performed both the supervisory review and executive level approval of the Managing Director's Office's payroll. Additionally, for nine of the pay periods above, one of those employees posted entries to the payroll system, thereby performing all three duties.</p> <p><b>(Continued)</b></p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data entry, supervisory review and the executive level review of the bi-weekly payroll whenever possible [105611.01].</p>	<p>The Office of Human Resources currently has different individuals signing off on the payroll at the various levels to ensure that there is segregation of the approval levels. The payroll clerk sign off on level 1. The payroll supervisors signs off on level 2. If the payroll supervisor is not available, that sign off is done by her supervisor. There are 3 individuals that can sign off on the executive level. If one of those individuals either posts payroll or signs off on a lower level, then the executive level is signed off by one of the other 2 individuals.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>We also noted that for seventeen of twenty-six pay periods in fiscal 2012, the same OHR payroll unit employee posted entries in the payroll system, as well as performed the supervisory and the executive level approval for the Office of Mural Arts' payroll. In addition, for the nine remaining pay periods, there were six pay periods where the same person who posted payroll also performed the executive review of payroll, and three pay periods where the same person performed the supervisory and executive review of payroll.</p>			
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets for the Office of Mural Arts. Attendance records for two of the five employees tested did not agree to the on-line postings. One employee was paid overtime for hours he did not work, and another employee was charged leave time for the incorrect day.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [105611.02].</p>	<p>In fiscal year 2012, the Office of Human Resources did not have someone independent of payroll processing to spot check payroll entries against timesheet/timecard entries. We now have available staff to assign this task to an employee is not part of the staff that prepares the payroll.</p>
<p><u>Employee overtime was not always preauthorized for an agency within the Shared Services Program.</u> Overtime was paid without evidence that management had pre-approved the requests for the Office of Mural Arts. OHR could not provide approved authorization forms for five of the twenty-five sample dates tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [105611.03].</p>	<p>The responsibility for authorizing overtime resides with the appointing authority or his/her designee. When the Office of Human Resources receives a timesheet or timecard with overtime posted and approved by an authorized supervisor or manager, we must process it.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's formal lateness policy does not address progressive sanctions for violations of the policy.</u> While OHR's written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to address progressive sanctions for chronic violations of the policy [105610.01].</p>	<p>The Office of Human Resources does not have a lateness problem and we believe our current policy provides the flexibility needed to manage a lateness problem should one develop.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> By not addressing progressive sanctions for lateness, the agency is not ensuring fair discipline and not allowing an employee to know the consequences of bad behavior. In addition, having a comprehensive discipline program avoids possible legal complications].</p>

City of Philadelphia  
Office of Property Assessment  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Richie N. McKeithen, Chief Assessment Officer  
Office of Property Assessment  
601 Walnut Street, Suite 300 West  
Philadelphia, PA 19106

Appropriations:  
General Fund                                 \$11,740,696

Estimated Revenues:  
Non – Tax Revenue                                 \$4,000  
From Other Governments                         3,500,000  
Total Estimated Revenues                         \$3,504,000

Number of Full Time Employees:  
Civil Service   155  
Exempt   1  
Total Employees                                     156

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Instructions to standardize the real estate valuation assessment process (precepts) were still not updated annually.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be updated and re-issued annually. The last year precepts were issued was for tax year 1992.</p>	<p>Without clear guidance, improper re-assessments may occur without detection.</p>	<p>Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania's legislative code at 72 P.S. § 5341.7 [105912.01].</p>	<p>The department has begun the process of updating the precepts. But major revisions are needed in order to reflect changes in both the assessment industry and the many process modifications that have been implemented since the last update. The precepts update will be an ongoing project.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry, and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For eleven of the twenty-six pay periods during fiscal year 2012, the same person performed both the supervisory review and executive level approval of payroll. On one of these occasions, the individual also initiated entries to the payroll system; thereby performing all three duties. We also observed one additional week where the person performing data entry also provided the supervisory review.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [105912.02].</p>	<p>The department has segregated payroll entry data and supervisory/executive reviews to the extent possible. Payroll is entered by Department Payroll Clerk, supervisory approval is HR Manager and executive level signoff is ASD. During FY 2012, ASD was on medical leave and not available for signoff function. Process was resumed on ASD return.</p>
<p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [105911.03].</p>	<p>Department has drafted a lateness policy. The policy will be discussed in next Labor Management Meeting. NOTE: Only one Labor/Management meeting was held during ASD's medical leave during FY 2012. Department intends to resume regular meetings.</p>
<p><u>Direct deposit documentation still was not available for review.</u> Management informed us the department did not retain employee forms authorizing direct deposit of wages but instead discarded them after direct deposit had taken effect for an employee.</p>	<p>Loss of supporting documentation that authorizes direct deposit of wages may conceal irregularities.</p>	<p>In the future, employee forms authorizing direct deposit of wages should be retained on file by the department [105911.05].</p>	<p>Department had implemented policy to copy and file direct deposit documentation in employee's folders. Process was implemented approximately November 2013.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>File maintenance runs (specifically RD 26 Forms) detailing market value changes to the property assessment data base that supports Philadelphia real estate tax assessments were still not formally reviewed and authorized.</u> We sampled 30 market value changes for examination, and none had any evidence of being reviewed and authorized by a supervisor.</p>	<p>Inaccurate market value changes to real estate assessments may be recorded and not detected. Undetected errors in property assessments could result in individual taxpayers either bearing an unfair tax burden or receiving an unfair tax benefit.</p>	<p>All file maintenance runs detailing market value changes should be reviewed by supervisory personnel [105911.01].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [105911.02].</p>	<p>Implemented.</p>
<p><u>Sick leave documentation was not available for review.</u> The department was unable to document its compliance with the city's sick leave policy for one sample employee who had excessive undocumented sick leave time. While the payroll system indicated that a warning letter had been sent, a copy of the letter could not be located by the department when requested during the audit.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by the city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management. Copies of all notices sent to employees should be retained on file by the department [105911.04].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Documentation supporting personnel time in the field was incomplete.</u> While staff requests for time in the field were approved by the supervisors on standard department forms, the information on these forms was incomplete. Although there was a block on the form to indicate the start and end times for the field visit, employees did not complete this portion of the form.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Prior to approving employee requests for field time, supervisors should ensure that request forms contain complete information, including start and end times [105911.06].</p>	<p>Although start and end times were still not indicated on the field request forms, management has established appropriate safeguards to control time including, preapproval of field destination sheets and requiring employees to contact their supervisors while out in the field. We consider these alternate safeguards as acceptable, and therefore no further corrective action is deemed necessary.</p>

City of Philadelphia  
Board of Revision of Taxes\*  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

Name and address of agency head  
Honorable Russell Nigro, Chairman  
Board of Revision of Taxes  
601 Walnut Street, Suite 300 West  
Philadelphia, PA 19106

Appropriations:  
General Fund   \$723,000

Estimated Revenues:  
Non – Tax Revenue   \$0

Number of Full Time Employees:  
Civil Service   2  
Exempt   6  
Total Employees   8

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For twenty of the twenty-six pay periods during fiscal year 2012, the same person performed both the supervisory review and executive level approval of payroll. On one of these occasions, the individual also initiated entries to the payroll system; thereby performing all three duties. We also observed one additional week where the person performing data entry also provided the supervisory review.</p>	<p>Failure to segregate duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [106312.01].</p>	<p>We have only five full-time employees in the entire department. The supervisory and executive reviews of payroll are assigned to the same person. Another person is assigned payroll data entry.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was not evident on the daily attendance records.</u> The daily attendance records we examined did not show the total hours worked each day by each employee.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [106312.02].</p>	<p>We will begin to show written evidence of such recalculations.</p>
<p><u>Daily attendance records were not required for exempt employees.</u> Without such records there is no documentation to support the number of hours or the employees' accumulated leave balances.</p>	<p>Failure to require employees to record their work hours on a daily attendance record increases the risk of misappropriation of time by employees or errors occurring in the preparation of the bi-weekly payroll.</p>	<p>Management should maintain written attendance and leave records for its exempt employees as required by the city's Administrative Board Rule No. 11 [106311.01].</p>	<p>Daily attendance records are required for exempt employees in our dept. The "Bi-Weekly Time Sheet for Exempt Employees" is turned into payroll.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The evidence obtained during the audit indicated that daily attendance records were not required for exempt employees].</p>
<p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff or define mandated work reporting patterns.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [106310.04].</p>	<p>The department will implement this recommendation for FY15.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Absences were not supported by approved leave requests when required.</u> We observed no evidence that administrative leave or vacation time taken by one randomly selected employee in our sample was supported by a properly approved leave request.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106311.02].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [106310.03].</p>	<p>Implemented.</p>
<p><u>BRT's purchasing function for goods and services is not adequately segregated from the receiving and payment functions.</u> The same individual responsible for preparing and approving purchase requisitions is also responsible for verifying the receipt of goods and services, as well as authorizing payments.</p>	<p>Failure to segregate the duties between purchasing and the receiving and payment functions increases the opportunity for the misappropriation of city assets.</p>	<p>Maintain appropriate segregation for the duties of purchasing, receiving, and authorizing payments for goods and services [106311.03].</p>	<p>Implemented.</p>
<p><u>Expenditure file documentation was misplaced and not available for review.</u> One of the randomly selected voucher packages was not located by BRT staff when requested during our examination. Files maintained by the City Controller's Office were obtained and reviewed to ensure existence and valuation of the transaction.</p>	<p>Loss of documentation supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to retain and safeguard expenditure documentation as part of the daily routine o support agency transactions and to comply with Records Department citywide Retention Schedule [106310.05].</p>	<p>Implemented.</p>



City of Philadelphia  
Register of Wills  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:  
General Fund                      \$3,399,278

Estimated Revenues:  
Non – Tax Revenue                      \$4,194,000

Number of Full Time Employees:  
Exempt    61

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and /or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [106812.01].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The computation of hours worked by each employee and used to initiate postings to the payroll system was still not evident on the daily attendance records.</u> None of the attendance records we examined for selected days throughout the fiscal year showed the total hours worked by employees each day.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Require that unit supervisors compute the total hours worked each day for each employee that he or she supervises [106811.03]. Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [106811.04].</p>	<p>No response was received from management.</p>
<p><b>OTHER EXPENDITURES</b></p> <p><u>Separation of duties still did not exist for the requisition, approval, receipt and payment for goods and services.</u> The incompatible functions of purchasing, receiving, and authorizing payment were assigned to one individual.</p>	<p>Failure to segregate duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the functions of preparing purchase requisitions, approving purchase requisitions, receiving goods and services, and authorizing payments to separate employees [106810.02].</p>	<p>No response was received from management.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll attendance were not authorized contemporaneously.</u> Daily attendance records were not always approved by an agency supervisor as required by accounting procedures of the city's Finance Office.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [106811.01]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [106811.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Management did not periodically review personnel service costs to determine whether any significant variances had occurred between payroll periods or amounts budgeted.</u> No evidence existed to suggest this procedure was being done periodically.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the Register of Wills' operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [106811.05].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of the payroll preparation process was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [106810.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 District Attorney's Office  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$31,054,996
Grants Revenue Fund	<u>19,241,350</u>
Total Appropriations	<u>\$50,296,346</u>

Estimated Revenues:

Non-Tax Revenue	\$10,025,000
From Other Governments	<u>9,241,000</u>
Total Estimated Revenues	<u>\$19,266,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	21
Civil Service - Civilian	74
Exempt	<u>424</u>
Total Employees	<u>519</u>

Observation Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not preauthorized.</u>                      Overtime was paid without evidence that management had pre-approved the requests. Management could not provide approved authorization forms for four of the five employees (20 out of 25 sample dates) tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [106912.01].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [106912.02].</p>	<p>No response was received from management.</p>
<p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. Two of the four civil service employees we tested did not have a recent performance evaluation on file.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [106912.03 ].</p>	<p>No response was received from management.</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> Management could not provide us with authorized leave requests for the five employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106911.01].</p>	<p>No response was received from management.</p>
<p><u>Documentation supporting personnel time in the field still was incomplete.</u> When employees work outside the office, management does not require that they complete a field destination sheet that would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [106911.02].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [106910.01].</p>	<p>No response was received from management.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Daily attendance records (sign-in-sheets) were not adequately checked for accuracy.</u> There was no evidence on the daily attendance records to suggest that the payroll unit of the DA's Office was checking the computations of employee work hours entered or to be entered into the payroll system.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record and evidence their responsibility for the computations by signing or initialing the daily attendance record [106911.03].</p>	<p>Implemented.</p>
<p><u>Management did not periodically review payroll costs to determine whether any significant variances have occurred between payroll periods or amounts budgeted.</u> Management has no policy to require such a procedure.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the DA's operations.</p>	<p>Management should review personnel service costs periodically to determine whether any significant variances have occurred between payroll periods or amounts budgeted [106911.04].</p>	<p>Implemented.</p>
<p><u>The purchasing function is not adequately separate from the receiving and payment functions.</u> The same employee prepares requisitions for goods and services, verifies the receipt of those goods and services, and then approves and compares invoices with the underlying documentation.</p>	<p>Failure to segregate duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities while performing their normal duties.</p>	<p>At a minimum, consider assigning a separate individual to verify the receipt of goods and/or services when delivered [106911.05].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Sheriff  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

<u>Name and address of agency head</u> Honorable Jewell Williams, Sheriff Office of the Sheriff 100 South Broad Street – 5 <sup>th</sup> Floor Philadelphia, PA 19110	<u>Appropriations:</u> General Fund	\$ <u>13,088,657</u>	<u>Estimated Revenues:</u> Non-Tax Revenue	\$ <u>9,050,000</u>
			<u>Number of Full Time Employees:</u> Civil Service Exempt Total Employees	 208 <u>18</u> <u>226</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Lateness policy did not establish progressive sanctions for violations.</u> While the Sheriff's Office had a written lateness policy, it did not establish progressive sanctions for chronic violations of the policy.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the Sheriff's Office may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for chronic violations of the policy [107012.01].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide us with formal leave requests for compensated absences for three of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [107011.03].</p>	<p>No response was received from management.</p>
<p><b>OTHER EXPENDITURES</b></p> <p><u>Travel reimbursements were not properly authorized.</u> We reviewed five reimbursable travel expense vouchers totaling \$23,123, that were not approved by executive level staff of the agency. Additionally, the mileage and related vehicle expense worksheets to support the mileage recorded on the reimbursable expense voucher were not approved by a supervisor in all five vouchers selected for testing.</p>	<p>Failure to obtain proper approvals for employee reimbursements increases the risk of undetected errors and provides opportunities for a person to perpetrate irregularities on the reimbursable expense vouchers.</p>	<p>All reimbursable expense vouchers should be authorized and approved by executive level staff as required by Administrative Board Rule No.2. Additionally, the mileage and related vehicle expense worksheet that supports the mileage recorded on the reimbursable expense voucher should approved by the employee's supervisor [107012.02].</p>	<p>No response was received from management.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee overtime was not preauthorized.</u> Overtime was paid without evidence that management had pre-approved the overtime. Exempt employees were not always required to submit an authorization form for overtime or compensatory time prior to working the additional time.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [107011.02].</p>	<p>Although supervisors approve employee overtime after the overtime is worked, all overtime tested was approved. Therefore, we consider this recommendation implemented.</p>



<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Expenditure file documentation did not include evidence of the receipt of goods and services</u> – During our test of expenditures we noted that the Sheriff’s Office did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as invoices and receiving reports in order to support the validity of departmental transactions [107011.05].</p>	<p>Implemented.</p>
<p><u>Supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same individual frequently performed both supervisory and executive reviews over payroll.</p>	<p>Combining multi-level reviews undermines the objective of the review process. It increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [107010.02].</p>	<p>Implemented.</p>
<p><u>Payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [107010.03].</p>	<p>Implemented.</p>

City of Philadelphia  
City Commissioners Office  
Findings and Recommendations  
Fiscal Year 2012

Functions

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

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

Appropriations:  
General Fund \$ 9,104,177  
Grants Revenue Fund 6,163,498  
Total Appropriations \$15,267,675

Estimated Revenues:  
Non-Tax Revenue \$ 30,000  
From Other Governments 6,164,000  
Total Estimated Revenues \$6,194,000

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

Number of Full Time Employees:  
Civil Service 74  
Exempt 17  
Total Employees 91

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE AND RECEIPTS</b></p> <p><u>Collections were still not deposited timely with the city's Department of Revenue.</u> A review of validated deposit summaries found that four out of five sampled revenue deposits were not made timely. One deposit took as long as 31 working days. None of the five sampled deposits, ranging from \$80 to \$2,790 were made on the same day the money was collected or on the next day of business.</p>	<p>Failure to deposit collections timely increases the risk of theft and minimizes the amount of interest the city can earn on funds.</p>	<p>To the extent possible, minimize the length of time it takes to deposit cash and checks collected with the city's Department of Revenue [107311.01].</p>	<p>In 2013, the Department instituted procedures to deposit collected money within 48 hours of receipt.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Responsibilities for collecting, recording and verifying deposited revenues were still not properly segregated.</u> The same Campaign Unit employee was responsible for assessing various fees, collecting cash and checks, preparing receipt documents, recording transactions in the Commissioners' Office books and records, and forwarding the fee money collected to the Budget Unit for deposit. Additionally, we noted the Budget Unit employee responsible for depositing the fee money also compared the validated deposit summary to the city's centralized accounting system (FAMIS) for agreement.</p>	<p>Failure to adequately segregate duties over the processing of revenue collections increases the risk of undetected errors and misappropriation of assets.</p>	<p>The incompatible duties of handling cash receipts and maintaining the accounting records by a Campaign Unit employee, as well as the incompatible Budget Unit employee's duties of preparing cash receipts for deposit and comparing the validated deposit summary to FAMIS should be separated [107311.02]. We also recommend that validated deposit summaries be independently compared to both FAMIS and the Commissioners' Office internal accounting records [107311.03].</p>	<p>In July 2013, the Department instituted procedures to segregate responsibilities for collecting, recording, and verifying deposited revenues.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Of the five employees tested, two of three employees who reached eight undocumented sick days were not penalized in accordance with the city's sick leave policy. Furthermore, the agency could not provide us with the five day warning letters for three of the employees we tested.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by the city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [107312.01].</p>	<p>Since April 2013, the city's sick leave policy has been enforced by the Department uniformly for all employees.</p>
<p><u>Employee evaluations were not performed.</u> Annual employee performance ratings and suggestions for improvement were not performed for four of five employees tested.</p>	<p>Failure to provide feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [107312.02].</p>	<p>Since January 2013, annual employee evaluations have been performed for all civil service employees. Employee evaluations will continue to be done on a regular basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Attendance records (such as sign-in sheets or clock cards) could not always be provided.</u> For three out of five employees tested, the agency could not provide a complete set of attendance records for the bi-weekly pay period.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of departmental transactions [107312.03].</p>	<p>In March 2014, the Department appointed a new supervisor in our Human Resources Unit. She is working on procedures to maintain and safeguard attendance records.</p>
<p><u>Documentation supporting personnel time in the field was incomplete.</u> The agency does not utilize a field sheet to log employee time spent working in the field.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Require employees to use call in/out procedures and field destination sheets [107312.04].</p>	<p>The Department will work with the City Controller's Office on new procedures for documenting personnel time in the field.</p>
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [107311.04].</p>	<p>Since July 2013, an employee independent of payroll preparation has spot checked data entries.</p>
<p><u>Payroll attendance records were still not always authorized by supervisory personnel.</u> Our testing of attendance records revealed that seventeen of the fifty-seven records tested were not approved by supervisory personnel as required by accounting procedures of the city's Finance Office.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [107310.02]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [107310.03].</p>	<p>Since July 2013, the Department has instituted procedures so that all payroll attendance records will be authorized by supervisory personnel.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide approved leave requests for four of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with accounting procedures of the city's Finance Office [107310.04].</p>	<p>Since April 2013, all employees have been required to formally submit leave request forms for supervisory review.</p>
<p><u>Employee overtime was still not preauthorized.</u> Management could not provide preauthorized overtime slips for any of the five employees we tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [107310.05].</p>	<p>In April 2013, the Department instituted procedures so that overtime is preauthorized.</p>
<p><u>Payroll record changes were still not reviewed for accuracy.</u> The person who is responsible for reviewing the on-line payroll record system to ensure separated employees are properly and timely removed from the active files is also responsible for entering payroll data.</p>	<p>Separated employees could remain on the payroll.</p>	<p>An independent review of all changes to personnel and payroll records should be performed by management [107310.06].</p>	<p>Since July 2013, an employee independent of payroll preparation has reviewed changes to payroll and personnel records.</p>
<p><u>Supervisory and executive reviews of payroll time record entries were still not segregated.</u> The same person performed both the supervisory and executive level review of payroll for all twenty-six pay periods in fiscal year 2012.</p>	<p>Failure to segregate duties by combining multi-level reviews increases the risk of errors going undetected during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the supervisory review and the executive level review of the bi-weekly payroll whenever possible [107310.07].</p>	<p>Since July 2013, supervisory and executive review of payroll time record entries have been segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [107310.08].</p>	<p>Since April 2013, a formal lateness policy was established, communicated to employees, and uniformly enforced.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Loss of pre-numbered receipt.</u> Our testing of revenue identified a pre-numbered receipt for which no money was recorded, and which could not be located by the department. We were informed that citizens frequently request and pay for documents at the Commission's city hall office. As an accommodation, the Commission requests the cashier to send the documents along with a blank receipt to its city hall office. Department officials stated that the unused receipt in question was mistakenly destroyed when the citizen never showed up to pay for the requested documents.</p>	<p>A loss in control over cash transactions may result in the misappropriation of funds or unintentional loss of revenues.</p>	<p>The cashier should remain in possession of all unused receipts until funds are actually received. All revenues should be collected directly by the cashier as the services/materials are provided to ensure that all transactions are properly recorded, and all revenues collected [107310.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 First Judicial District of Pennsylvania\*  
 Findings and Recommendations  
 Fiscal Year 2012

Functions

The Philadelphia court system originates in various Commonwealth of Pennsylvania laws. The Pennsylvania Constitution of 1968 and the Judiciary Act of 1976 established the Common Pleas and Municipal Courts. Philadelphia Traffic Court was established under Article V, Section 1 and 6 (c) of the Constitution of Pennsylvania, as amended in 1968, and under Section 301 and 1321 of the Judicial Code. These courts are part of the state's unified judicial system and constitute Pennsylvania's First Judicial District (FJD). Among the primary responsibilities of the FJD are trial jurisdiction for civil and criminal cases and adjudication of traffic violations. Other responsibilities include domestic relations matters, juvenile cases, estate and trust matters, landlord and tenant matters, and code enforcement cases. An eight-member administrative governing board is responsible for the daily operations of the FJD.

Name and address of agency head

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

Appropriations:

General Fund	\$110,817,323
Grants Revenue Fund	<u>56,922,030</u>
Total Appropriations	<u>\$167,739,353</u>

Estimated Revenues:

Non-Tax Revenue	\$ 46,349,000
From Other Governments	<u>68,521,000</u>
Total Estimated Revenues	<u>\$114,870,000</u>

Number of Full Time Employees:

Civil Service	7
Exempt	<u>2,438</u>
Total Employees	<u>2,445</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were still not always segregated.</u> The same person performed both the supervisory and the executive level reviews of payroll for eight of the twenty-six pay periods during fiscal 2012. Additionally, the person who initiated entries into the payroll system also performed the supervisory level review on two other occasions.</p>	<p>Failure to segregate duties and combining multi-level reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Different individuals should perform the data entry, the supervisory review, and the executive level review of the bi-weekly payroll whenever possible [108411.01].</p>	<p>No response was received from management.</p>





## **CONTROLLER'S OFFICE CONTACT AND STAFF ACKNOWLEDGEMENTS**

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### **City Controller's Office Contact**

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### **Staff Acknowledgements**

In addition to the individual named above, Gerald Micciulla, Post Audit Deputy Controller; Audit Director Christy Brady; Audit Managers Joseph Dobbins and Mary Marvel; Audit Supervisors; Angela Bird, Sebastian Pupillo, Gino Silvestri, and Walter Smith; and the following audit staff made key contributions to this report: Bangorn Banhdith, Matthew Carberry, Maya Dunn, Michael Ezell, Sasha Kryst, Ruoyun Kuo, Alexandria Luna, Dominik Miller, Carl Moldrup, Mindy Passman, Christopher Philyaw, Suzanne Schaefer, and Lynne Wooden.

### **City Controller's Office Mission**

The City Controller's Office is the independent watchdog agency of the City of Philadelphia that strives to promote honest, efficient, effective, and fully accountable city government. We address this mission by: providing timely and objective analysis on the availability of funds for all city contracts; preventing inappropriate spending of public funds; and providing objective, timely, and relevant information to city officials, the public, and other interested parties about financial operations of the city, and on ways to improve city operations and the use of public resources.

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