

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 2010**



City Controller
ALAN BUTKOVITZ



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

October 31, 2012

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

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal year 2010 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for agencies marked with an asterisk occurred under the administration of a previous agency head.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Alan Butkovitz", written over a horizontal line.

ALAN BUTKOVITZ
City Controller

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



ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY AGENCIES

EXECUTIVE SUMMARY

Why The Controller's Office Conducted The Examination

Pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter, we examined the financial affairs of Philadelphia's city agencies as part of our audit of the City of Philadelphia's basic financial statements. The focus of our examination was limited to determining 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 noted widespread deficiencies involving internal controls over revenue and expenditure activities that the Finance Office needs to address with agency heads (see Appendix I). Highlights include:

- Nearly forty-two percent of all city agencies did not hold their employees accountable for work time. These agencies often lacked written policies that defined lateness and prescribed the consequences of arriving late to work. As a result, some employees in these agencies may abuse work time without consequences. While many of the agencies such as the Office of Innovation and Technology and the Office of Human Resources agreed to consider adopting a formal lateness policy, others including the Office of Housing and Community Development and the Board of Ethics believed a lateness policy was unnecessary. Some of the same agencies that lacked a lateness policy also failed to: (1) enforce the city's sick leave policy; (2) annually evaluate employee performance; and (3) require their employees to document requests and obtain supervisory approval for paid leave time in advance.
- Noticeably absent in many agencies were procedures to ensure the accuracy of payroll data entry. Nearly forty percent of all city agencies did not require someone independent of payroll preparation to validate data entry by referencing data entered into the payroll system to original attendance records such as time-clock cards or daily sign-in sheets. Additionally, and increasing the level of risk for undetected errors even more, some of these agencies also permitted overrides of required multi-level reviews, such that the same individuals were performing both the supervisory and executive-level reviews.
- Some city agencies responsible for generating revenues, such as the Office of Innovation and Technology, the Fire Department, Public Property, Licenses and Inspections, the Revenue Department, the Procurement Department, the Free Library, and the Board of Revision of Taxes failed to design and implement procedures over revenues to make certain they were complete, accurate and / or all collected. Failure to design and implement such procedures may shortchange the city of revenue.

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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BACKGROUND

Organization of Philadelphia Government

The City of Philadelphia (City) 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.

The legislative branch of city government is City Council, which consist of seventeen members. Ten of these 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 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 2010 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.



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ALAN BUTKOVITZ
City Controller
GERALD V. MICCIULLA
Deputy City Controller

REPORT ON CITY AGENCIES INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We annually audit the basic financial statements of the City of Philadelphia, Pennsylvania as of and for its June 30 fiscal year end and issue a report thereon. Those statements include financial transactions of various city agencies. We conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Philadelphia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we consider the City of Philadelphia's centralized and agency internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of each city agency's internal control over financial reporting was limited to determining if its internal control components for revenue, payroll, and other expenditure activity were suitably designed and placed in operation during fiscal year 2010, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

Compliance and Other Matters

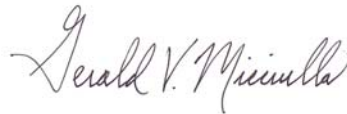
As part of obtaining reasonable assurance about whether the City of Philadelphia's financial statements are free of material misstatement, we perform centralized and agency tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Our consideration of each city agency's compliance with certain provisions of laws, regulations and contracts was limited to tests of revenue, payroll, and other expenditure activity during fiscal year 2010. Grant compliance was tested and reported on as part of our single audit in accordance with Office of Management and Budget Circular A-133. Our agency tests disclosed no instances of noncompliance or other matters by a city agency's that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are not required to be reported under *Government Auditing Standards*, but nonetheless represent deficiencies in a city agency's internal control over financial reporting that should be addressed by management. These matters are included in the findings and recommendations section of the report.

Agency managements' responses to the findings and recommendations are included as part of this report. We did not verify the responses and, accordingly, we express no assurance on them.

This report is intended solely for the information and use of the management of the City of Philadelphia, each city agency examined, and City Council and is not intended to be and should not be used by anyone other than these specified parties.



GERALD V. MICCIULLA, CPA
Deputy City Controller

September 25, 2011

FINDINGS AND RECOMMENDATIONS

City of Philadelphia
City Council*
Findings and Recommendations
Fiscal Year 2010

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

Total Appropriations:

General Fund \$16,048,973

Estimated Revenues:

\$ -0-

Number of Full Time Employees:

Civil Service	2
Exempt	<u>174</u>
Total employees	<u>176</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> - Formal employee requests for compensated absences were not required 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.</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>All council members will be reminded that the standard accounting procedures require formal leave requests.</p>

City of Philadelphia
Office of Innovation and Technology*
Findings and Recommendations
Fiscal Year 2010

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$21,744,368
Water Fund	1,730,429
Grants Revenue Fund	1,750,000
Capital Fund	<u>6,317,000</u>
Total Appropriations	<u>\$31,541,797</u>

Estimated Revenues:

Non-Tax Revenue	\$16,910,000
From Other Governments	<u>1,750,000</u>
Total Estimated Revenues	<u>\$18,660,000</u>

Number of Full Time Employees:

Civil Service	76
Exempt	<u>113</u>
Total employees	<u>189</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Monitoring procedures over franchise fees were not adequately performed</u> – The city's cable franchise agreement required franchisees to submit audited reports of their gross revenues within 90 days after the close of the franchisee's fiscal year end. We found that OIT personnel performed little or no contract monitoring procedures to ensure vendor compliance. For example a franchisee's audit report of gross revenues for the year ended December 31, 2010 (due April 2011) was not on file with the OIT</p>	<p>Failure to ensure that all franchisees submit required audit reports and failure to review and reconcile gross revenues in those reports to the city's records negates the purpose of the control procedure and may result in the understatement and loss of revenues properly due to the city.</p>	<p>At a minimum, the department should prepare formal monitoring procedures for the use of staff, including the establishment of a tickler file to ensure all required audit reports of gross revenue are obtained. In addition, the franchise fees due the city based on those reports should be reconciled to the city's books and records and, where applicable, reviewed for reasonableness using comparable measurement criteria [100410.01].</p>	<p>Monitoring procedures will be reviewed by senior management and necessary changes will be implemented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS (Con't)</p> <p>as of August 2011. In addition, OIT personnel could not provide us with any evidence that franchise fees due the city per the audit reports were reconciled to revenue amounts recorded in the city's books and records.</p>			
<p>PERSONAL SERVICES</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 [100410.02].</p>	<p>Management will take this recommendation under advisement, and review current guidance for possible updating.</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 employees by supervisory personnel and monitor compliance for follow-up and resolution [100410.03].</p>	<p>Unit managers have been asked to ensure the annual performance evaluations are prepared.</p>
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employees frequently initiated entries to the payroll system based on employee timesheets and also signed off in the system as performing the supervisory review.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [100410.04].</p>	<p>Management will review the current situation and affect the needed controls.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll timesheet file documentation was misplaced and not available for review and audit</u> - One of the randomly selected employee's timesheets for a two week period were not located by staff when requested during the audit. We review timesheets to ensure that employees are paid for time worked.</p>	<p>Loss of original timesheets may conceal exceptions to an employee's scheduled work hours. Further any loss of records supporting departmental activities 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 [100410.05].</p>	<p>Management believes that this occurrence was an anomaly, and represented an inadvertent error by staff.</p>
<p><u>An employee leave request was not located</u> - Staff were unable to locate an employee's formal request for leave time during our testing of the payroll records.</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 standard accounting procedures of the Finance Office [100410.06].</p>	<p>Management will review the recommended procedure and examine those steps necessary to comply with the standard accounting procedures of the Finance Office.</p>

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Year 2010

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 four principal assistants - the managing director, the director of finance, the city representative, 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 four 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 2010 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	\$10,479,912
Grants Revenue Fund	<u>1,135,000</u>
Total Appropriations	<u>\$11,614,912</u>

Estimated Revenues:

Non-Tax Revenue	\$ 3,000
From Other Governments	<u>1,135,000</u>
Total Estimated Revenues	<u>\$1,138,000</u>

Number of Employees:

Civil Service	2
Exempt	65
Part Time	42
Seasonal	<u>94</u>
Total employees	<u>203</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was not established and communicated to employees by the Office of Labor Relations</u> – There was no written lateness policy available to guide Labor Relations 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 [100510.01].</p>	<p>We do not agree with the need for a formal policy. The small staff size of the Office of Labor Relations permits daily interaction between everyone in the office, and provides the ability to address attendance issues quickly.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The Office of Labor Relations did not routinely perform employee evaluations</u> – We tested one of the Labor Relations Office’s two civil service employees and found that the employee 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 supervisors to prepare annual performance reports for all employees and monitor compliance for follow-up and resolution [100510.02].</p>	<p>All civil service employees will receive annual performance reviews.</p>
<p><u>Preauthorization of employee overtime was not required by the Office of Labor Relations</u> - We were informed by Labor Relations’ management that employees are not 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 [100510.03].</p>	<p>All overtime is verbally pre-approved by the director. Given the nature of the office’s functions, overtime is frequently required without prior notice. In all instances overtime is subsequently reviewed and explicitly authorized by the director.</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>Payroll clerks have been trained to ensure that payroll documentation is properly prepared. In addition, the payroll process is periodically spot checked by management to ensure that documentation standards are maintained.</p>
<p><u>Payroll duties in the Office of Labor Relations were not adequately segregated</u> – For the pay period selected for testing, we found that the same payroll unit employee initiated entries to the payroll system based on employee time reports and also signed off in the payroll system as performing the supervisor review.</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>Segregate the duties of entering payroll data from those of performing supervisory reviews [100510.05].</p>	<p>We agree, and procedures will be implemented to ensure that a deputy is assigned the responsibility to review all payroll data entries.</p>

City of Philadelphia
Office of Housing and Community Development
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Deborah McColloch, Director Office of Housing and Community Development 1234 Market Street, 17 th Floor Philadelphia, PA 19107	General Fund	\$ 2,800,000
	Grants Revenue Fund	124,733,876
	Community Development Fund	85,467,133
	Housing Trust Fund	17,400,000
	Capital Fund	<u>38,000</u>
	Total Appropriations	<u>\$230,439,009</u>
		Non-Tax Revenues
		From Other Governments
		Total Estimated Revenues
		\$ 500,000
		<u>229,702,000</u>
		<u>\$230,202,000</u>
		<u>Number of Full Time Employees:</u>
		Exempt
		<u>74</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll data entries were not adequately checked</u> - There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to 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. The process should be documented [100610.01].	We agree, and an employee will be assigned to spot check data entries on a quarterly basis.
<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.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy [100610.02].	At present, management believes that the formal implementation of a lateness policy would be inopportune due to the need for flexibility when dealing with non-represented employees and possible union concerns over perceived changes to work rules.

City of Philadelphia
 Mayor's Office of Community Services*
 Findings and Recommendations
 Fiscal Year 2010

Functions

The Mayor's Office of Community Services (MOCS) function is to implement and administer the City of Philadelphia's anti-poverty program. The MOCS empowers individuals, families and neighborhoods to reach self-sufficiency by providing program services and coordinating resources. Its programs range from lending necessary items and goods to pregnant women and infants in the West Philadelphia area to providing intensive delivery of comprehensive economic and community development services in the federally designated empowerment zone. The MOCS 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 carry 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. MOCS also funds many sub-contracted programs and services offered by area non-profit organizations and other city departments such as utility grants, lead abatement, mortgage foreclosures and housing counseling. The MOCS Advisory Board consists of 36 members. The mayor selects 12 members from the public sector and 12 members from the private/business sector. The public from each Community Action Area elect the remaining 12 members. An executive director, appointed by the mayor, oversees the MOCS' day to day operations.

Name and address of agency head

Otis L. Bullock, Jr., Esq.
 Executive Director
 Mayor's Office of Community Services
 990 Spring Garden Street, 7th Floor
 Philadelphia, PA 19123

Appropriations:

Grants Revenue Fund \$17,289,477

Estimated Revenues:

From Other Governments \$17,289,000

Number of Full Time Employees:

Exempt 157

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Lack of formal authorization to approve payroll postings</u> – Our testing disclosed that the employee who performed the supervisory review of payroll time records had not been formally authorized to do so by the executive director.</p>	<p>Failure to formally document all personnel authorized to impact the city's financial transactions may result in unauthorized and improper transactions.</p>	<p>Authorizations to approve payroll time records should be formally documented on signature authorization cards approved by the executive director [100810.01].</p>	<p>Signature authorization cards have been revised to identify those individuals authorized to perform the supervisory review function.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were not adequately segregated</u>– The same individual was frequently performing all three payroll process functions: data entry from daily attendance records, the supervisory review of the data entry, and the executive approval of the payroll. Our limited testing identified an employee whose vacation time was not entered in the payroll system, effectively crediting that employee with additional vacation time. We believe that such data entry errors could be more easily detected if another employee performed 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 [100810.02].</p>	<p>Payroll duties have been segregated. Separate individuals are now responsible for posting, reviewing, and approving payroll.</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 numerous employees who had excessive undocumented sick leave time but had not been notified by the Department in accordance with city policy.</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 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 management [100810.03].</p>	<p>Many employees recorded in the agency's payroll register are not under the direct supervision of MOCS. For those employees under the direct supervision of MOCS, the Human Resources unit will monitor employee sick time in compliance with the city's sick leave rules and regulations.</p>

City of Philadelphia
Office of the Managing Director*
Findings and Recommendations
Fiscal Year 2010

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	\$18,786,569
Grants Revenue Fund	9,000,000
Capital Fund	<u>3,682,000</u>
Total Appropriations	<u>\$31,468,569</u>

Estimated Revenues:

Non-Tax Revenue	\$ 3,840,000
From Other Governments	<u>8,360,000</u>
Total Estimated Revenues	<u>\$12,200,000</u>

Number of Full Time Employees:

Civil Service	53
Exempt	<u>118</u>
Total Employees	<u>171</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 employees by supervisory personnel and monitor compliance for follow-up and resolution [101010.01].</p>	<p>Management is currently reviewing the implementation of a proactive employee performance reporting process.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently 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 found other instances where one employee signed off as performing both the supervisory review and the executive approval. Our limited testing identified an employee whose vacation and sick time was not entered in the payroll system, effectively crediting that employee with additional leave time. We believe that such data entry errors could be more easily detected if another employee performed 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 biweekly payroll [101010.02].</p>	<p>Current assignments will be reviewed to ensure that an adequate segregation of duties is achieved.</p>

City of Philadelphia
Police Department
Findings and Recommendations
Fiscal Year 2010

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
8th and Race Streets
Philadelphia, PA 19106

Appropriations:
General Fund \$522,478,250
Grants Revenue Fund 26,455,831
Aviation Fund 13,543,199
Capital Fund 24,149,000
Total Appropriations \$586,626,280

Estimated Revenues:
Non-Tax Revenue \$ 4,770,000
From Other Governments 43,716,000
Total Estimated Revenues \$48,486,000

Number of Employees:
Uniformed 6,770
Civilian (Civil Service) 808
Civilian (Exempt) 9
Part Time 966
Total Employees 8,553

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance record postings were not properly authorized</u> – We noted numerous instances where daily attendance data posted to the department’s payroll system was 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.</p>	<p>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.</p>	<p>Instruct precinct 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].</p>	<p>The issues noted occurred at the precinct level. Police Administration will issue procedural reminders to augment the training normally provided.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Police sick leave policy was 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 was 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 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>We believe the issue was caused by coding errors in the classification of leave time. The appropriate instructions will be provided to the responsible parties in order to ensure that leave time is properly coded in the future.</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. We found three of eighteen employees sampled 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [101110.03].</p>	<p>We believe that the omissions were due to interim personnel transfers. Police Administration has implemented a comprehensive tracking system that in conjunction with a focused effort on obtaining timely performance evaluations has resulted in a high rate of compliance.</p>

City of Philadelphia
 Department of Streets
 Findings and Recommendations
 Fiscal Year 2010

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

Clarena I. W. Tolson, Commissioner
 Department of Streets
 Municipal Services Building, 7th Floor
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102

Appropriations:

General Fund	\$117,124,058
County Liquid Fuels Tax Fund	4,950,000
Special Gasoline Tax Fund	22,864,000
Grants Revenue Fund	6,449,000
Capital Fund	<u>206,666,000</u>
Total Appropriations	<u>\$358,053,058</u>

Estimated Revenues:

Non-Tax Revenue	\$17,047,000
From Other Governments	<u>40,459,000</u>
Total Estimated Revenues	<u>\$57,506,000</u>

Number of Full Time Employees:

Civil Service	1,689
Exempt	<u>6</u>
Total Employees	<u>1,695</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 Finance Office’s standard accounting procedures [101210.01].</p>	<p>There are now electronic authorizations stored on the system. Exception reports will be generated to identify missing documentation for follow-up to resolution by the payroll unit.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [101210.02].</p>	<p>The functions will be performed by different individuals for future payrolls.</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. The process should be documented [101210.03].</p>	<p>Quarterly reviews will be performed by administrative unit personnel independent of the payroll preparation process.</p>
<p><u>Employee evaluations were not being 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [101210.04].</p>	<p>Management has held meetings with section heads to emphasize the importance of employee performance ratings. A log will be maintained of all employee performance ratings due and completed to monitor compliance by each section.</p>

City of Philadelphia
Fire Department
Findings and Recommendations
Fiscal Year 2010

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$188,656,391
Grants Revenue Fund	1,519,293
Aviation Fund	6,203,000
Capital Fund	<u>21,544,000</u>
Total Appropriations	<u>\$217,922,684</u>

Estimated Revenues:

Non-Tax Revenue	\$37,400,000
From Other Governments	<u>1,319,000</u>
Total Estimated Revenues	<u>\$38,719,000</u>

Number of Full Time Employees:

Civil Service – Uniformed	2,153
Civil Service - Civilian	98
Exempt - Civilian	<u>7</u>
Total Employees	<u>2,258</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Follow-up on unbilled emergency medical services was not performed</u> – A contractor hired by the Fire Department to perform billings and collections for emergency medical services reported to management that 8,974 medical service calls could not be billed during fiscal 2010 because 2,575 of the calls lacked incident reports, and incident reports for another 6,399 calls contained missing and incomplete information. Management did not follow-up on the unbilled service calls to determine if any of the calls were billable. They cited a lack of financial resources and prior experience that missing incident reports were not billable because they represented file creation errors. However, a prior study conducted by the Fire Department determined that over 17 percent of the then reported unbilled service calls were in fact billable.</p>	<p>The Fire Department's contractor estimated the value of unbilled services related to the incomplete incident reports at \$6.5 million for fiscal 2010. In addition to the possible loss of revenue, we believe a lack of adequate follow-up by management represents a missed opportunity to evaluate the contractor's performance.</p>	<p>We recommend that management periodically investigate unbilled service calls to verify the underlying cause of the problem and provide appropriate corrective action [101310.01]. This can be effectively accomplished by exploring the feasibility of having the contractor provide details on the nature/type of incomplete incident reports. Fire department management could then select a sample of incident reports by type of error to review and investigate. This will provide the Fire Department with some measure of quality control over the billing process.</p>	<p>The billing and collection of revenues is contracted out to a qualified entity under terms and conditions that provide economic incentives for the contractor to identify and collect revenues efficiently and effectively. We believe that based on our past experience, the majority of unbilled service calls represent systematic errors in account creations due to duplicated service calls, indigent care cases with no reliable name or address, and false calls, all of which represent unrealizable revenues. Due to the lack of dedicated resources to further investigate the unbilled service call records, we believe that our monitoring of unbilled activity levels is appropriate.</p>

City of Philadelphia
 Department of Public Health
 Findings and Recommendations
 Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>																								
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	<table border="0"> <tr><td>General Fund</td><td style="text-align: right;">\$116,936,576</td></tr> <tr><td>Grants Revenue Fund</td><td style="text-align: right;">91,431,209</td></tr> <tr><td>Acute Care Hospital Fund</td><td style="text-align: right;">123,600,000</td></tr> <tr><td>Capital Fund</td><td style="text-align: right;"><u>18,087,000</u></td></tr> <tr><td>Total Appropriations</td><td style="text-align: right;"><u>\$350,054,785</u></td></tr> </table>	General Fund	\$116,936,576	Grants Revenue Fund	91,431,209	Acute Care Hospital Fund	123,600,000	Capital Fund	<u>18,087,000</u>	Total Appropriations	<u>\$350,054,785</u>	<table border="0"> <tr><td>Non Tax Revenue</td><td style="text-align: right;">\$ 14,512,000</td></tr> <tr><td>From Other Governments</td><td style="text-align: right;"><u>148,436,000</u></td></tr> <tr><td>Total Estimated Revenues</td><td style="text-align: right;"><u>162,948,000</u></td></tr> </table> <table border="0"> <tr><td><u>Number of Full Time Employees:</u></td><td></td></tr> <tr><td>Civil Service</td><td style="text-align: right;">853</td></tr> <tr><td>Exempt</td><td style="text-align: right;"><u>10</u></td></tr> <tr><td>Total Employees</td><td style="text-align: right;"><u>863</u></td></tr> </table>	Non Tax Revenue	\$ 14,512,000	From Other Governments	<u>148,436,000</u>	Total Estimated Revenues	<u>162,948,000</u>	<u>Number of Full Time Employees:</u>		Civil Service	853	Exempt	<u>10</u>	Total Employees	<u>863</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not provided</u> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by two 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 [101410.01].</p>	<p>The existing procedure for leave documentation requires supervisors to attach approved leave slips to daily time and attendance records prior to submission to the payroll unit. The issues noted represent clerical errors and are not systematic issues requiring further management action at this time.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance records were not authorized by supervisory personnel</u> – For one of the divisions selected in our payroll sample, we found that management permitted an employee to approve their own records of time worked.</p>	<p>The lack of appropriate supervisory review may result in improperly completed or misstated attendance records.</p>	<p>Management should monitor and enforce policies that prohibit non-supervisory employees from approving attendance records [101410.02].</p>	<p>The condition noted was an anomaly, and will be addressed by ensuring that supervisory personnel authorize all time and attendance records.</p>
<p><u>Employee overtime was not preauthorized</u> - Overtime was paid without evidence that management had pre-approved the overtime. We did not observe approved authorization forms for two of the three sampled employees that worked overtime or compensatory time during the pay periods 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 [101410.03].</p>	<p>The observations will be reviewed internally to ensure that all non-emergency overtime is pre-authorized.</p>
<p><u>City sick leave policy was not enforced</u> – There was no evidence that the payroll unit monitored the city's sick leave policy. We noted one sampled employee who had excessive undocumented sick leave time but had not been notified or placed on the sick abuse list by the department in accordance with the city policy. In addition, payroll screens indicated that 348 employees had not been notified that their undocumented sick leave incidents had become excessive in 2010.</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 [101410.04].</p>	<p>All sick leave is being monitored by a system established specifically to track sick leave usage and the policy's provisions are being enforced.</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 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [101410.05].</p>	<p>Management is monitoring and tracking compliance. At present, overall compliance is at 80% for all agency employees. Continuing efforts will be made to improve the overall results.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Lateness policy does not define lateness or establish sanctions</u> – Management provided a copy of the employee handbook on work hours in response to our request for a lateness policy. However, that document does not define lateness nor establish sanctions for violations.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which can lead to abuses caused by employees habitually reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy [101410.06].</p>	<p>Any changes to the existing policy require input from all affected parties. Previous attempts to amend the policy raised labor relation issues that resulted in the city's Labor Relations unit recommendation not to amend the policy terms and conditions, and specifically not to list sanctions. We will contact the Labor Relations unit to again request their guidance.</p>

City of Philadelphia
 Department of Behavioral Health and Intellectual Disabilities Services
 Findings and Recommendations
 Fiscal Year 2010

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$ 14,271,572
Grants Revenue Fund	549,925,545
Health Revenue Fund	<u>899,639,000</u>
Total Appropriations	<u>\$1,463,836,117</u>

Estimated Revenues:

From Other Governments	\$1,390,564,000
Non-Tax Revenue	<u>10,000,000</u>
Total Estimated Revenues	<u>\$1,400,564,000</u>

Number of Full Time Employees:

Civil Service	245
Exempt	<u>13</u>
Total Employees	<u>258</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> - During our testing of the 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 Finance Office's standard accounting procedures [101510.01].</p>	<p>The department will review and address current leave request procedures in all divisions. The department will ensure that updated leave request procedures are distributed to all employees, and are monitored and enforced by supervisory and timekeeping personnel.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Formal lateness policy does not define lateness or establish sanctions</u> – Management provided a memo on timesheet preparation and sign-in procedures in response to our request for a lateness policy. However, that memo did not define lateness nor possible sanctions for violations set forth.</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 working a complete shift.</p>	<p>Prepare, issue, and implement a comprehensive employee lateness policy [101510.02].</p>	<p>The department will modify and incorporate additional language into our lateness policy to define lateness and establish sanctions. The revised policy will be distributed to all employees, monitored and enforced by supervisory personnel.</p>
<p><u>Employee overtime was not preauthorized</u> - Overtime was paid without evidence that management had pre-approved the overtime. One of five sampled employees was not 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 [101510.03].</p>	<p>All divisions within the DBH/IDS require prior approval of overtime. The department has instituted that overtime will not be paid if an approved overtime form does not accompany the time sheet. Overtime pre-approval procedures will be reviewed with all managerial, supervisory and timekeeping personnel.</p>
<p><u>Employee evaluations were not being performed</u> - Annual employee performance ratings and suggestions for improvement were not performed and documented by management for three of five employee files sampled.</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 [101510.04].</p>	<p>Employee evaluations are prepared yearly. During FY2010, the department completed performance evaluations for 67% of all personnel. The department goal is 100% compliance. Department administration will address this issue with directors of the affected units where compliance issues have been identified.</p>
<p><u>Daily attendance sheets were not being used contemporaneously</u> –Employees 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 [101510.05].</p>	<p>The director will re-issue a memo to all DBH/IDS divisions to remind all employees to record lunch periods taken.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance records were not authorized by supervising personnel</u> - Management permitted lower level employees to approve the time worked by more senior personnel. We observed that lower level employees had authorized time sheets for a unit head.</p>	<p>The lack of appropriate supervisory review and approval may result in improperly completed or misstated timesheets.</p>	<p>Management should prohibit employees from approving attendance records for more senior personnel within a unit [101510.06].</p>	<p>The department has instituted procedures to ensure that timesheets reflect appropriate divisions in supervisory sign-offs.</p>

City of Philadelphia
 Department of Recreation*
 Findings and Recommendations
 Fiscal Year 2010

Functions

The Department of Recreation (Recreation Department) was originally established under the Home Rule Charter of 1951 to operate and manage all city recreational facilities other than those operated by the Fairmount Park Commission. In the November 4, 2008 election, voters approved an amendment to the Philadelphia Home Rule Charter authorizing the merger of the Fairmount Park Commission with the Recreation Department. The new department was renamed the Department of Parks and Recreation. As part of the Charter referendum, the former Fairmount Park Commission became the Commission on Parks and Recreation. The transfer of powers and duties became effective July 1, 2009.

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.

For fiscal year 2010, City Council continued to appropriate funds to both the former Recreation Department and the former Fairmount Park Commission, and accordingly, this report is limited to those appropriations and revenues received by the Recreation Department. Both the Philadelphia Museum of Art and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Recreation Department for fiscal year 2010.

Name and address of agency head

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

<u>Appropriations:</u>	
General Fund	\$ 36,267,874
Grants Revenue Fund	7,676,504
Capital Fund	<u>77,585,000</u>
Total Appropriations	<u>\$121,529,378</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$ 194,000
From Other Governments	<u>7,677,000</u>
Total Estimated Revenues	<u>\$7,871,000</u>

<u>Number of Employees:</u>	
Civil Service	446
Exempt	3
Part Time	106
Seasonal	<u>1,690</u>
Total Employees	<u>2,245</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were not prepared and authorized contemporaneously</u> - We found that employees routinely signed, and supervisors routinely approved weekly employee time sheets prior to the dates worked by the employee. We also noted one of the employees tested did not sign out and back in from lunch.</p>	<p>Employees may erroneously or purposefully submit false records of work hours and be paid for time not worked.</p>	<p>Supervisors should require employees to contemporaneously record work hours and sign weekly attendance records [101610.01]. In addition, management should require supervisors to review, verify, and approve attendance records at the completion of the work week. The practice of pre-approving weekly attendance records should be prohibited [101610.02].</p>	<p>Due to time constraints imposed on the payroll process, the use of scheduled time will continue to be used as a basis for payroll input. Henceforth, all weekly attendance records will now be dual authorized after the end of the payroll period to verify that the scheduled time was worked.</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 Finance Office's standard accounting procedures [101610.03].</p>	<p>All supervisory personnel will be contacted to remind staff that formal leave request forms are required.</p>
<p><u>Employee evaluations were not performed</u> - Annual employee performance ratings and suggestions for improvement were not performed and documented by management for half of the employee files sampled.</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>Management will continue its emphasis on obtaining employee performance reports from supervisory personnel.</p>

City of Philadelphia
Fairmount Park Commission
Findings and Recommendations
Fiscal Year 2010

Functions

The Pennsylvania General Assembly in 1867 authorized the City of Philadelphia to purchase land for the Fairmount Park Commission (FPC). That same year, the FPC was established. In April 1951, the FPC was incorporated into City government with the adoption of the Philadelphia Home Rule Charter. In the November 4, 2008 election, voters approved an amendment to the Philadelphia Home Rule Charter authorizing the merger of the FPC with the Recreation Department. The new department was renamed the Department of Parks and Recreation. As part of the Charter referendum, the former FPC became the Commission on Parks and Recreation. The transfer of powers and duties became effective July 1, 2009.

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 the 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.

For fiscal year 2010, City Council continued to separately appropriate funds to both the former FPC and the former Recreation Department, and accordingly, this report is limited to those appropriations and revenues received by the FPC.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>	
Michael DiBerardinis Deputy Mayor and Commissioner Department of Parks and Recreation 1515 Arch Street – 10 th Floor Philadelphia, PA 19102	General Fund	\$12,590,512	Non-Tax Revenues
	Grants Revenue Fund	48,643	<u>\$434,000</u>
	Capital Fund	<u>57,903,000</u>	
	Total Appropriations	<u>\$70,542,155</u>	<u>Number of Employees:</u>
			Civil Service
		Exempt	3
		Seasonal	<u>237</u>
		Total Employees	<u>396</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> - During our testing of the payroll records, we noted that on several occasions formal employee requests for paid leave time were not obtained by management. In addition, management reported that one employee timesheet requested for audit was not located and presumed lost.</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>Timesheets are prepared and reviewed to ensure employees are paid for time worked. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office's standard accounting procedures [101710.01].</p> <p>Emphasize to staff the need to maintain supporting documentation as part of the department's daily routine in order to support the validity of payroll transactions [101710.02].</p>	<p>Management will re-emphasize the importance of obtaining leave request documentation during training sessions.</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 [101710.03].</p>	<p>Management is enforcing sanctions on employees reporting to work late. The need for a formal policy will be evaluated.</p>
<p><u>Employee evaluations were not performed</u> - Annual employee performance ratings and suggestions for improvement were not performed and documented by management for half the employee files sampled.</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 [101710.04].</p>	<p>Management will continue to emphasize the need to obtain annual performance reports for all employees.</p>
<p><u>Payroll attendance records were not being authorized contemporaneously</u> - We found that, for one week, a supervisor failed to authorize employee time sheets.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should review and verify time actually worked. All time sheets should be routinely authorized as historical records of time worked [101710.05].</p>	<p>The payroll preparation process imposes strict deadlines on the submission of payroll attendance records by field personnel. Management will emphasize that all payroll attendance records are to be authorized after the time has been worked.</p>

City of Philadelphia
 Department of Public Property*
 Findings and Recommendations
 Fiscal Year 2010

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; supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city’s managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value.

<u>Name and address of agency head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Bridget Collins-Greenwald, Commissioner Department of Public Property City Hall, Room 790 Philadelphia, PA 19107	General Fund	\$178,124,704	Non-Tax Revenue	\$35,858,000
	Water Fund	4,532,615	From Other Governments	<u>26,351,000</u>
	Grants Revenue Fund	29,850,995	Total Estimated Revenues	<u>\$62,209,000</u>
	Aviation Fund	27,594,000		
	Capital Fund	<u>77,068,000</u>		
	Total Appropriations	<u>\$317,170,314</u>	<u>Number of Full Time Employees:</u>	
			Civil Service	137
			Exempt	<u>8</u>
			Total Employees	<u>145</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Documentation in support of the sale of real estate was incomplete</u> – Our review of department files disclosed that documentation of steps required in the process of selling real estate was not retained, nor was the process itself documented to indicate that the necessary steps were addressed and completed. For example, we were informed that appraisals required prior to sale were not retained on file in the city. Our review of the file materials did not indicate that the appraisals were obtained or reviewed, although management verbally affirmed their existence and use.</p>	<p>The lack of documentation may result in substantial noncompliance with existing laws and regulations.</p>	<p>A checklist should be developed that includes all steps required in the process of selling real estate, and all related documentation to evidence the performance of each step should be obtained and retained by the department [102010.01].</p>	<p>A checklist including file documentation procedures will be developed to ensure that all steps required for the sale of city owned real estate are followed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 Finance Office's standard accounting procedures [102010.02].</p>	<p>The processing of payroll has been transferred to the Finance Office's Administrative Services Cluster. In conjunction with that unit, formal leave request documentation will be provided with contemporaneous timesheets.</p>
<p><u>Payroll data entries were 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. Our testing of randomly selected payroll entries disclosed one instance where time was not properly recorded.</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 [102010.03].</p>	<p>The processing of payroll has been transferred to the Finance Office's Administrative Services Cluster. Accordingly, the adoption of this recommendation will be referred to that unit.</p>
<p><u>Payroll timesheet documentation was misplaced and available for review and audit</u> – One of fifty randomly selected employee's timesheets for a two week pay period was not located by staff when requested during the audit. We review time sheets to ensure employees are paid for time worked.</p>	<p>Loss of original timesheets may conceal exceptions to an employee's scheduled work hours. Further, any loss of records supporting department activities undermines the 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 [102010.04].</p>	<p>The processing of payroll has been transferred to the Finance Office's Administrative Services Cluster. Control over record retention will now reside with that unit.</p>

City of Philadelphia
 Department of Human Services
 Findings and Recommendations
 Fiscal Year 2010

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	\$590,878,063
Grants Revenue Fund	23,237,607
Capital Fund	<u>4,221,000</u>
Total Appropriations	<u>\$618,336,670</u>

Estimated Revenues:

Non Tax Revenue	\$ 4,611,000
From Other Governments	<u>569,918,000</u>
Total Estimated Revenues	<u>\$574,529,000</u>

Number of Full Time Employees:

Civil Service	1,709
Exempt	<u>62</u>
Total Employees	<u>1,771</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance sheets were not used contemporaneously</u> – Our testing of payroll records for five randomly selected employees found that an employee in one of the units examined was 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>Each unit is periodically notified to remind supervisory personnel to ensure that employees sign out and back in from lunch. We do note that in many instances social workers experience situations in which lunch is not feasible, and in these situations lunch is not recorded.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. Our limited payroll testing identified an employee whose overtime hours and leave time were incorrectly entered in the payroll system. We believe that such data entry errors could be more easily detected if another employee performed the supervisory review.</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 input and supervisory reviews of the bi-weekly payroll [102210.02].</p>	<p>The departmental payroll supervisor performs reviews of all payroll input by payroll unit staff. Historically, staff shortages have resulted in the performance of additional duties by supervisory personnel, including payroll data entry.</p>
<p><u>Employee evaluation was not performed</u> - Annual employee performance ratings and suggestions for improvement were not always prepared and documented by management. One of the five employees sampled 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [102210.03].</p>	<p>Clerical staff in the Human Resources Unit log and track performance evaluations for all staff. The department will attempt to achieve 100% compliance.</p>

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2010

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	\$248,835,310
Grants Revenue Fund	600,000
Acute Care Hospital Fund	710,000
Capital Fund	<u>32,581,000</u>
Total Appropriations	<u>\$282,726,310</u>

Estimated Revenues:

Non Tax Revenue	\$2,258,000
From Other Governments	<u>425,000</u>
Total Estimated Revenues	<u>\$2,683,000</u>

Number of Full Time Employees:

Civil Service	2,241
Exempt	<u>3</u>
Total Employees	<u>2,244</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee time cards and data entry postings were not adequately checked</u> – Our testing of payroll records for five randomly selected employees noted one instance where a unit supervisor approved a bi-weekly time card that lacked a swipe out entry, and one instance where overtime reflected on a time card was incorrectly posted to the payroll system by the payroll unit.</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>Unit supervisors should ensure that only properly completed time cards are authorized [102310.01], and payroll supervisors should ensure the accuracy of data entry postings by referencing back to bi-weekly time cards [102310.02].</p>	<p>The supervisory review over the payroll process will be emphasized more strongly and specific instruction and training will be provided to unit supervisors when warranted.</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, 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 [102310.03].</p>	<p>A formal policy addressing employee lateness is under development for consideration by management.</p>
<p><u>City's sick leave policy was not enforced</u> - There was insufficient monitoring of the City's sick leave policy by the payroll unit. We noted two of the five sampled employees had excessive undocumented sick leave time but had not been notified by the department as required by the city's sick leave policy. A sick leave payroll screen for a third employee indicated that a warning letter was sent, but 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 was to curtail unnecessary or arbitrary use of sick leave by City employees. Failure to enforce the policy may lead to 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 policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [102310.04].</p>	<p>We will more closely monitor this area by assigning responsibilities to both a payroll supervisor and an administrator to ensure that supervisory personnel are notified of excessive undocumented sick leave by employees at the appropriate times.</p>

City of Philadelphia
Office of Supportive Housing
Findings and Recommendations
Fiscal Year 2010

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 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 managing director.

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	\$ 38,473,558
Grants Revenue Fund	62,268,704
Capital Fund	<u>3,153,000</u>
Total Appropriations	<u>\$103,895,262</u>

Estimated Revenues:

Non-Tax Revenue	\$ 2,338,000
From Other Governments	<u>61,268,000</u>
Total Estimated Revenues	<u>\$63,606,000</u>

Number of Full Time Employees:

Civil Service	164
Exempt	<u>5</u>
Total Employees	<u>169</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Monthly bank account reconciliations were not properly prepared</u> – The checkbook rather than the Riverview custodial account books and records was used in the monthly reconciliation process. We noted small differences between the monthly amounts recorded in the accounting records for fiscal 2010 and the amounts appearing on the bank reconciliations.</p>	<p>Activity recorded on the books and records may be in error and not be detected by management in a timely manner.</p>	<p>Reconciliation procedure should be designed to ensure that the books and records are complete and accurate. Accordingly, all receipts and disbursements recorded on the books should be verified by direct reference to bank activity [102410.01].</p>	<p>We agree. Henceforth all bank activity will be verified to the books and records on a monthly basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were not authorized contemporaneously</u> - We found that supervisors periodically failed to authorize employee time cards.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time 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>We agree that all time cards should be authorized by supervisory personnel. The personnel at the site where these conditions were noted will be notified to ensure that all timecards are formally authorized in the future.</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 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 [102410.03].</p>	<p>We will request assistance from available resources outside of OSH to have the independent review performed.</p>
<p><u>City sick leave policy was not enforced</u> - There was no evidence of effective monitoring of the city’s sick leave policy by the payroll unit located at the Riverview facility. We noted one sampled employee had excessive undocumented sick leave time but had not been placed on the sick abuse list by the department in accordance with city policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to 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>This observation will be formally discussed within OSH. The sick leave records of employees will be reviewed to identify the existence of sick leave abuse.</p>

City of Philadelphia
Office of Fleet Management
Findings and Recommendations
Fiscal Year 2010

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

Mr. James F. Muller, Fleet Manager
Office of Fleet Management
100 South Broad Street, 3rd Floor
Philadelphia, PA 19110

Appropriations:

General Fund	\$52,254,225
Water Fund	8,542,626
Aviation Fund	8,133,573
Capital Fund	<u>5,450,000</u>
Total Appropriations	<u>\$74,380,424</u>

Estimated Revenues:

Non-Tax Revenues	<u>\$2,840,000</u>
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Number of Full-Time Employees:

Civil Service	346
Exempt	<u>1</u>
Total Employees	<u>347</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 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>The Office of Human Resources will provide the necessary administrative support over the payroll process in fiscal year 2011.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Inadequate segregation of duties in the payroll unit</u> - Responsibility for the payroll preparation process and the distribution of paychecks was performed by the same employee. Although a Human Resources employee picked up the payroll checks from the Treasurer's Office, the payroll supervisor reviewed the checks for anomalies and distributed the checks to the employees.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of processing payroll from those of distributing payroll checks. The Human Resources employee that picks up the check from the Treasurer's Office should also review the checks for anomalies and distribute the checks to the employees [102510.02].</p>	<p>The Office of Human Resources will provide the necessary administrative support over the payroll process in fiscal year 2011.</p>
<p><u>Formal lateness policy does not establish sanctions</u>— The lateness policy did not provide benchmarks or clearly define progressive sanctions for violations sufficient to effectively guide management and staff.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, due to abuses caused by employees habitually reporting to work late and/or not working a complete shift.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy [102510.03].</p>	<p>The agency currently has a policy that clearly defines how lateness should be addressed. It also allows for some flexibility in handling unique situations. Further, our interpretation and enforcement of the existing policy has been consistently applied. We believe that a more rigid and less flexible policy would not be conducive.</p>

City of Philadelphia
 Department of Licenses and Inspections*
 Findings and Recommendations
 Fiscal Year 2010

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
 11th Floor, Municipal Services Building
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102-1687

Appropriations:

General Fund	\$24,707,794
Grants Revenue Fund	10,100,000
Community Development Fund	<u>624,898</u>
Total Appropriations	<u>\$35,432,692</u>

Estimated Revenues:

Non – Tax Revenue	\$52,588,000
From Other Governments	10,725,000
From Other Funds	<u>2,000,000</u>
Total Estimated Revenues	<u>\$65,313,000</u>

Number of Full Time Employees:

Civil Service	296
Exempt	<u>9</u>
Total Employees	<u>305</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUES AND RECEIPTS</p> <p><u>Receipts were 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>The recommendation will be reviewed internally, and where warranted, additional discussions will be held with the Revenue Department.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Verification of license fee revenues was not performed</u> – The department did not establish procedures to 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>The department’s data base is currently being reviewed in preparation for a system upgrade. The recommendation will be incorporated into our considerations for system enhancements.</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 that 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>All demolition activity is recorded in the department’s data base, and that data base is currently being reviewed in preparation for a system upgrade. The recommendation will be incorporated into our considerations for system enhancements.</p>
<p><u>Billings to property owners for abatement costs appeared overstated</u> – Each of the five clean and seal invoices selected for testing included a one half hour charge in excess of actual time worked for each day a city worker was engaged in abatement activities. Management was unable to provide an explanation for the additional charge.</p>	<p>Property owners may be inaccurately billed for abatement work performed.</p>	<p>The abatement billing process should be reviewed to ensure that only authorized costs are included in the billings to property owners [102610.05].</p>	<p>The recommendation will be reviewed internally, and the appropriate corrective action taken.</p>
<p>PERSONAL SERVICES</p> <p><u>Employee evaluation was not performed</u> - We found that one of five employees sampled did not have a current performance rating 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [102610.06].</p>	<p>The department will attempt to obtain full compliance and supervisors will be notified that full compliance is expected.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance sheets were not used contemporaneously</u> – Our testing of payrolls 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>Emails will be sent to unit supervisors in order to provide reminders that lunch periods should be recorded. The issues appear to be confined to field personnel in the enforcement units.</p>
<p><u>Payroll entries were not subject to independent supervisory and executive reviews</u> – For one of the five payroll periods tested the same individual performed both the supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [102610.08].</p>	<p>The functions are segregated, however temporary absences and deadlines had caused the executive reviewer to perform the supervisory review.</p>

City of Philadelphia
Philadelphia Water Department*
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Howard M. Neukrug, P.E., Commissioner Philadelphia Water Department ARAMARK Tower, 5 th Floor 1101 Market Street Philadelphia, PA 19107	Water Fund	\$303,228,869	Non-Tax Revenue	\$38,833,000
	Water Residual Fund	19,250,000	From Other Governments	4,000,000
	Capital Fund	<u>610,977,000</u>	From Other Funds	<u>19,250,000</u>
	Total Appropriations	<u>\$933,455,869</u>	Total Estimated Revenues	<u>\$62,083,000</u>
			<u>Number of Full Time Employees:</u>	
			Civil Service	1,864
			Exempt	<u>4</u>
			Total Employees	<u>1,868</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced</u> – There was no evidence that the payroll unit effectively monitored the city's sick leave policy. We reviewed the department's sick leave payroll screens and noted that 229 out of 245 employees who had excessive undocumented sick leave time during the calendar year 2010 had not been notified or placed on the sick leave abuse list by the department as required by the city sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to 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 policy's notification requirements including employee counseling and subsequent sanctions set forth in the policy be enforced by management [102810.01].</p>	<p>Management will enhance monitoring of employee sick leave usage by performing reviews of cumulative undocumented sick leave usage on a monthly basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employees earning emergency duty pay were 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. However, our payroll testing found that in addition to receiving the one step pay increase, emergency duty employees were also earning compensatory time (at the rate of time and one half) for work outside of their normal work day. Accordingly, emergency duty employees were 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>We agree that the simultaneous payment of two premium rates violate civil service regulations. The future possibility of offering employees the choice of premium rates will be explored.</p>

City of Philadelphia
 Department of Records
 Findings and Recommendations
 Fiscal Year 2010

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	\$5,334,815
Grants Revenue Fund	<u>66,487</u>
Total Appropriations	<u>\$5,401,302</u>

Estimated Revenues:

Non-Tax Revenue	\$27,490,000
From Other Governments	<u>66,000</u>
Total Estimated Revenues	<u>\$27,556,000</u>

Number of Full Time Employees:

Civil Service	59
Exempt	<u>1</u>
Total Employees	<u>60</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUES AND RECEIPTS</p> <p><u>Electronically transferred monies were not verified by matching to city bank account and revenue records</u> – The Records Department in its daily settlement process inferred but did not confirm that the city actually received electronically transferred revenue from title companies.</p>	<p>Deposit errors may occur and not be detected, and the city may not receive all revenues properly due. Posting errors may occur and not be detected resulting in misclassified revenues.</p>	<p>Daily settlement reconciliation procedures should verify that electronically transferred monies were actually recorded and properly classified by the city [103110.01].</p>	<p>We now obtain activity runs from the Revenue Department which are reconciled daily to confirm that vendor reported receipts have been received by the city.</p>

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2010

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 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, 13th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

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

Appropriations:

Finance

General Fund	\$ 971,410,326
Water Fund	86,906,000
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	300,000,328
Aviation Fund	46,941,000
Community Development Fund	24,882,520
Acute Care Hospital Fund	2,045,000
Capital Fund	<u>32,748,000</u>
Total Finance	<u>1,465,933,174</u>

Sinking Fund Commission

General Fund	215,530,786
Water Fund	200,123,289
Aviation Fund	107,649,995
Car Rental Tax Fund	<u>5,000,000</u>
Total Sinking Fund	<u>528,304,070</u>

Total Appropriations \$1,994,237,244

Estimated Revenues:

Finance

Non-Tax Revenue	\$ 12,487,000
From Other Governments	459,161,000
Revenue From Other Funds	109,603,000
Sinking Fund	<u>0</u>
Total Estimated Revenues	<u>\$581,251,000</u>

Number of Full Time Employees:

Finance

Civil Service	92
Exempt	<u>54</u>
Total Finance	146

Sinking Fund

Exempt	<u>1</u>
Total Employees	<u>147</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by two 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 the Finance Office’s standard accounting procedures [103510.01].</p>	<p>All civil service employees are required to submit leave request forms for supervisory approval. Exempt employees submit individual bi-weekly time reports to document total hours worked.</p>
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. Our limited payroll testing identified an employee whose vacation and sick leave time were incorrectly posted in the payroll system. We believe that such data entry errors would have a greater chance of detection if another employee performed the supervisory review.</p>	<p>Failure to segregate duties increases the risk of errors going undetected and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [103510.02].</p>	<p>Management will take steps to ensure that separate individuals perform and properly sign off as performing either data entry or the supervisory review.</p>
<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>We believe that the misfiling or the loss of paperwork was an anomaly, and was due to inadvertent human error. The office complies with the city’s record retention policies.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was not enforced</u> – There was ineffective monitoring of the city’s sick leave policy by the payroll unit. We reviewed the office’s sick leave payroll screens for calendar 2010 and noted employees with excessive undocumented sick leave time had not been notified by the department as required by the city’s sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to 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 policy’s notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [103510.04].</p>	<p>The human resources manager monitors the sick leave policy, and ensures that employees are notified when warranted under the terms of the policy. Employees not notified were inadvertently missed during the fiscal year.</p>
<p><u>A formal lateness policy was 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 an employee lateness policy [103510.05].</p>	<p>Management will take the recommendation under consideration.</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. We found that three of five employees sampled 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [103510.06].</p>	<p>Performance evaluations are required for all civil service employees on an annual basis. Performance evaluations will be obtained for those without a current report on file.</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 to the payroll time records by reference to daily attendance sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the biweekly 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 [103510.07].</p>	<p>At present, the payroll process is randomly spot checked by the human resources manager. For future periods, that review of the payroll process will be documented.</p>

City of Philadelphia
 Department of Revenue
 Findings and Recommendations
 Fiscal Year 2010

Functions

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

Name and address of agency head
 Keith J. Richardson, Commissioner
 Department of Revenue
 Municipal Services Building, 6th Floor
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102

Appropriations:
 General Fund \$16,414,209
 Water Fund 22,156,547
 Acute Care Hospital Fund 145,000
 Total Appropriations \$38,715,756

Estimated Revenues:
 Tax Revenue \$2,470,328,000
 Non-Tax Revenue 482,972,000
 From Other Governments 30,010,000
 Total Estimated Revenues \$2,983,310,000

Number of Employees:
 Civil Service 473
 Exempt 10
 Temporary 50
 Total Employees 533

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <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 incurred prior to the 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 Water Revenue Bureau is meeting with programmers to discuss system modifications that will automatically remove accrued interest and penalty from an account once the property is acquired by a new owner at sheriff sale.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – During our testing of payroll records, we noted that for one of five randomly selected employees we tested, there was no evidence of a formal request for paid leave time approved by a supervisor.</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 Finance Office’s standard accounting procedures [103610.02].</p>	<p>The Revenue Department acknowledges that it does not have a consistent formal process for requesting and approving leave time. Not every unit uses leave request slips. However, it plans to implement an electronic leave authorization system, which will require the formal request and approval of all leave time.</p>
<p><u>Employee evaluation was not performed</u> - Annual employee performance ratings and suggestions for improvement were not always performed and documented by management. We found that one of five 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [103610.03].</p>	<p>We acknowledge that performance evaluations are not completed by all managers and supervisors annually. The Human Resources Unit will continue to remind supervisors/managers of the performance evaluation due date and the importance of completing annual ratings. The Revenue Commissioner will also request that his senior staff ensure all performance evaluations are completed timely.</p>

City of Philadelphia
Procurement Department
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Hugh Ortman, Commissioner Procurement Department 120 Municipal Services Bldg. 1401 John F. Kennedy Boulevard Philadelphia, PA 19102 - 1685	General Fund	\$3,775,000	Non-Tax Revenues	\$ 953,000
	Water Fund	69,028	From Other Governments	<u>50,000</u>
	Grants Revenue Fund	<u>50,000</u>	Total Estimated Revenues	<u>\$1,003,000</u>
	Total Appropriations	<u>\$3,894,028</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	45
			Exempt	<u>3</u>
			Total Employees	<u>48</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Documentation was not available to support recorded revenues</u> – Management could not provide all the evidence required, such as invoices, scrap metal weights, related metal prices or other documentation, to completely support the deposits made for one of the three scrap metal sales selected for testing. Accordingly, we could not determine whether the city received too much, too little, or the correct amount for scrap materials delivered to vendors.</p>	<p>Loss of original records supporting departmental activities undermines management's abilities to effectively control its operations and may conceal possible anomalies or irregularities.</p>	<p>Maintain and safeguard documentary evidence, such as material identification and weight records, in order to support the validity of proceeds from scrap sales [103810.01].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Independent verification of scrap metal deliveries was not obtained</u> – Management relies on notification from city personnel that deliveries of scrap metal have occurred, and subsequent to that notification invoices various scrap metal vendors based on contract terms and conditions.</p>	<p>Lost or misplaced paperwork by city personnel would result in unbilled and unrecognized revenues by Procurement.</p>	<p>All vendor contracts with scrap metal dealers should require that notification of all deliveries of scrap metal be independently made by the vendor directly to the Procurement Department. This will ensure that all deliveries have been recorded [103810.02].</p>	<p>No response was received from management.</p>
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by four of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increase 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 Finance Office’s standard accounting procedures [103810.03].</p>	<p>No response was received from management.</p>
<p><u>A formal lateness policy was not established and communicated to employees</u> – During the fiscal year under review a written lateness policy was not established to guide management and staff. During fiscal year 2011, a formal lateness policy was established however the lateness policy did not set forth sanctions for employees habitually reporting to work late.</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 [103810.04].</p>	<p>No response was received from management.</p>

City of Philadelphia
Office of the City Treasurer*
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u> General Fund	<u>\$751,113</u>	<u>Estimated Revenues:</u> Non-Tax Revenues From Other Governments Total Estimated Revenues	\$23,381,000 <u>5,475,000</u> <u>\$28,856,000</u>
Nancy E. Winkler City Treasurer 640 Municipal Services Building 1401 John F. Kennedy Boulevard Philadelphia, PA 19102-1681			<u>Number of Full Time Employees:</u> Civil Service Exempt Total Employees	9 <u>3</u> <u>12</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance sheets were 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 that time as part of their regular work day.</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>All employees will be required to sign out and back in on a daily basis to record mandatory lunch breaks of at least ½ hour.</p>

City of Philadelphia
Office of the Director of Commerce
Findings and Recommendations
Fiscal Year 2010

Functions

The Office of the Director of Commerce (Commerce Department) was established by the Philadelphia Home Rule Charter. The power and duties of the Commerce Department are: 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. Many of the Commerce Department's economic development activities are carried out through contracts with various quasi-public agencies. A Commerce Director, appointed by the Mayor, heads the agency. The Commerce Department information contained in this report excludes the Division of Aviation, a segment of operations on which we report separately.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>																				
Alan Greenberger, Deputy Mayor Office of the Deputy Mayor for Economic Development and Director of Commerce 1515 Arch Street – 13 th Floor Philadelphia, PA 19102	<table border="0"> <tr><td>General Fund</td><td style="text-align: right;">\$ 28,553,662</td></tr> <tr><td>Hotel Tax Fund</td><td style="text-align: right;">39,530,000</td></tr> <tr><td>Grants Revenue Fund</td><td style="text-align: right;">13,277,695</td></tr> <tr><td>Community Development Fund</td><td style="text-align: right;">16,613,416</td></tr> <tr><td>Capital Fund</td><td style="text-align: right;"><u>174,751,000</u></td></tr> <tr><td>Total Appropriations</td><td style="text-align: right;"><u>\$272,725,773</u></td></tr> </table>	General Fund	\$ 28,553,662	Hotel Tax Fund	39,530,000	Grants Revenue Fund	13,277,695	Community Development Fund	16,613,416	Capital Fund	<u>174,751,000</u>	Total Appropriations	<u>\$272,725,773</u>	<table border="0"> <tr><td>Non-Tax Revenue</td><td style="text-align: right;">\$ 280,000</td></tr> <tr><td>From Other Governments</td><td style="text-align: right;">53,098,000</td></tr> <tr><td>Hotel Room Rental Tax</td><td style="text-align: right;"><u>39,500,000</u></td></tr> <tr><td>Total Estimated Revenues</td><td style="text-align: right;"><u>\$92,878,000</u></td></tr> </table>	Non-Tax Revenue	\$ 280,000	From Other Governments	53,098,000	Hotel Room Rental Tax	<u>39,500,000</u>	Total Estimated Revenues	<u>\$92,878,000</u>
General Fund	\$ 28,553,662																					
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		<table border="0"> <tr><td>Civil Service</td><td style="text-align: right;">15</td></tr> <tr><td>Exempt</td><td style="text-align: right;"><u>6</u></td></tr> <tr><td>Total Employees</td><td style="text-align: right;"><u>21</u></td></tr> </table>	Civil Service	15	Exempt	<u>6</u>	Total Employees	<u>21</u>														
Civil Service	15																					
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Total Employees	<u>21</u>																					

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance records were not authorized</u> – We noted several instances where daily timesheets were not approved by supervisory personnel.</p>	<p>Employees 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 [104210.01].</p>	<p>A new electronic timekeeping system utilizing biometric technology is being installed. The new system will record and verify employee arrival and departure times.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<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>Employees will be directed to use the new electronic timekeeping system to record lunch periods.</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. Our limited testing identified an employee who worked less than a full day, but no exception to regular time was reflected on the employee's payroll time record.</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>The identification of available employees to perform an independent spot-check of the payroll process will be discussed internally. If an individual is identified, the spot checking of data entry procedures will be performed.</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 employees by supervisory personnel and monitor compliance for follow-up and resolution [104210.04].</p>	<p>Continuing efforts will be made to ensure that all employees will have annual performance evaluations performed.</p>

City of Philadelphia
Division of Aviation*
Findings and Recommendations
Fiscal Year 2010

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	\$ 164,576,000
Capital Fund	<u>1,170,622,000</u>
Total Appropriations	<u>\$1,335,198,000</u>

Estimated Revenues:

Non-Tax Revenues	\$352,970,000
From Other Funds	<u>7,800,000</u>
Total Estimated Revenues	<u>\$360,770,000</u>

Number of Full Time Employees:

Civil Service	723
Exempt	<u>8</u>
Total Employees	<u>731</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee evaluation was not performed</u> – We found that one of the five employees sampled 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [104310.01].</p>	<p>All employee performance reports are now current.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<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. We noted instances where employees signed in for their arrival times out of sequence, and where an employee signed out for lunch at the end of the day to avoid being charged for leave time.</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 [104110.02].</p>	<p>The OCR is not currently configured or staffed to assign this responsibility within the office. The recommendation will be discussed internally to address the issue. Employees will be directed to record work times to clearly record all work hours including arrival times.</p>
<p><u>Daily attendance sheets were not being used contemporaneously</u> – Employees 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 [104110.03].</p>	<p>The OCR will direct employees to record all work times.</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 [104110.04].</p>	<p>The OCR will draft and adopt an employee lateness policy.</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 employees by supervisory personnel and monitor compliance for follow-up and resolution [104110.05].</p>	<p>The OCR will ensure that all employees receive annual performance ratings.</p>

City of Philadelphia
Law Department
Findings and Recommendations
Fiscal Year 2010

Functions

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

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>																								
Shelley R. Smith, City Solicitor Law Department 17 th Floor, One Parkway Building 1515 Arch Street Philadelphia, PA 19102	<table border="0"> <tr><td>General Fund</td><td style="text-align: right;">\$20,768,318</td></tr> <tr><td>Water Fund</td><td style="text-align: right;">3,320,597</td></tr> <tr><td>Grants Revenue Fund</td><td style="text-align: right;">21,644,000</td></tr> <tr><td>Aviation Fund</td><td style="text-align: right;">1,904,233</td></tr> <tr><td>Community Development Fund</td><td style="text-align: right;"><u>215,314</u></td></tr> <tr><td>Total Appropriations</td><td style="text-align: right;"><u>\$47,852,462</u></td></tr> </table>	General Fund	\$20,768,318	Water Fund	3,320,597	Grants Revenue Fund	21,644,000	Aviation Fund	1,904,233	Community Development Fund	<u>215,314</u>	Total Appropriations	<u>\$47,852,462</u>	<table border="0"> <tr><td>Non-Tax Revenue</td><td style="text-align: right;">\$22,350,000</td></tr> <tr><td>From Other Governments</td><td style="text-align: right;"><u>859,000</u></td></tr> <tr><td>Total Estimated Revenues</td><td style="text-align: right;"><u>\$23,209,000</u></td></tr> </table> <u>Number of Full Time Employees:</u> <table border="0"> <tr><td>Civil Service</td><td style="text-align: right;">81</td></tr> <tr><td>Exempt</td><td style="text-align: right;"><u>155</u></td></tr> <tr><td>Total Employees</td><td style="text-align: right;"><u>236</u></td></tr> </table>	Non-Tax Revenue	\$22,350,000	From Other Governments	<u>859,000</u>	Total Estimated Revenues	<u>\$23,209,000</u>	Civil Service	81	Exempt	<u>155</u>	Total Employees	<u>236</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 employees who had excessive undocumented sick leave time but had not been notified by the department in accordance with the city policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the policy relies upon 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 management [104410.01].</p>	<p>Employee unexcused sick leave is monitored for all employees, and sick leave abuse letters are sent to all Civil Service employees. We believe that employees exempt from civil service are not subject to the city's sick leave policy and at present are not required to submit documentation to certify sick leave.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<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 sampled 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [104410.02].</p>	<p>Our department places a high value on employee performance evaluations. Our HR staff monitors to ensure evaluations are performed. Evaluations for attorneys and other exempt staff are done as part of our annual review of departmental operations. Attorney evaluations are controlled and maintained by the First Deputy City Solicitor who oversees the Administrative Unit.</p>
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – For three of the five randomly selected payroll periods tested, the same individual was performing both supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [104410.03].</p>	<p>Routinely, a proper segregation of duties is in place. However, due to small staff size, situations may occur that require the authorization of payroll by the same individual.</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. The process should be documented [104410.04].</p>	<p>Based on the qualifications and experience levels of the current staff, the expected benefit of an additional control does not appear to warrant the use of additional resources at this time.</p>

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2010

Functions

The Board of Ethics was established by an amendment to 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 - 2nd Floor
1441 Sansom Street
Philadelphia, PA 19102-3026

Total Appropriations:

General Fund \$810,000

Estimated Revenues:

\$ -0-

Number of Full Time Employees:

Exempt 7

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently 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 found other instances where the same payroll unit employee signed off in the system as performing all three payroll process functions (data entry, supervisor review, and executive approval). Our limited testing identified an employee whose administrative leave time was not entered in the payroll system for the pay period in which it occurred. The posting errors went undetected and uncorrected for over four months. We believe such data entry errors would be more easily detected if another employee performed the supervisor 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 process.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [104510.01].</p>	<p>Separate individuals are now assigned to perform each step in the payroll process.</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 employee requests for compensated absences were not required 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.</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 [104510.02].</p>	<p>The standard accounting procedures will be followed for future periods.</p>
<p><u>City sick leave policy was not adopted and enforced</u> - There was no evidence that employee sick leave was monitored by the payroll unit. We noted one sampled employee who had excessive undocumented sick leave time but had not been notified by the agency in accordance with the 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 a 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 [104510.03].</p>	<p>The Board is in the process of reviewing a policy for implementation.</p>
<p><u>A formal lateness policy 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>Due to the nature of the duties performed and size of the Board, the need for a lateness policy does not appear applicable.</p>

City of Philadelphia
Philadelphia Youth Commission
Findings and Recommendations
Fiscal Year 2010

Functions

The Philadelphia Youth Commission (Youth Commission) was established on June 4, 2007 to represent the city’s youth in public hearings and give testimony that reflects the youth perspective. It serves as a conduit for youth action and advises the mayor, city council, Philadelphia public schools, and other key decision makers inside and outside city government. It does this by: commenting on legislation and policies that impact youth; creating public service programs that improve the lives of youth; monitoring and measuring the effectiveness of youth programs and policies; partnering with neighborhood and youth organizations on shared issues; and preparing youth for leadership through appropriate training. The Youth Commission is represented by an executive director who is appointed by the mayor. The commission is composed of 21 members, each of whom is between the ages of 12 and 23 years of age, at the time of appointment. Youth Commission members are individuals who have an understanding of the needs of young people in the city, or experience with children, youth programs, youth organizations or involvement with school or youth related community activities. Members of the commission, all of whom are city residents, represent the racial, gender, ethnic and cultural diversity of the city. Each member of the council and the mayor appoints one member to the Youth Commission. To ensure that the Youth Commission represents the diversity of the city, the mayor also appoints three additional members from communities underrepresented by the other appointments. Youth Commission members serve at the pleasure of their appointing authorities. The term for all Youth Commission members is one year, and ends on March 1. The Youth Commission meets monthly and issues an annual report to City Council.

Name and address of agency head

Jordan A. Harris, Executive Director
Philadelphia Youth Commission
1401 John F. Kennedy Boulevard
16th Floor, Room G
Philadelphia, PA 19102

Total Appropriations:

General Fund \$100,000

Estimated Revenues:

\$ -0-

Number of Full Time Employees:

Exempt 1

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</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 that the Youth Commission 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 [104710.01].</p>	<p>All receiving reports will be initiated to confirm receipt of the goods or served, and retained as file documentation with copies of authorized payment vouchers.</p>

City of Philadelphia
Office of the Inspector General
Findings and Recommendations
Fiscal Year 2010

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

Total Appropriations:

General Fund \$1,309,677

Estimated Revenues:

\$ -0-

Number of Full Time Employees:

Exempt 16

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 [104810.01].</p>	<p>A formal policy has been drafted and is now under review.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee evaluations were not available for review</u> - Annual employee performance ratings and suggestions for improvement were not made available for review and may not have been performed and documented by management. We were informed that periodic employee evaluations are prepared, however the evaluations contain sensitive information and are not made available for review by parties outside of the OIG.</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 [104810.02].</p>	<p>Annual performance evaluations will be prepared on a calendar year basis.</p>

City of Philadelphia
Philadelphia City Planning Commission and Zoning Code Commission
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
	Philadelphia City Planning Commission	Philadelphia City Planning Commission
Gary Jastrzab, Executive Director	General Fund	Non-Tax Revenues
Philadelphia City Planning Commission	Grants Revenue Fund	From Other Governments
One Parkway Building	Community Development Fund	Total Estimated Revenues
1515 Arch Street, 13 th Floor	Total Appropriations	
Philadelphia, PA 19102		
	Zoning Code Commission	<u>Number of Full Time Employees:</u>
Eva Gladstein, Executive Director	General Fund	Philadelphia City Planning Commission
Zoning Code Commission		Civil Service
One Parkway Building		Exempt
1515 Arch Street, 13 th Floor		Total Employees
Philadelphia, PA 19102		
		Zoning Code Commission
		Exempt
		Total Employees

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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>All leave time is now documented and retained as part of the official payroll record.</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 [105110.02].</p>	<p>A formal lateness policy went into effect on March 1, 2011.</p>
<p><u>City sick leave policy was not enforced</u> - There was no monitoring of the city’s sick leave policy by the payroll unit. Payroll records indicate that nineteen employees had 5 or more undocumented sick days but had not been notified by the PCPC in accordance with the city policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The 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 management [105110.03].</p>	<p>Notification letters have been issued to all employees with excessive undocumented sick leave.</p>
<p><u>Daily attendance sheets were not being used contemporaneously</u> - Not all employees are punching out and back in for lunch. We also noted an instance where an employee did not punch out for the day. Management alleged that the employee attended a meeting out of the office. However, the employee was not recorded on the ‘out of the office’ sheet for that day.</p>	<p>Failure to require employees to record work hours including 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 attendance records to correctly record work hours [105110.04].</p> <p>Distribute the PCPC’s policies and procedures for recording employee time away from the office, and require supervisors to spot check the “out-of-office” log for compliance [105110.05].</p>	<p>Employees are now required to record lunch breaks on a daily basis. Out-of-office logs are utilized to record all job related time away from the office during the work week. Procedures will be re-communicated to employees in order to eliminate possible lapses or oversights.</p>
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – The same individual was performing both supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [105110.06].</p>	<p>The payroll authorization process will now require different supervisory and executive approvals.</p>

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Year 2010

Functions

The Free Library of Philadelphia, 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 Free 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

Total Appropriations:

General Fund	\$32,968,362
Grants Revenue Fund	13,964,131
Capital Fund	<u>14,687,000</u>
Total Appropriations	<u>\$61,619,493</u>

Estimated Revenues:

Non-Tax Revenue	\$ 1,202,000
From Other Governments	<u>13,964,000</u>
Total Estimated Revenues	<u>\$15,166,000</u>

Number of Employees:

Civil Service	663
Exempt	11
Seasonal	69
Part Time	<u>66</u>
Total Employees	<u>809</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Revenues generated from billings to the federal government's 'E-Rate Program' were not effectively monitored</u> – We found that no one was ensuring that all approved line items under the program award were billed, and no one performed reconciliations to ensure that all revenues billed were received.</p>	<p>The lack of effective program monitoring could result in a loss of funds caused by the failure to bill for all potential E-Rate revenues.</p>	<p>We recommend that the Library's accounting unit ensure that all eligible program expenditures are timely billed, and that all payments are received and accounted for [105210.01].</p>	<p>The full amount of the award was not obtained due to a lack of reimbursable costs.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not uniformly enforced</u> – There was ineffective monitoring of the city’s sick leave policy by the payroll unit. The Library’s sick leave payroll screens for calendar year 2010 indicated that numerous employees had excessive undocumented sick time but had not been notified or placed on the sick leave abuse list as required by the city’s sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to 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 policy’s notification requirements including employee counseling and subsequent sanctions set forth in the policy be enforced by management [105210.02].</p>	<p>Employee sick leave usage will be reviewed monthly, and notification will be sent to all employees with excessive undocumented sick leave.</p>

City of Philadelphia
Commission on Human Relations
Findings and Recommendations
Fiscal Year 2010

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 \$2,083,868

Estimated Revenues:

From Other Governments \$250,000

Number of Full Time Employees:

Civil Service 31
Exempt 2
Total Employees 33

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Duties for the billing and collection of revenues were not adequately segregated</u> - Although minimal in amount, fees for copies of various CHR files and documents are both invoiced and collected by the same employee.</p>	<p>Failure to segregate duties increases the risk of undetected errors in the billing process, and may provide an opportunity to perpetuate and conceal irregularities during the generation of revenues.</p>	<p>The employee assigned to the collection of revenues (access to assets) should be independent of the employee preparing the invoice (access to records) [105410.01].</p>	<p>Duties related to the preparation of the billings, and the collection of the revenues will be assigned to separate employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 [105410.02].</p>	<p>A formal lateness policy will be drafted and adopted. All employees will be required to report or call in to supervisory personnel by 9:30 am on a daily basis.</p>
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> - The same individual was performing both supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [105410.03].</p>	<p>The review process will be segregated to require that two different individuals perform the supervisory and executive reviews.</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. The process should be documented [105410.04].</p>	<p>The payroll will be spot checked on a quarterly basis.</p>

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Year 2010

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 Office of Human Resources, 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.

Name and address of agency head

Albert L. D’Attilio, Esq., Director
Office of Human Resources
Municipal Services Building, 15th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Office of Human Resources

Appropriations:

General Fund	\$4,568,301
Grants Revenue Fund	<u>1,302,456</u>
Total Appropriations	<u>\$5,870,757</u>

Estimated Revenues:

From Other Governments	<u>\$1,303,000</u>
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Number Full Time of Employees:

Civil Service	52
Exempt	<u>5</u>
Total Employees	<u>57</u>

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

Civil Service Commission

Appropriations:

General Fund	<u>\$170,309</u>
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Estimated Revenues:

\$-0-

Number of Full Time Employees:

Civil Service	<u>2</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 [105610.01].</p>	<p>Management will consider adopting a lateness policy.</p>
<p><u>Employee evaluations were not always performed</u> - Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. We found that two of five randomly selected 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 employees by supervisory personnel and monitor compliance for follow-up and resolution [105610.02].</p>	<p>Discussions with unit supervisors will ensure that all employee evaluations are prepared in the future.</p>
<p>OTHER EXPENDITURES</p> <p><u>Expenditure documentation was incomplete</u> - We found documentation for two of five randomly selected expenditure transactions tested was deficient. One transaction included a vendor invoice that had not been formally approved, and another transaction was not fully supported with evidence that services purchased were performed.</p>	<p>The agency is at increased risk of payment for goods and services not received in part or in full when invoices are not reviewed for appropriate supporting documentation and formally approved prior to payment.</p>	<p>We recommend that the agency more carefully review vendor invoices to ensure that the billings are properly supported and document that review by formally approving the invoices prior to processing for payment [105610.03].</p>	<p>All vendor invoices will be formally approved prior to processing for payment. We believe however that the services purchased were received and the incomplete file documentation represented an isolated event.</p>

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2010

Functions

The Board of Revision of Taxes (BRT) was created by the Pennsylvania legislature and charged with providing market valuations of all real estate situated within the County of Philadelphia and administering the tax assessment process. The Board of Judges of the Philadelphia Court of Common Pleas appointed an independent seven member board, which in turn appointed an executive director and hired appraisers and support staff. The powers and duties of the BRT in addition to the valuation of real estate included hearing appeals of real estate assessments and determining non-profit exemptions, administering the city's tax abatement programs, assigning official city addresses and maintaining an addressed-based property information database. The BRT staff also supported a three-member Board of View appointed by the Board of Judges of the Court of Common Pleas to hear condemnation appeals. In December 2009, City Council adopted a Reorganization Ordinance which aimed to abolish the BRT entirely and replace it with two newly-created bodies (the Board of Property Assessment, and the Office of Property Assessment). In response to a petition filed by the BRT, the Pennsylvania Supreme Court ruled that the provision creating the Board of Property Assessment was invalid. It reinstated the BRT but limited its responsibilities to hearing and ruling on property assessment appeals. The BRT's powers and duties with respect to setting property values were assumed by the Office of Property Assessment (OPA), effective October 1, 2010. That office is directed by a qualified professional Chief Assessment Officer, appointed by the Mayor, and approved by Council.

Name and address of agency head

Richie McKeithen, Chief Assessment Officer
Office of Property Assessment
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

Honorable Alan K. Silberstein, Chairman
Board of Revision of Taxes
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

Appropriations:

General Fund	\$7,816,024
Grants Revenue Fund	<u>250,000</u>
Total Appropriations	<u>\$8,066,024</u>

Estimated Revenues:

Non – Tax Revenue	\$ 4,000
From Other Governments	<u>250,000</u>
Total Estimated Revenues	<u>\$254,000</u>

Number of Full Time Employees:

City Civil Service	108
City Exempt	4
School District Exempt	<u>76</u>
Total Full Time Employees	<u>188</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Assessment change forms and file maintenance runs were not formally reviewed and authorized</u> – Real estate assessments made by the BRT are the basis for real estate and for use and occupancy tax billings. When changing assessments, an evaluator prepares a money change form. Twelve of fifty change forms selected for review did not contain evidence of a supervisory review. In addition, proofs of changes to market values recorded in file maintenance runs and posted to the City's real estate records were not routinely reviewed and verified by supervisory personnel.</p>	<p>Inaccurate 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 proposed changes to property assessments should be reviewed and authorized by both the real estate evaluator and supervisory personnel. In addition, all file maintenance runs should be reviewed by the real estate evaluator and then by supervisory personnel [106310.01].</p>	<p>Enhanced quality control procedures will be applied to ensure accountability over the assessment process. Both evaluators and supervisors will be required to formally approve changes to the city's real estate records.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Instructions to standardize the real estate valuation assessment process (precepts) were not updated annually</u> – Precepts provide direction to BRT staff evaluators 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 in which BRT re-issued the Precepts was 1993.</p>	<p>BRT management has determined that parts of the Precepts are not applicable, which has resulted in uncertain practices such as when to submit re-assessments to the Board for analysis, review and approval. Due to the lack of clear guidance, improper re-assessments may occur without detection.</p>	<p>BRT should 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 [106310.02].</p>	<p>The Precepts are in the process of being updated so that instructions are current.</p>
<p>PERSONAL SERVICES</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 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 [106310.03].</p>	<p>Due to constraints on the size of the administrative staff, the administrative services director performs both the executive review, and periodically performs spot checks of the data entry process.</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 man-dated 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>A formal lateness policy in the process of being developed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</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 the 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 to support agency transactions and to comply with the Records Department citywide Retention Schedule [106310.05].</p>	<p>The misplaced documentation represents an isolated incident. Our experience indicates that all supporting documentation is routinely retained and properly filed.</p>

City of Philadelphia
 Clerk of Quarter Sessions*
 Findings and Recommendations
 Fiscal Year 2010

Functions

The statutes of the Commonwealth of Pennsylvania and the ordinances of the city of Philadelphia prescribed the powers, functions, and duties of the Clerk of Quarter Sessions. Up until June 30, 2010, the Office of the Clerk of Quarter Sessions served the criminal courts of Common Pleas, the Municipal Court, and the juvenile branch of Family Court. Its duties included: (1) recording, indexing, and filing all bills of information and transcripts of Municipal Court; (2) posting to dockets, collecting bail imposed by judges, entering judgments upon bail forfeitures, issuing bench warrants, collecting costs and fines imposed by the courts, recording decisions of the courts on bills of information or criminal transcripts, issuing commitments of discharge for defendants, and, when necessary, answering numerous inquiries from prisoners, attorneys, and judges; (3) serving the juvenile branch of Family Court by handling all matters relative to court case files, including sending subpoenas to witnesses and notifying attorneys of case dates and activities; and (4) expediting matters, such as petitions for writs of habeas corpus, appeals from convictions, issuances of private detective licenses, and other miscellaneous matters. The chief executive of the Clerk of Quarter Sessions was an elected official who served a four-year term.

Based on an Administrative Order on March 4, 2010, by the Supreme Court of Pennsylvania, all duties and functions of the Office of the Clerk of Quarter Sessions were absorbed and assumed by the First Judicial District of Pennsylvania. The Office of the Clerk of Quarter Sessions was officially abolished effective July 1, 2010 by Ordinance Number 100360.

<u>Name and address of agency head</u>	<u>Total Appropriations:</u> General Fund	<u>\$4,915,313</u>	<u>Estimated Revenues:</u> Non Tax Revenue	<u>\$8,025,000</u>
Mr. Joseph H. Evers, Clerk of the Court First Judicial District of Pennsylvania Criminal Justice Center, Room 310 1301 Filbert Street Philadelphia, PA 19107			<u>Number of Full Time Employees:</u> Civil Service Exempt Total Employees	104 <u>2</u> <u>106</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee leave requests were not located</u> – Staff were unable to locate formal requests for leave time taken by two of the four 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 the Finance Office’s standard accounting procedures [106410.01].</p>	<p>The First Judicial District has addressed this situation. All leave time is now documented as part of the routine payroll processing procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was not enforced</u> - There was no evidence that the payroll unit monitored the city's sick leave policy. We noted one sampled employee who had excessive undocumented sick leave time but had not been notified or placed on the sick abuse list by the department in accordance with the city policy. In addition, payroll screens indicated that another 34 employees had not been notified that their undocumented sick leave incidents had become excessive in calendar year 2010.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to 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 policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [106410.02].</p>	<p>The First Judicial District has addressed this issue. The city's sick leave policy is now followed, and its provisions enforced.</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 sheets. The process should be documented [106410.03].</p>	<p>The First Judicial District will address this issue.</p>
<p><u>Daily attendance sheets were not being used contemporaneously</u> - Employees 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 [106410.04].</p>	<p>The First Judicial District will address time keeping issues.</p>
<p>OTHER EXPENDITURES</p> <p><u>Expenditure file documentation was misplaced and not available for review and audit</u> - One of five randomly selected voucher packages was not located by Clerk of Quarter Sessions staff when requested during the audit.</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>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 departmental transactions [106410.05].</p>	<p>The First Judicial District has addressed this issue. All documentation is now maintained in accordance with record retention policies and procedures.</p>

City of Philadelphia
Register of Wills
Findings and Recommendations
Fiscal Year 2010

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.

<u>Name and address of agency head</u>	<u>Total Appropriations:</u>		<u>Estimated Revenues:</u>	
Honorable Ronald R. Donatucci Register of Wills City Hall, Room 180 Philadelphia, PA 19107	General Fund	<u>\$3,399,278</u>	Non – Tax Revenue	<u>\$4,194,000</u>
			<u>Number of Full Time Employees:</u>	
			Exempt	<u>61</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 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 [106810.01].</p>	<p>Management performs periodic checks of the payroll preparation process, but had not documented those procedures. We will begin to document those procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>No separation of duties existed for the requisition, 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. Our testing noted that for one sampled transaction, the expenditure file documentation did not include formal evidence supporting the receipt of the services obtained.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p> <p>Not obtaining signed receiving reports as part of the authorization path for payment increases the risk of payment for goods and services not received in part or in full.</p>	<p>Management should assign the functions of approving purchase requisitions, receiving goods and services, and authorizing payments to separate employees [106810.02].</p> <p>Management should also require that invoices/receiving reports be approved by signing and dating to document the receipt of goods or services [106810.03].</p>	<p>An adequate segregation of duties will be achieved by reassigning duties and responsibilities. Henceforth, all unit heads will be assigned the duty of receiving goods and services and ensuring that all receiving documents are properly authorized.</p>

City of Philadelphia
 District Attorney's Office
 Findings and Recommendations
 Fiscal Year 2010

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

Total Appropriations:

General Fund	\$28,943,050
Grants Revenue Fund	<u>17,116,128</u>
Total Appropriations	<u>\$46,059,178</u>

Estimated Revenues:

Non-Tax Revenue	\$10,025,000
From Other Governments	<u>7,116,000</u>
Total Estimated Revenues	<u>\$17,141,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	22
Civil Service - Civilian	82
Exempt	<u>416</u>
Total Employees	<u>520</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 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 [106910.01].</p>	<p>Due to constraints on personnel resources, the office does not at this time have personnel available to address this issue.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Sick leave policies were not enforced</u> – There was insufficient monitoring of the city's sick leave policy adopted for the DA's civil service employees, and the DA's sick leave policy adopted for exempt non-attorney employees (paralegals and confidential assistants) by the payroll unit. We noted instances where civil service and exempt non-attorney employees had excessive undocumented sick leave time but were not notified by the department as required by the above mentioned sick leave policies. In addition, we noted that the DA's personnel policies for its exempt attorneys did not address sick leave abuse similar to the sick leave rules and regulations adopted for its civil service and exempt non-attorney employees.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personnel 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 policy's notification requirements including employee counseling be complied with by management [106910.02]. We also recommend that the DA develop and implement a sick leave policy for their attorneys that is similar to the city's policy or the policy adopted for their non-attorneys [106910.03].</p>	<p>Due to constraints on resources, the payroll records were not continually updated during the year. However the office has separate policies governing all attorneys, all other exempt personnel, and all civil service employees which are followed. Attorneys, as professional employees, are expected to meet their responsibilities without the need for "warnings" or other attendance related correspondence. For all employees, when attendance issues are noted disciplinary action will be taken.</p>

City of Philadelphia
Office of the Sheriff*
Findings and Recommendations
Fiscal Year 2010

Functions

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

Name and address of agency head

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

Total Appropriations:

General Fund \$13,066,657

Estimated Revenues:

Non Tax Revenue \$10,550,000

Number of Full Time Employees:

Civil Service 212
Exempt 18
Total Employees 230

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance records were not required for exempt employees</u> – Management informed us that it did not require the maintenance of attendance and leave records for its exempt employees. Without such records there is no documentation to support the number of hours worked or the employees' accumulated leave balances.</p>	<p>Failure to require employees to record their work hours increases the risk that someone could be paid for time not actually worked.</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 [107010.01].</p>	<p>The Sheriff's Office now requires that all employees maintain daily attendance records, and that all requests for leave time be formally approved by supervisory personnel.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – The same individual performed both supervisory and executive reviews over payroll for three of the five pay periods tested.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [107010.02].</p>	<p>The supervisory and executive review functions are now performed by separate individuals.</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. The process should be documented [107010.03].</p>	<p>The Sheriff's Office will identify individuals independent of the payroll process to perform periodic reviews.</p>

City of Philadelphia
City Commissioners Office*
Findings and Recommendations
Fiscal Year 2010

Functions

The City Commissioners Office was originally created as a county office under Article 9, Section 4 of the State Constitution. It became part of city government by way of the 1951 City-County Consolidation Amendment to the State Constitution. In addition, the 1963 amendment to the First Class City Home Rule Act gave City Council the power to pass legislation with regard to operations of the City Commissioners Office. These enactments were further enabled by the 1965 City-County Consolidation Ordinance of City Council. The City Commissioners Office is responsible for voter registration and conducting local elections. Its three commissioners, one of whom serves as chairperson, 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 Stephanie Singer, Chairwoman
City Commissioners Office
City Hall, Room 130
Philadelphia, PA 19107

Total Appropriations:

General Fund	\$ 8,794,177
Grants Revenue Fund	<u>8,263,889</u>
Total Appropriations	<u>\$17,058,066</u>

Estimated Revenues:

Non-Tax Revenue	\$ 30,000
From Other Governments	<u>8,264,000</u>
Total Estimated Revenues	<u>\$8,294,000</u>

Number of Full Time Employees:

Civil Service	85
Exempt	<u>18</u>
Total Employees	<u>103</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <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. Normally, all pre-numbered receipts are maintained and validated by the cashier at the Commission's Delaware Avenue location for use when electoral maps and related material are sold over the counter to the public. 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 or 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>The missing receipt was as anomaly caused by the desire to meet citizen requests to obtain documents at a more accessible location. We believe that the convenience to citizens permitted under our current process outweigh the risk posed by a rare loss of paperwork.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were not authorized contemporaneously</u> – We found that supervisors periodically failed to authorize employee time sheets.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should review and formerly verify time worked by employees [107310.02]. The payroll unit should also be required to review the daily attendance records for evidence that the appropriate authorization was obtained [107310.03].</p>	<p>The office policy is that all time sheets must be authorized by a supervisor.</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 employees 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 Finance Department’s standard accounting procedures [107310.04].</p>	<p>The office policy requires that employees requesting two or more days of leave time submit formal requests and obtain written authorization.</p>
<p><u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. 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 [107310.05].</p>	<p>The office policy requires that all overtime be preauthorized by the commissioners.</p>
<p><u>Payroll record changes were not reviewed for accuracy</u> – Data entry changes to the payroll records (such as changes in employee pay rates, or additions for new hires/deletions for terminated employees) were not independently checked to ensure that the data entries were correctly input.</p>	<p>Input errors may occur and not be detected, resulting in incorrect payroll and benefit calculations.</p>	<p>An independent review of all changes to personnel and payroll records should be performed by management [107310.06].</p>	<p>The controls over all changes to payroll records must be addressed by the newly installed commissioners.</p>
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – The same individual was performing both supervisory and executive reviews over payroll.</p>	<p>Combing multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [107310.07].</p>	<p>The assignment of duties and responsibilities must be addressed by the newly installed commissioners.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<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.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy [107310.08].	The preparation and implementation of a lateness policy must be addressed by the newly installed commissioners.

City of Philadelphia
 First Judicial District of Pennsylvania
 Findings and Recommendations
 Fiscal Year 2010

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 Pamela Pryor Dembe, President Judge
 First Judicial District of Pennsylvania
 City Hall, Room 386
 Philadelphia, PA 19107

Total Appropriations:

General Fund	\$ 99,096,983
Grants Revenue Fund	<u>47,262,717</u>
Total Appropriations	<u>\$146,359,700</u>

Estimated Revenues:

Non Tax Revenue	\$38,357,000
From Other Governments	<u>60,520,000</u>
Total Estimated Revenues	<u>\$98,877,000</u>

Number of Full Time Employees:

Civil Service	8
Exempt	<u>2,296</u>
Total Employees	<u>2,304</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p>PERSONAL SERVICES</p> <p><u>Payroll duties were not adequately segregated</u> – For one of five payroll periods subject to testing, the same payroll unit employee initiated entries to the payroll system based on employee timesheets and then signed off in the system as performing the supervisor review.</p>	<p>Failure to segregate duties increases the risk of undetected errors or provides opportunities to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [108410.01].</p>	<p>To address periodic personnel shortages, additional employees will be appointed to input data based on timesheets. Other additional employees will be authorized to provide independent supervisory reviews.</p>

CONTROLLER'S OFFICE CONTACT AND STAFF ACKNOWLEDGEMENTS

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Staff Acknowledgements

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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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