

# CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

**ANNUAL AUDITOR'S REPORT  
ON  
PHILADELPHIA CITY AGENCIES  
FISCAL YEAR 2015**

City Controller  
**Alan Butkovitz**





# CITY OF PHILADELPHIA

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December 7, 2016

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

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal year 2015 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for agencies marked with an asterisk occurred under the administration of a previous agency head.

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

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

Very truly yours,

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

ALAN BUTKOVITZ  
City Controller

cc: Honorable James F. Kenney, Mayor  
Honorable Darrell L. Clarke, President  
and Honorable Members of City Council  
Members of the Mayor's Cabinet



# ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY AGENCIES

## EXECUTIVE SUMMARY

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

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

### What The Controller's Office Found

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

- Over thirty-three percent of all city agencies did not perform their petty cash bank and fund reconciliations in a timely manner. Some of the same agencies neglected to transfer long outstanding checks into the City of Philadelphia's Unclaimed Monies Fund increasing the risk that unclaimed property would not be forwarded timely to the state in accordance with the Commonwealth's Unclaimed Property Law. Most notably the Health Department's bank reconciliations included checks dated between October 2005 and January 2014 totaling \$10,779.
- The Office of Fleet Management circumvented the \$500 petty cash spending limit by splitting payments to replenish their EZ Pass account held with the Delaware River Port Authority. In addition, the agency was unable to provide support for the Mayor's Office and Police Department's EZ Pass usage, which account for close to twenty percent of the total usage. A total of \$8,000 was paid to replenish the EZ Pass account during fiscal year 2015.
- The city was unable to recover a total of \$4,705 from two former employees of the Department of Streets and the Board of Revision of Taxes who continued to be paid after their termination dates. These situations occurred because the two agencies were still not always reviewing the payroll system to ensure separated employees became removed from active status in the system.
- The city's sick leave policy was still not enforced in over forty percent of all city agencies. In many cases, agencies were not imposing established penalties and continued to pay employees for sick time taken after placement on the excessive use of sick leave list.

A number of city agencies took corrective action on some of the prior year conditions. Noteworthy of mentioning is the Mayor's Office of Community Empowerment and Opportunity, Water Department, Revenue Department, Register of Wills, Sheriff's Office, and First Judicial District all of whom implemented all of our prior recommendations.

### What The Controller's Office Recommends

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

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## INTRODUCTION

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### BACKGROUND

#### Organization of Philadelphia Government

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

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

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

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

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

#### Management

Agency heads and their deputies are responsible for the effective and efficient management of their agency's operations. The findings and recommendations section of this report includes a discussion of the functions of each city agency examined, the fiscal 2015 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 Comprehensive Annual Financial Report.

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

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

## FINDINGS AND RECOMMENDATIONS



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Monthly petty cash fund reconciliations have not been independently reviewed and approved.</u> Four of the seven fund reconciliations we reviewed had not been independently reviewed and approved.</p>	<p>Failure to review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.</p>	<p>Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [100115.02].</p>	<p>As of June 2015, all bank and fund reconciliations are prepared, reviewed and approved by separate staff members.</p>
<p><u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the petty cash bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100115.03].</p>	<p>As of June 2015, a staff member, separate from the petty cash custodian was assigned to prepare the petty cash bank and fund reconciliations.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>For the fourth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100111.01].</p>	<p>City Council allows a 15 minute grace period. Employees arriving after that 15 minute grace period, and, at the discretion of the appointing Councilmember, are asked to use vacation or compensatory time. All members and staff will be reminded of this policy.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The evidence obtained during the audit indicated the department does not have a formal lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fourth consecutive year, we are reporting the city sick leave policy was not enforced.</u> City Council still has not designed and implemented a sick leave policy for its staff, all of whom are classified as exempt employees. While Council's staff is not subject to the same policy enforced against civil service employees, we noted in calendar year 2014, that 75 of the 176 full-time City Council employees exceeded the eight-day limit on undocumented sick leave, as set forth in the city's policy for curbing sick-leave abuse. Two employees in particular, each of whom used in excess of 25 undocumented sick days, totaled nearly \$20,000 in paid sick leave.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.</p>	<p>We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].</p>	<p>City Council employees serve at the will of the appointing Councilmember. Although we do not enforce the City's Sick Leave Abuse Policy, City Council does however enforce the following: Employees who are absent for three consecutive or more days due to illness or injury must submit a physician's statement authorizing their absence. Employees absent for 5 consecutive days are sent FMLA documentation for completion by their physician.</p>
<p><u>For the fifth consecutive year, we are reporting documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal employee requests for compensated absences were not required by management for all five employees who used leave time during the sample period 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 performances.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100110.01].</p>	<p>City Council does not use leave request slips. Employees under the supervision of the Council President are required to submit in writing to their supervisor with a copy to Linda Rios or Mary Ellen Milovsky of all requested leave. All Council members have been informed to do the same.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> City Council's policy is not in accordance with the standard accounting procedures of the city's Finance Office. A properly approved leave request should document the supervisor's approval of the employee's request for paid time off. The agency was unable to provide auditors with documentation that the employee's supervisor approved the employee's leave time.]</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time records entries were not always segregated.</u> For eleven of the forty-six pay periods tested, the same payroll unit employee performed data entry into the payroll system and then completed the supervisory approval of the payroll. Additionally, we noted another eleven pay periods where the supervisory and executive level approvals of the payroll entries were performed by the same employee. We further observed on four occasions, the same employee carried out the data entry, the supervisory level approval and the executive level approval of the payroll, thereby performing all three duties.</p>	<p>Failing to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll whenever possible [100111.06].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Innovation and Technology\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

The Office of Innovation and Technology (OIT) 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 technology officer, appointed by the mayor, heads the agency.

Name and address of agency head  
Charles J Brennan, Chief Technology Officer  
Office of Innovation and Technology  
1234 Market Street, Suite 1850  
Philadelphia, PA 19107

<u>Appropriations:</u>	
General Fund	\$ 81,786,317
Water Fund	18,970,139
Grants Revenue Fund	44,880,234
Aviation Fund	8,656,160
Capital Fund	<u>65,000,000</u>
Total Appropriations	<u>\$219,292,850</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$ 67,740,000
From Other Governments	385,000
From Other Funds	<u>44,503,000</u>
Total Estimated Revenues	<u>\$112,628,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	161
Exempt	<u>196</u>
Total employees	<u>357</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the six civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [100415.01].</p>	<p>OIT does require the preparation of annual employee evaluations for civil service employees. The HR Unit within OIT is responsible for leading the performance review process for the department. In FY15, OIT experienced significant turnover of its HR staff. This turnover contributed to completion of 50% of performance ratings. In August, 2016, OIT hired an HR Director and she is in the process of pursuing the remaining performance evaluations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's lateness policy did not define consequence of lateness or establish progressive sanctions for violations.</u> While the agency had a written policy, the policy did not define the consequences of lateness or establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences of lateness and repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define the consequences of lateness and the progressive sanctions for violations of the policy [100410.02].</p>	<p>OIT will revise the policy accordingly.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by any of the five employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100410.06].</p>	<p>Beginning in or around late 2014, OIT began the complete migration off of Lotus Notes, the former programmatic process for employee timekeeping, which included functionality for submitting and approving leave requests. OIT employee timekeeping is now completed in Oracle Time and Labor (OTL). The OTL platform currently does not include specific functionality for submittal and approval of leave requests. Leave time is approved when a supervisor approves an employee's timesheet in OTL, though this occurs after the fact. OIT employees typically request, and supervisors approve, leave via email. However, not all employees have access to PCs and/or email. OIT will work on developing a standard leave request and approval process accessible by all employees.</p>

City of Philadelphia  
Office of the Mayor\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct agency having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2015 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation and Utilities, 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 James F. Kenney, Mayor  
Office of the Mayor  
City Hall, Room 215  
Philadelphia, PA 19107

Appropriations:

General Fund	\$10,806,864
Water Fund	230,886
Grants Revenue Fund	2,927,546
Aviation Fund	<u>195,553</u>
Total Appropriations	<u>\$14,160,849</u>

Estimated Revenues:

Non-Tax Revenue	\$ 753,000
From Other Governments	<u>2,178,000</u>
Total Estimated Revenues	<u>\$2,931,000</u>

Number of Full Time Employees:

Exempt 89

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash fund, we noted that the petty cash custodian also prepares the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100515.01].</p>	<p>We will segregate the duties so that other people are involved in the preparation of reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Monthly bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven petty cash bank and fund reconciliations tested during fiscal year 2015 for the Office of the Mayor, we noted that five bank and fund reconciliations were prepared over thirty days after the end of the month. In addition, we tested twelve petty cash bank and fund reconciliations for the Office of Labor Relations and noted that three bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100515.02].</p>	<p>We will make sure reconciliations are done in a timelier fashion.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were still not authorized by supervisory personnel.</u> In our review of the Mayor's Office attendance records, we noted that there was no supervisory signature indicating approval of the individual employee bi-weekly attendance records for five of the six employees tested.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [100513.01]. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [100513.02].</p>	<p>We will ensure that all timesheets are reviewed and approved in a timely fashion.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide formal approved leave requests for five of the six employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100512.01].</p>	<p>It has been the Mayor's Office Policy for people to e-mail the Chief of Staff or his Assistant if they are going to be out of the office. Those e-mails are kept on file and routinely compared to timesheets to make sure they match. If there are any issues with an employee taking time off, it will be discussed with them prior to them taking any time.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p><b>(continued)</b></p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The Mayor's Office policy is not in accordance with the standard accounting procedure's of the city's Finance Office. A properly approved leave request should document the supervisor's approval of the employee's request for paid time off. The agency was unable to provide auditors with documentation that the employee's supervisor approved the employee's leave time.]</p>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> For twenty pay periods tested we observed:</p> <ul style="list-style-type: none"> <li>• Two pay periods when the same payroll unit employee entered the bi-weekly payroll into the payroll system and then completed the supervisory approval.</li> <li>• One pay period in which the same employee performed the supervisory and executive- level approvals of the bi-weekly payroll.</li> <li>• Another pay period when the same employee performed the data entry, and the supervisory and executive level approvals, thereby performing all three duties.</li> </ul> <p>In the Mayor's Office of Transportation and Utilities, we further observed that the same employee performed the data entry, and the supervisory and executive level approvals for all twenty pay periods.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].</p>	<p>Due to staff limitations, it is not always possible for us to have 3 separate people signing off on the payroll. Whenever possible, we do make every effort to ensure that each duty is segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's lateness policy still did not clearly establish progressive sanctions for violations of the policy.</u> While the agency's lateness policy defines when an employee is considered late, it does not specify disciplinary action for those employees who chronically report late to work. In addition, the Mayor's Office of Transportation and Utilities had no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define the consequences of lateness and the progressive sanctions for violations of the policy. In addition, the Mayor's Office of Transportation and Utilities should compile, issue, and implement an employee lateness policy that clearly defines lateness and progressive sanctions for violating of the policy [100510.01].</p>	<p>We will update the policy.</p>

City of Philadelphia  
 Division of Housing and Community Development\*  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

The Division of Housing and Community Development (DHCD), formerly known as the Office of Housing and Community Development, 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. DHCD'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 DHCD's plan and corresponding budget for community development activities. A director, appointed by the mayor, and two deputy directors manage the agency.

Name and address of agency head

Frederick Purnell, Sr, Director  
 Division of Housing and Community Development  
 1234 Market Street, 17<sup>th</sup> Floor  
 Philadelphia, PA 19107

Appropriations:

General Fund	\$ 3,020,000
Grants Revenue Fund	92,794,000
Community Development Fund	49,961,202
Housing Trust Fund	<u>20,500,000</u>
Total Appropriations	<u>\$166,275,202</u>

Estimated Revenues:

Non-Tax Revenues	\$ 1,750,000
From Other Governments	<u>161,005,000</u>
Total Estimated Revenues	<u>\$162,755,000</u>

Number of Full Time Employees:

Exempt 56

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the fifth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100610.02].</p>	<p>DHCD foresees the opportunity to explore generating a formal lateness policy. In the interim, employees who have lateness issues will be subject to progressive disciplinary action on a case by case basis.</p>

City of Philadelphia  
 Mayor's Office of Community Empowerment and Opportunity\*  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

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

Name and address of agency head

Mitchell Little  
 Executive Director  
 Mayor's Office of Community Empowerment and Opportunity  
 1234 Market Street, 16<sup>th</sup> Floor  
 Philadelphia, PA 19107

Appropriations:

Grants Revenue Fund    \$16,810,562

Estimated Revenues:

Non-Tax Revenues	\$ 244,000
From Other Governments	<u>16,567,000</u>
<b>Total Estimated Revenues</b>	<b><u>\$16,811,000</u></b>

Number of Full Time Employees:

Exempt 34

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that eight bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly petty cash bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be properly accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100815.01].</p>	<p>Effective March 31, 2016, the CEO Fiscal Department is using the current bank reconciliation form and continues to perform monthly reconciliations of the petty cash and bank accounts to adhere to the City's standard Accounting Procedures (SAP).</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<b>PERSONAL SERVICES</b>			
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for three of the eight employees selected for testing. On one occasion, an employee was not charged leave time when vacation time was taken.</p>	<p>Failure to obtain formal leave requests resulted in the failure of the agency recognizing leave time taken and an inaccurate paid-leave balance for the employee. 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 [100815.02].</p>	<p>Effective immediately, CEO will institute two staff to review payroll postings to detect errors, make corrections, and ensure that appropriate leave slips are received and filed.</p>
<p><u>Certain payroll preparation duties were not adequately segregated.</u> The person posting payroll to the on-line payroll system was also the same person obtaining the paychecks/stubs from the Treasurer's Office and distributing the paychecks to employees.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Someone independent of payroll preparation should obtain the paychecks/stubs from the Treasurer's Office and distribute paychecks [100815.03].</p>	<p>Effective immediately, payroll preparation will be segregated from payroll pick-up and distribution. CEO will identify an additional staff person to provide assistance.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was not enforced.</u> Of the three employees placed on the excessive use of sick leave list, none were penalized according to the city's Sick Leave Rules and Regulations. Specifically, two employees were paid for their first four occurrences of certified sick leave after their placement on the list. The other employee continued to be paid for uncertified sick leave after his placement on the list and was not suspended after his second occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [100813.01].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll attendance records were not being authorized by appropriate supervisory personnel.</u> In our review of the CEO's attendance records, we noted that two employees not only approved their own daily attendance records, but also approved the daily attendance records on days they were not present.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100813.02]. In addition, supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [100813.03].</p>	<p>Implemented.</p>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> In September 2013, the CEO assumed responsibility for the posting and approval of its bi-weekly payroll, which was previously performed by the Managing Director's Office. For three of the seventeen pay periods tested during fiscal year 2014 in which the CEO performed these functions, we noted the same person performed both the supervisory and executive level approvals of the bi-weekly payroll. For two pay periods, the same individual entered the daily attendance records into the payroll system then entered the supervisory level approval on them.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive approvals of the bi-weekly payroll whenever possible [100813.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of the Managing Director\*  
Findings and Recommendations  
Fiscal Year 2015

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  
Michael DiBerardinis, Managing Director  
Office of the Managing Director  
1430 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$ 76,207,620  
Grants Revenue Fund 4,971,329  
Capital Fund 24,425,000  
Total Appropriations \$105,603,949

Estimated Revenues:  
Non-Tax Revenue \$ 636,000  
From Other Governments 5,018,000  
Total Estimated Revenues \$5,654,000

Number of Full Time Employees:  
Civil Service 50  
Exempt 332  
Total Employees 382

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the ten petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that seven bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city’s Finance Office [101015.01].</p>	<p>The MDO will complete and submit petty cash bank and fund reconciliations on a timely basis, in accordance with the City Finance Office’s standard accounting procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the petty cash bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101015.02].</p>	<p>The MDO will assign a person, other than the petty cash custodian to prepare the petty cash bank and fund reconciliations in accordance with the City Finance Office's standard accounting procedures.</p>
<p><u>Petty cash funds have been disbursed for unallowable purchases.</u> The agency disbursed \$41 for a parking violation that was rejected for reimbursement by the city's Finance Office as an unallowable purchase. Parking violations are the responsibility of the employee. If the agency has reason to believe that the ticket was issued in error or that business-related mitigating circumstances exist, requests may be made to the Bureau of Administration Adjudication (BAA) for administrative review per the Managing Director's Directive 64: City Vehicle Usage, Assignment, Parking Policies and Procedures.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101015.03].</p>	<p>The MDO will not approve petty cash expenditures for unallowable purchases.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$1,962.30, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more shall be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101015.04].</p>	<p>The MDO will place a stop payment order and draw a transfer check payable to the City of Philadelphia for the sum of all checks outstanding for over one year in accordance with the City Finance Office's standard accounting procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Two of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency did not issue the required fifth-day warning letter to two employees, and the eighth-day notification letter informing one of the employees they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101013.01].</p>	<p>The MDO will work to improve enforcement of the City's sick leave policy.</p>
<p><u>Documentation supporting personnel time in the field was still incomplete.</u> When employees worked in a field location, management does not require that they complete a field destination sheet that would provide information on the employee's location, as well as a telephone number in the event that they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [101013.02]</p>	<p>The MDO will work to improve documentation supporting personnel time in the field.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The agency's lateness policy still did not clearly establish progressive sanctions for violations of the policy.</u> Although the Managing Director's Office has a lateness policy, the policy does not establish specific sanctions for repeated violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [101012.01].</p>	<p>The MDO will look into its lateness policy specific to sanctions for violating said policy.</p>

City of Philadelphia  
Police Department\*  
Findings and Recommendations  
Fiscal Year 2015

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  
Richard Ross Jr., Commissioner  
Police Department  
314 Police Headquarters  
8<sup>th</sup> and Race Streets  
Philadelphia, PA 19106

Appropriations:  
General Fund \$592,069,804  
Grants Revenue Fund 25,967,085  
Aviation Fund 14,834,353  
Capital Fund 32,358,000  
Total Appropriations \$665,229,242

Estimated Revenues:  
Non-Tax Revenue \$ 4,270,000  
From Other Governments 26,042,000  
Total Estimated Revenues \$30,312,000

Number of Full Time Employees:  
Civil Service - Uniformed 6,453  
Civil Service - Civilian 781  
Exempt - Civilian 6  
Total Employees 7,240

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank reconciliations have not been performed in a timely manner.</u> Of the ten bank reconciliations tested during fiscal year 2015, we noted that seven were prepared over thirty days after the end of the month.</p>	<p>Failure to perform monthly bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank reconciliations are timely prepared in accordance with standard accounting procedures of the city’s Finance Office [101115.01].</p>	<p>The position (Account Payable Supervisor) that prepares the petty cash reconciliations was vacant during first quarter of FY15. Since learning of the 30 day requirement of the SAP’s, all Petty Cash Bank Reconciliations have been completed within the required time frame.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Daily attendance record postings were not always properly authorized.</u> The Police Department uses its computerized Daily Attendance Report (DAR) System to maintain the daily payroll attendance records for all agency personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, of fifteen sampled police officers, our review of fiscal 2015 DAR System records found 34 instances when DAR entries were not approved by a unit supervisor. Also, for these fifteen officers, we noted 44 occurrences when the same Police Department employee both entered and approved the attendance information about the officers in the DAR System.</p>	<p>Errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate incompatible duties also provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll. Ultimately, employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Instruct unit personnel as to the proper procedures to be followed when processing DAR entries. Additionally, establish a centralized monitoring procedure where designated personnel would receive a report of all DAR entries not approved and follow up with all non-complying units. Lastly, the duties of entering payroll data into the DAR System should be segregated from the duties of performing supervisory reviews and approvals. A possible solution would be to reprogram the system so that the individual performing data entry could not also sign-off as the supervisor [101113.01].</p>	<p>A memorandum on the police payroll approval directive is sent to all commanders annually. While our Police Directive does not require segregating duties of entering and certifying DARs, we understand your recommendation to reprogram the system so that the individual performing data entry cannot also certify as the supervisor. While we believe this can be done programmatically, we do not feel it will work operationally, due to the difficulties of supervisor availability.</p>

City of Philadelphia  
 Department of Streets\*  
 Findings and Recommendations  
 Fiscal Year 2015

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 statues, ordinances, and regulations for maintaining the cleanliness of city streets; developing regulations governing traffic and parking as authorized by statue or ordinance; and performing all surveying functions for the city.

<u>Name and address of agency head</u> Michael Carroll, Commissioner Department of Streets Municipal Services Building, 7 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$116,866,689 County Liquid Fuels Tax Fund 4,950,000 Special Gasoline Tax Fund 26,400,000 Grants Revenue Fund 30,818,111 Capital Fund <u>292,423,000</u> Total Appropriations <u>\$471,457,800</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$24,076,000 From Other Governments <u>69,758,000</u> Total Estimated Revenues <u>\$93,834,000</u>	<u>Number of Full Time Employees:</u> Civil Service 1,657 Exempt <u>7</u> Total Employees <u>1,664</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE</b></p> <p><u>Formal written procedures for the processing of revenues do not exist.</u> The agency does not have formal written procedures that describe the processes over the collection, timely deposit, and recording of collections in the accounting records.</p>	<p>Failure to establish formal written procedures for the collection and recording of revenues could create ambiguity about the proper procedures to be followed. Errors such as the misstatement of revenues and misappropriation of assets could occur in the processing of revenues.</p>	<p>Create and maintain formal written procedures that describe the process over the collection, timely deposit, and recording of collections in the accounting records [101215.01].</p>	<p>Streets will establish formal written procedures for the processing of revenues.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payments made to a separated employee were not recovered by the agency.</u> Our testing revealed a separated employee remained on the city's payroll and continued to be paid leave time for three pay periods after his termination date. Additionally, the agency did not file the paperwork to recover the erroneous payments.</p>	<p>The separated employee was erroneously paid \$2,598.</p>	<p>Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment of wages paid to the separated employee [101215.02].</p>	<p>Implemented.</p>
<p><u>City sick leave policy was not enforced.</u> Four of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency did not issue the required eighth-day warning letter to three employees informing them they were being placed on the excessive use of sick leave list. In addition, we noted that one employee was issued the required eighth-day letter four months after reaching his eighth uncertified sick day.</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 occurrence. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101215.03].</p>	<p>Streets is establishing an internal auditing process to ensure the City's sick leave policy is properly followed throughout the Department.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fourth consecutive year, we are reporting that employee overtime was not authorized.</u> Overtime was paid without evidence that management had approved the requests. The agency could not provide us with approved authorization forms for any of the five employees we tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax 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 properly approved in writing by supervisory personnel [101211.01].</p>	<p>Streets employees performing curbside collection and roadway maintenance and repair work are solicited for overtime work verbally while in the field as required, precluding any formal pre-approved documentation. An established multi-step supervisory review and verification process is in place however which requires timesheets to be signed and approved by supervisors and subsequently authorized by senior management.</p>
<p><u>For the fifth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal leave requests for three of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101210.01].</p>	<p>Streets is establishing an internal auditing process to ensure documented supervisory review and approval of leave requests throughout the Department.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Recommendation	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the nine civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101213.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Fire Department\*  
Findings and Recommendations  
Fiscal Year 2015

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

<u>Name and address of agency head</u> Adam Thiel, Commissioner Philadelphia Fire Department 240 Spring Garden Street Philadelphia, PA 19123	<u>Appropriations:</u> General Fund                   \$206,719,308 Grants Revenue Fund        15,464,293 Aviation Fund                 6,726,366 Capital Fund <u>12,283,000</u> Total Appropriations <u>\$241,192,967</u>	<u>Estimated Revenues:</u> Non-Tax Revenue             \$38,100,000 From Other Governments <u>15,264,000</u> Total Estimated Revenues <u>\$53,364,000</u>	<u>Number of Full Time Employees:</u> Civil Service – Uniformed   2,234 Civil Service - Civilian       102 Exempt - Civilian <u>8</u> Total Employees <u>2,344</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE</b></p> <p><u>Reported Emergency Medical Services (EMS) fee collection amounts do not agree to the city's accounting records.</u> EMS fee collection reports, submitted by a contractor hired by the Fire Department to perform EMS billings and collections, do not reconcile with the amounts recorded in the city's accounting system. For the five months tested, we noted differences totaling \$311,522.</p>	<p>Failure to reconcile EMS fees collected by the contractor to the city's accounting records may result in the understatement and loss of revenue.</p>	<p>The EMS fees collected by the contractor should be reconciled to the city's centralized accounting system (FAMIS) [101315.01].</p>	<p>Reported Emergency Medical Services fees did not agree to the City's accounting records because the current month's collections were validated the following month and so on; any validations not made in the same month as the collections will cause a variance in that month. Additionally some EMS collections were erroneously deposited</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p><b>(continued)</b></p> <p>to the account associated with the Department of Public Health. Any collections not properly validated will not be reported as income in the City's accounting system in the correct month it was earned. PFD, however, uses the monthly reports the EMS billing contractor provides to reconcile against bank statements from the account where most of the EMS revenue is being deposited.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> A properly prepared reconciliation should account for the timing differences between the EMS fee collection reports and the amounts recorded in the city's accounting system.]</p>
<p><u>Formal written procedures for the processing of EMS fees do not exist.</u> The agency does not have formal written procedures that describe the process over the collections, deposit, and recording of EMS revenues in the city's accounting records.</p>	<p>In the absence of written procedures, there is a risk that EMS fees collected by the contractor may be incorrectly processed and not recorded.</p>	<p>Create and maintain formal written procedures that describe the process over the collection, deposit, and recording of EMS revenues in the city's accounting records [101315.02].</p>	<p>Formal written procedures were not in place due to the EMS billing contractor being fairly new and the procedures are still being determined. The Philadelphia Fire Department will be establishing written procedures by the end of Fiscal Year 2017.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy still was not enforced.</u> One employee, who had eight or more undocumented sick days, was not placed on the excessive use of sick leave list. This employee continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. We also noted that the agency did not issue fifth-day warning letters to four employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [101313.01].</p>	<p>The Philadelphia Fire Department (PFD) shares the perspective that enforcement of the sick leave policy is an important means of curtailing arbitrary and excessive use of sick time. Vacancies prevented timely and consistent enforcement. PFD is working on building capacity in its Human Resources area and will renew its efforts with respect to sick leave policy enforcement.</p>
<p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective action.</p>	<p>Require the preparation of annual employee evaluations for all civil services employees by supervisory personnel and monitor compliance for follow-up and resolution [101312.01].</p>	<p>PFD's reports are due annually November 1<sup>st</sup> and roughly 80% of reports were prepared for members in 2015. Receipt, recording and filing of 2500+ annual reports presented a challenge for PFD Human Resources; who experienced significant staff turnaround this auditing period. Vacancies are being filled and PFD will continue to communicate the importance of preparing, issuing and submitting annual performance reviews, with a goal of a 100% completion rate.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Follow-up on unbilled emergency medical services was still not performed.</u> The previous audit disclosed that 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. Our current review found that management had still not corrected this condition.</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>Implemented.</p>

City of Philadelphia  
 Department of Public Health\*  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

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

Name and address of agency head  
 Thomas Farley, MD, MPH  
 Health Commissioner  
 Department of Public Health  
 Room 600 Municipal Services Bldg.  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102-1679

Appropriations:

General Fund	\$114,492,683
Grants Revenue Fund	79,514,657
Acute Care Hospital Fund	162,191,680
Capital Fund	<u>29,275,000</u>
Total Appropriations	<u>\$385,474,020</u>

Estimated Revenues:

Non-Tax Revenue	\$ 15,274,000
From Other Governments	<u>136,561,000</u>
Total Estimated Revenues	<u>\$151,835,000</u>

Number of Full Time Employees:

Civil Service	794
Exempt	<u>12</u>
Total Employees	<u>806</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the nine petty cash bank and fund reconciliations tested during fiscal year 2015, we noted five bank reconciliations and three fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101415.01].</p>	<p>The department has implemented process improvements. The department properly signed original documents in a timely manner but inadvertently maintained unsigned copies for the record. The department resubmitted signed documents, which were lost in transit at a later date. Because the signed copies were unavailable, the department submitted the documents using the date of resubmission.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Petty cash disbursements lacked proper supporting documentation.</u> During our review of the agency's petty cash records, we noted an instance where the agency reimbursed an employee \$100 for training without a receipt from the employee verifying that the employee paid for the courses.</p>	<p>Failure to obtain the proper supporting documentation for petty cash disbursements increases the risk that petty cash funds could be used for unauthorized purposes.</p>	<p>Management should ensure that all petty cash disbursements are supported by proper documentation in accordance with standard accounting procedures of the city's Finance Office [101415.02].</p>	<p>The department acknowledges the finding and has started implementing the policy as defined here.</p>
<p><u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> The agency did not properly submit to the city's Finance Office the required documentation to update the city's records that its petty cash custodian changed. According to standard accounting procedures of the city's Finance Office, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [101415.03].</p>	<p>The department submitted a Petty Cash Custodian Change Form to Finance on March 27, 2015. The outgoing petty cash custodian retired on March 20, 2015. In the future, the department will improve processes to address this finding.</p>
<p><u>Petty cash bank reconciliations were improperly prepared and included long outstanding checks.</u> During our review of the agency's petty cash records, we noted amounts for banking fees and other miscellaneous charges recorded on bank reconciliations that did not appear on the monthly bank statements corresponding to the ten bank reconciliations we tested. It appeared that these amounts were being erroneously carried forward from month to month, even though there is no supporting documentation for them. We also noted that the list of outstanding checks, which is also used to prepare the monthly bank reconciliations, contains checks dated between October 2005 and January 2014, in the amount of \$10,779.06.</p>	<p>Failure to properly prepare the monthly bank reconciliations and carrying old outstanding checks increases the risk that errors or irregularities may have occurred and remain undetected. Also, failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law.</p>	<p>Management should research the source of the bank fees and other charges in order to arrive at the correct fund balance [101415.04]. We also recommend management place a stop order on the outstanding checks over one year old, and draw a transfer check payable to the City of Philadelphia Unclaimed Monies Fund, in accordance with standard accounting procedures of the city's Finance Office [101415.05].</p>	<p>The department acknowledges the finding and continues to perform extensive research and reconciliation activities to identify and resolve issues that predate the current staff.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for two of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101415.06].</p>	<p>Documentation to support employee leave time is mandated by department policy and annual reminders are sent to employees. The department takes this matter seriously and has recognized that this has been challenging. We are in the process of implementing new data software, which will provide tremendous support to track leave time for employees as well as send alerts to supervisors to notify them of supporting documentation required for all requests for leave time.</p>
<p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for two of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101415.07].</p>	<p>Fiscal year 2015 was a transition year with major changes in both administration as well as key personnel in the department beginning with pivotal positions (Health Commissioner, HR Director, 2 Deputy Commissioners, and 2 Division Director positions, along with several Program Managers) leaving through DROP or retirement. This precipitated some evaluations not being completed as staff replacements were unable to effectively evaluate the staff they had just recently acquired through the transition. This has been corrected for the current year and will be closely monitored going forward to ensure improvement in future years.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was not enforced.</u> Three of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency did not issue the required eighth-day notification letter to two employees informing them they were being placed on the excessive use of sick leave list. The agency was also unable to provide a fifth day warning letter for one of the five employees selected for testing.</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 occurrence. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101415.08].</p>	<p>Responsibilities for ensuring that the department's Sick Leave Policy is being adhered to has been reassigned to the payroll unit within the Human Resources Office as a more efficient way of tracking this information. They have the ability to generate monthly reports to capture all undocumented sick leave in a timely manner to ensure employees are placed promptly on the sick abuse or frequent use of sick leave list. Previously there was a lag time in reporting and matching leave slips with doctors' notes or other authorizations for leave use.</p>
<p><u>The agency's lateness policy still did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours. However, the document neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [101410.06].</p>	<p>The department concurs with the recommendation and will begin to compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness along with progressive sanctions for violations of the said policy [101410.06].</p>

City of Philadelphia  
 Department of Behavioral Health and Intellectual Disabilities Services  
 Findings and Recommendations  
 Fiscal Year 2015

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.

<u>Name and address of agency head</u> Arthur C. Evans, Jr., Ph.D., Commissioner Department of Behavioral Health and Intellectual Disabilities Services 1101 Market Street, 7 <sup>th</sup> Floor Philadelphia, PA 19107	<u>Appropriations:</u> General Fund                   \$ 13,832,747 Grants Revenue Fund        254,866,618 Health Revenue Fund <u>932,552,000</u> Total Appropriations <u>\$1,201,251,365</u>	<u>Estimated Revenues:</u> Non-Tax Revenue               \$ 1,500,000 From Other Governments <u>1,139,918,000</u> Total Estimated Revenues <u>\$1,141,418,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                   213 Exempt <u>14</u> Total Employees <u>227</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was still not enforced.</u> The four employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. We also noted that the agency did not issue the required fifth-day warning letter or the eighth-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.</p>	<p>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 occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101512.01].</p>	<p>This year, Health HR reassigned this task to the payroll unit for closer monitoring of Health and DBHIDS. Monthly reports are being generated to capture all undocumented sick leave in a timely manner to ensure employees are placed promptly on the list.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fifth consecutive year, we are reporting documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for four of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].</p>	<p>Leave slips are mandated by Health and DBHIDS policy and annual reminders are sent to employees. At times, it becomes difficult to ensure all slips are returned in a timely manner and attached to the proper timesheet. Health HR is interested in eliminating leave slips entirely and using the timesheet as the document of record.</p>
<p><u>The agency's lateness policy did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours. However, it neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [101510.02].</p>	<p>DBHIDS, in concert with Health HR, will review operational needs and focus on developing a formal definition of lateness and progressive sanctions.</p>
<p><u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101510.04].</p>	<p>Regarding employee evaluations, a data base is being created by the Health HR office to ensure all reports are returned this year. The DBHIDS Commissioner and Administrative Services Director will receive a report of all outstanding performance evaluations for follow up with the respective unit.</p>

City of Philadelphia  
 Department of Parks and Recreation\*  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

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

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

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

Both the Philadelphia Museum of Art and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Department of Parks and Recreation for Fiscal Year 2015.

<u>Name and address of agency head</u> Kathryn Ott Lovell, Commissioner Department of Parks and Recreation 1515 Arch Street, 10 <sup>th</sup> Floor Philadelphia, PA 19102	<u>Appropriations:</u> General Fund                   \$ 51,813,537 Grants Revenue Fund        10,459,603 Capital Fund <u>179,752,000</u> Total Appropriations <u>\$242,025,140</u>	<u>Estimated Revenues:</u> Non-Tax Revenue             \$ 2,069,000 From Other Governments <u>11,100,000</u> Total Estimated Revenues    \$ <u>13,169,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                   617 Exempt <u>11</u> Total Employees <u>628</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations were not performed in a timely manner.</u> Five of the eight fund reconciliations we reviewed for both the administrative and program divisions' petty cash funds were not completed in a timely manner. In addition, three of the program division's petty cash bank reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101615.01].</p>	<p>The department agrees with the recommendation and will train staff on the importance of completing fund reconciliations timely.</p>
<p><u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the administrative and the program division's petty cash funds, dating back to 2004, totaling \$196.75, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more shall be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101615.02].</p>	<p>We agree with the recommendation and process for Unclaimed Monies. Moving forward fund custodians will develop a tracking system for long-term outstanding checks.</p>
<p><u>Duties for preparing and reviewing petty cash bank and fund reconciliations for the Commission on Parks and Recreation were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the employee who prepared the bank and fund reconciliations also approved them.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a responsible administrative employee to review and approve completed bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101615.03].</p>	<p>The department agrees and has separated the duties for all petty cash funds. The fund custodian does not complete bank and fund reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE</b></p> <p><u>Duties for processing revenues were not adequately segregated.</u> One employee handles all aspects of the revenue process: receiving, recording and depositing cash receipts.</p>	<p>Failure to segregate incompatible duties increases the opportunities for a person to perpetuate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the duties of receiving, recording and depositing revenues to separate employees [101615.04].</p>	<p>We agree with the recommendation and will separate the duties of receiving, recording and depositing checks.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entries were not adequately checked.</u> We noted that for two of the five sample employees tested, the daily attendance records did not agree to the on-line payroll system. In one instance, an employee was charged a vacation day when it should have been a funeral day. In another instance, the employee was charged a full day of compensatory time even though the employee worked a full day according to his sign in sheet.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101615.05].</p>	<p>The department will identify someone to complete spot checks as we add additional HR staff.</p>
<p><u>Employee attendance records are not properly used to document employee attendance.</u> We noted that employees are completing their weekly time reports before the time had actually been worked by the employees. Additionally, we noted the same time reports were authorized by the supervisor prior to the completion of the work week.</p>	<p>Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.</p>	<p>Require employees to contemporaneously complete their weekly time reports and instruct supervisors to authorize employee time at the completion of the work week [101615.06].</p>	<p>We agree and will remind supervisors to correctly authorize time reports.</p>
<p><u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved the requests. The agency could not provide approved overtime authorization forms for six of the forty sample dates selected for testing.</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 properly approved in writing by supervisory personnel [101613.02].</p>	<p>Overtime is approved by supervisory personnel. Moving forward payroll staff will remind supervisors to complete authorization forms in addition to any email authorizations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was still not enforced.</u> Three of the five employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These three employees continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted that the agency did not issue the eight-day notification letter informing three employees that they were being placed on the excessive use of sick leave list. In addition, the agency did not issue a fifth day warning letter to two employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy notification requirements, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101612.01].</p>	<p>We agree with the recommendation and will train new payroll staff and reinforce to experienced staff the for sick leave policy and enforcement procedures.</p>
<p><u>For the fourth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101611.01].</p>	<p>Moving forward the department will work with both labor unions to ensure a formal lateness policy is developed and adheres to civil service regulations and any revised contract language.</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency could not always provide formal approved leave requests for three of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101610.03].</p>	<p>Payroll staff will continue to work with supervisors and other department staffs to ensure approved leave slips are submitted.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Formal authorizations for separations from the payroll system could not always be provided by the agency.</u> For two of the four terminated employees we tested, the agency could not locate their Report of Separation in the Oracle System nor did they have a hard copy retained in the employees' personnel file.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Reports of Separation should be maintained on file, either electronically or as a hard copy, in the employee's personnel file [101613.01].</p>	<p>Implemented.</p>
<p><u>Attendance records (such as sign-in sheets or clock cards) could not always be provided.</u> For two of the seven employees tested, the agency could not provide a complete set of attendance records for the bi-weekly pay period.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting agency activities undermines the ability to effectively monitor and control department operations.</p>	<p>Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of department transactions [101613.03].</p>	<p>Implemented.</p>
<p><u>Employees still did not always sign daily attendance sheets in order of their arrival.</u> We observed several instances when employees were signing in and recording a start time on the daily attendance sheet earlier than the start time of the employees who had signed the sheet on the previous line.</p>	<p>Failure to require employees to sign in order of their arrival on the daily attendance sheet increases the risk that someone could be paid for time not actually worked.</p>	<p>Require all employees to sign the daily attendance sheets in order of their arrival [101611.02].</p>	<p>Implemented.</p>
<p><u>Employee evaluations still were not performed.</u> Annual employee performance ratings and suggestions for improvement were not routinely performed and documented by management. The agency could not provide a recent performance evaluation for five of the seven civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101610.04].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Public Property  
 Findings and Recommendations  
 Fiscal Year 2015

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, 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; assignment of space in city buildings to executive and administrative agencies; and supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city’s managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value. The amount reported as Estimated Non-Tax Revenue for FY 2015 includes \$700 million from the anticipated sale of the Philadelphia Gas Works. The sale did not take place.

<u>Name and address of agency head</u> Bridget Collins-Greenwald, Commissioner Department of Public Property City Hall, Room 790 Philadelphia, PA 19107	<u>Appropriations:</u> General Fund                   \$178,723,816 Water Fund                     3,959,919 Aviation Fund                 26,900,000 Capital Fund <u>26,131,000</u> Total Appropriations <u>\$235,714,735</u>	<u>Estimated Revenues:</u> Non-Tax Revenue             \$708,350,000 From Other Governments <u>18,000,000</u> Total Estimated Revenues <u>\$726,350,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                   167 Exempt <u>13</u> Total Employees <u>180</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for performing the petty cash fund reconciliations were not adequately segregated.</u> During our review of the petty cash records for the Department of Public Property’s Capital Program Division, we noted that the petty cash custodian also prepared the fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the fund reconciliation in accordance with standard accounting procedures of the city’s Finance Office [102015.01].</p>	<p>The Department will combine two divisions’ petty cash into one account and then having the employee who was left without a petty cash account to reconcile the consolidated account.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Monthly petty cash fund reconciliations had not been independently reviewed and approved.</u> During our review of the petty cash records for the Department of Public Property's Administration Division, we noted that the petty cash custodian also reviewed and approved the fund reconciliations.</p>	<p>Failure to independently review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.</p>	<p>Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.02].</p>	<p>The Department will combine two divisions' petty cash into one account and then having the employee who was left without a petty cash account to reconcile the consolidated account.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The agency was unable to provide a recent employee performance evaluation for two of the five civil service employees we tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102015.03].</p>	<p>Our department is working with the OHR who handles DPP's HR function to coordinate a more efficient system of tracking the completed performance reports so we can follow up in a timely manner to complete and file the delinquent reports.</p>

City of Philadelphia  
 Department of Human Services\*  
 Findings and Recommendations  
 Fiscal Year 2015

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  
 Cynthia Figueroa, Commissioner  
 Department of Human Services  
 1515 Arch Street, 8<sup>th</sup> Floor  
 Philadelphia, PA 19102

Appropriations:  
 General Fund \$ 98,338,951  
 Grants Revenue Fund 492,227,040  
 Total Appropriations \$590,565,991

Estimated Revenues:  
 Non-Tax Revenue \$ 9,355,000  
 From Other Governments 554,107,000  
 Total Estimated Revenues \$563,462,000

Number of Full Time Employees:  
 Civil Service 1,461  
 Exempt 67  
 Total Employees 1,528

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the twelve petty cash bank and fund reconciliations tested during fiscal year 2015 for the Department of Human Services’ Budget Division, we noted seven bank reconciliations and seven fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliation are timely prepared in accordance with standard accounting procedures of the city’s Finance Office [102215.01].</p>	<p>We acknowledge the delay in reconciliation of the petty cash accounts. The delay is primarily due to the fact that we received paper bank statements which do not arrive on a timely basis. During the next 30 days we will be setting up electronic statements with the bank. We believe that this will improve our ability to meet the monthly requirements.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for three of the six civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102212.01].</p>	<p>DHS will continue to enforce the requirement for completion of evaluations. A reminder will be sent to staff about the importance of completing evaluations. We will institute consistent tracking and a follow up process for those who are in danger of missing the deadlines for evaluations.</p>
<p><u>City sick leave policy still was not enforced.</u> Two of the six employees tested had eight or more undocumented sick days, but were not placed on the excessive use of sick leave list. These employees continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted the agency did not issue the eighth-day notification letter informing these employees that they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102212.02].</p>	<p>DHS HR will reorganize the manner by which the sick leave policy is enforced in HR. Previously, the responsibility for enforcement rested with one person. A change will be made to have a staff person in each payroll center enforce the policy. This will allow for consistent enforcement across all parts of the agency.</p>
<p><u>Daily attendance sheets were still not used contemporaneously.</u> Our testing of payroll records found that employees in two units were not consistently signing out and back in for lunch.</p>	<p>Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.</p>	<p>Require employees to contemporaneously sign the attendance sheets [102210.01].</p>	<p>DHS Deputy Commissioner for Admin and Management will send a memo to staff to remind them about the importance of signing in and out for lunch. Supervisors will be required to directly monitor.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fifth consecutive year, we are reporting that payroll data entry and supervisory and executive approvals of payroll time records entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for seventeen of the twenty periods tested. On another occasion, the same person also initiated entries to the system, thereby performing all three duties.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102210.02].</p>	<p>This action will stop immediately. There will be three levels of approval. The payroll supervisor, Deputy Commissioner for A and M and the Deputy Commissioner for Finance and Contracts / Director of Budget and Finance.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets. Our limited testing of randomly selected payroll entries disclosed an employee was not charged for three vacation days and a sick day.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102213.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia Prison System\*  
Findings and Recommendations  
Fiscal Year 2015

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  
Blanche Carney, Commissioner  
Philadelphia Prison System  
7901 State Road  
Philadelphia, PA 19136-3407

Appropriations:  
General Fund \$240,163,028  
Grants Revenue Fund 30,000  
Capital Fund 26,527,000  
Total Appropriations \$266,720,028

Estimated Revenues:  
Non-Tax Revenue \$ 450,000  
From Other Governments 585,000  
Total Estimated Revenues \$1,035,000

Number of Full Time Employees:  
Civil Service 2,283  
Exempt 3  
Total Employees 2,286

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide approved leave requests for one of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102313.02].</p>	<p>Prisons, as policy, requires leave request slip submission for leave time approval. The timecards are marked with absences. However, there are occasions when employees call out without submitting leave request slips upon their return. Staff Deployment Officers will be addressed to ensure leave request slips are collected when employees return from absences.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was not enforced.</u> Three of the eight employees we selected for testing, who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These three employees continued to be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed a one-day suspension after the second occurrence, and a three-day suspension after the third occurrence.</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 policy relies upon the continuous notifications to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [102313.03].</p>	<p>Corrective action has been taken to avoid error in not properly tracking and disciplining employees for sick abuse. An employee was recently hired to be the Prisons' main Sick Abuse Administrator to effectively ensure the Sick Abuse policy is fully enforced at all levels.</p>

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

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for four of the twenty pay periods tested in fiscal 2014. On another occasion, the same employee performed the supervisory level approval on the bi-weekly payroll entry he input into the on-line payroll system.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102313.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Homeless Services\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

The Office of Homeless Services (OHS), formerly known as the Office of Supportive Housing, was established to provide the leadership, planning, and resource mobilization to make homelessness in Philadelphia rare, brief and non-recurring. 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 OHS contracts. The overall goal of OHS is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OHS also operates Riverview, a personal care boarding home for low income people with physical or mental disabilities that require assistance with the activities of daily living. OHS is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity.

Name and address of agency head  
Elizabeth Hersh, Director  
Office of Homeless Services  
1030 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:  
General Fund \$43,613,828  
Grants Revenue Fund 48,224,530  
Capital Fund 4,532,000  
Total Appropriations \$96,370,358

Estimated Revenues:  
Non-Tax Revenue \$ 870,000  
From Other Governments 48,225,000  
Total Estimated Revenues \$49,095,000

Number of Full Time Employees:  
Civil Service 145  
Exempt 3  
Total Employees 148

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven bank and fund reconciliations reviewed, we noted that four bank reconciliations and three fund reconciliations were prepared over thirty days after the end of the month. In addition, we were unable to determine when three other fund reconciliations were prepared because the preparer did not sign or date them.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102415.01].</p>	<p>Bank reconciliations were previously done by an employee who was promoted to a different department near the end of FY15. OHS has since hired a new employee who has assumed the responsibilities of preparing bank reconciliations in a timely manner.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<b>PERSONAL SERVICES</b>			
<p><u>For the fourth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> While the agency had a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to include progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [102411.02].</p>	<p>Under the direction of the new Director, OHS is in the process of updating the employee handbook. The lateness policy will be updated to reflect specific sanctions for repeated lateness violations. Copies of the updated handbook will be distributed to all OHS employees. It is expected that this will be completed in FY17.”</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entry and supervisory and executive approvals of payroll time records entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly for eight of the forty-six pay periods tested. For another pay period, the individual that entered the payroll data into the on-line payroll system also perform the supervisory review.</p>	<p>Failing to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102411.01].</p>	<p>Implemented.</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>Implemented.</p>

City of Philadelphia  
Office of Fleet Management  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

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

Appropriations:

General Fund	\$59,684,779
Water Fund	8,509,626
Aviation Fund	8,158,573
Capital Fund	<u>14,381,000</u>
Total Appropriations	<u>\$90,733,978</u>

Estimated Revenues:

Non-Tax Revenue	\$4,920,000
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Number of Full-Time Employees:

Civil Service	325
Exempt	<u>1</u>
Total Employees	<u>326</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>A petty cash purchase was split in an effort to evade the \$500 spending limit.</u> The agency circumvented the \$500 petty cash expenditure limit established by the Director of Finance, by splitting a \$2,000 payment into four payments of \$500, to replenish their EZ Pass account held with the Delaware River Port Authority.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city’s purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city’s Finance Office. In addition, management should contact the city’s Procurement Department to request approval for a direct purchase authorization to pay for such reoccurring expenditures in accordance with Procurement Department Directive #6 - Direct Purchase Authorization and Procedure [102515.01].</p>	<p>In order to keep sufficient funding in the Commercial EZ-Pass Account, OFM deposits sufficient funds which are necessary for OFM’s administrative and operational purposes. At present there are no other available forms of payment to replenish EZ-Pass Accounts. OFM is working with Finance to identify an efficient solution to the finding.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Petty cash disbursements lacked supporting documentation.</u> Fleet Management was unable to provide the EZ - Pass logs used to track and record the daily usage of EZ - Pass transponders used by Mayor's Office and Police Department vehicles.</p>	<p>Failure to obtain the proper supporting documentation for petty cash disbursements could lead to unauthorized EZ-Pass use and the expenditure of unnecessary taxpayer dollars.</p>	<p>Management should ensure all petty cash disbursements be supported by proper supporting documentation in accordance with standard accounting procedures of the city's Finance Office [102515.02].</p>	<p>OFM provides EZ-Pass support service to the Mayor's Office and Police Department. OFM will submit EZ-Pass usage statements to the departments on a quarterly basis during the fiscal year for review and approval. This process will begin first quarter FY2017.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for two of the six civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102513.01].</p>	<p>OFM will take measures to perform employee evaluations for all employees as per civil service regulation.</p>

City of Philadelphia  
 Department of Licenses and Inspections\*  
 Findings and Recommendations  
 Fiscal Year 2015

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  
 David Perri, Sr., Commissioner  
 Department of Licenses and Inspections  
 11<sup>th</sup> Floor, Municipal Services Building  
 1401 John F. Kennedy Boulevard  
 Philadelphia, PA 19102-1687

Appropriations:  
 General Fund \$28,155,202  
 Grants Revenue Fund 4,500,000  
 Community Development Fund 514,818  
 Total Appropriations \$33,170,020

Estimated Revenues:  
 Non – Tax Revenue \$50,095,000  
 From Other Governments 5,015,000  
 Total Estimated Revenues \$55,110,000

Number of Full Time Employees:  
 Civil Service 335  
 Exempt 8  
 Total Employees 343

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the petty cash fund reconciliation were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to perform fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102615.01].</p>	<p>This recommendation has been implemented. The duty of performing the petty cash fund reconciliation is now segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting personnel time in the field was still incomplete.</u> While management indicated to us that field employees use an electronic timekeeping system to track arrival, departure, and lunch times, management did not provide us with documentation to support this. In addition, management does not require central and district office employees to complete a field destination sheet that would provide information on the employee's location, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [102613.01].</p>	<p>The Department will implement the recommendation to require that employees complete destination sheets to record their whereabouts in the field.</p>
<p><u>City sick leave policy was still not enforced.</u> Three of the eight employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, and a three-day suspension after the third occurrence. L&amp;I also could not provide fifth day warning letters or eight day notification letters for three of the eight employees tested.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102612.02].</p>	<p>This recommendation will be implemented. The Department will continue to enforce the citywide sick leave policy.</p>

City of Philadelphia  
Philadelphia Water Department\*  
Findings and Recommendations  
Fiscal Year 2015

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> Debra McCarty, Commissioner Philadelphia Water Department ARAMARK Tower, 5 <sup>th</sup> Floor 1101 Market Street Philadelphia, PA 19107	<u>Appropriations:</u> Water Fund \$ 354,785,700 Water Residual Fund 29,194,000 Capital Fund <u>917,721,000</u> Total Appropriations <u>\$1,301,700,700</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$ 38,740,000 From Other Governments 850,000 From Other Funds <u>109,656,000</u> Total Estimated Revenues <u>\$149,246,000</u>
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<u>Number of Full Time Employees:</u>	
Civil Service	1,963
Exempt	<u>9</u>
Total Employees	<u>1,972</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102815.01].</p>	<p>At the time of the audit, the duties relating to the Administration petty cash fund was assigned on a temporary basis, until a permanent replacement for the custodian was determined (contingent on the hiring of additional staff). As of Aug. 2015, the petty cash duties have been permanently assigned and the proper paperwork has been submitted to the city's Finance Office.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the monthly bank and fund reconciliations for the Operations and Information Technology petty cash funds.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102815.02].</p>	<p>PWD's petty cash funds (accounts) are under the administration and management of various PWD units. We have provided the custodians and management of the petty cash funds with the proper procedures concerning the segregation of duties.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Our review of the agency's petty cash records indicated that eight checks outstanding for more than one year totaling \$1,695 were not deposited into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2., requires all moneys that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia - Unclaimed Monies Fund, for the sum of all checks outstanding for over one year, in accordance with standard accounting procedures of the city's Finance Office [102815.03].</p>	<p>In accordance with the City's unclaimed money policy, a letter must be sent to the payee to ascertain the reason the check has not been cashed. At the time of the audit, letters had been sent to the various payees and we were awaiting the responses in order to proceed properly.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide approved leave requests for any of the six employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize employee 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 [102815.04].</p>	<p>For six employees selected for testing, the leave time taken did not require advanced notification of leave request. Employees tested utilized a combination of Administrative, Vacation, and Certified Sick Leave. Departmental procedures allow for Vacation leave requests and approvals to be submitted via email and on occasion verbally.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p><b>(continued)</b></p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The Water Department's policy is not in accordance with the standard accounting procedures of the city's Finance Office. A verbal request or an e-mail notifying an employee's supervisor that they are taking paid leave is not a properly approved leave request. The agency was unable to provide auditors with documentation that the employee's supervisor approved the employee's paid leave time nor did they provide auditors with documentation from the city's Finance Office that they are exempt from following city policy.]</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. Of the 11 employees selected for testing, we noted three employees with errors in shift pay differential and overtime hours worked. In one instance, an employee was erroneously charged a sick day after working a full day.</p>	<p>Systematic 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 the payroll preparation process to spot check data entries by referencing back to the daily attendance records. In addition, this process should be documented [102815.05].</p>	<p>Management recognizes the need for an independent review of the payroll preparation and postings. Procedures and processes are being developed to address this condition.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the eleven civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective action.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102812.01].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Records\*  
 Findings and Recommendations  
 Fiscal Year 2015

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.

<u>Name and address of agency head</u> James Leonard, Commissioner Department of Records Room 160 City Hall Philadelphia, PA 19107	<u>Appropriations:</u> General Fund                   \$4,546,317 Capital Fund <u>640,000</u> Total Appropriations <u>\$5,186,317</u>	<u>Estimated Revenues:</u> Non-Tax Revenue <u>\$30,450,000</u>
		<u>Number of Full Time Employees:</u> Civil Service                    54 Exempt <u>2</u> Total Employees <u>56</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Recommendation
<p><b>REVENUE</b></p> <p><u>Payments received via check are not adequately protected against loss.</u> Checks received by the department were not restrictively endorsed “For Deposit Only to the City of Philadelphia.”</p>	<p>Failure to restrictively endorse checks needlessly exposes the agency to the risk of loss in the event that checks are lost, misplaced, or stolen.</p>	<p>Restrictively endorse all checks for deposit only to the City of Philadelphia immediately upon receipt [103115.01].</p>	<p>In December 2015, the Department of Records upgraded its cashiering and receipting system. The Department of Records’ automated system now endorses checks “For Deposit Only to the City of Philadelphia” when they are cashed. While there can be a processing delay between receipt and cashiering, DOR will pursue strategies to eliminate and delay in placing the restrictive endorsement.</p>

City of Philadelphia  
Office of the Director of Finance and Sinking Fund Commission  
Findings and Recommendations  
Fiscal Year 2015

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 Office of the Director of Finance supports a number of department divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor’s Office of Grants, and the Administrative Systems Modernization project (OnePhilly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The office of the Director of Finance established a dedicated administrative service center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Youth Commission, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the agency. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director whose salary is budgeted in the Office of the City Treasurer.

Name and address of agency head

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

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

Appropriations:

**Finance**

General Fund	\$1,955,352,533
Water Fund	109,532,696
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	200,000,311
Aviation Fund	61,021,327
Community Development Fund	24,107,582
Acute Care Hospital Fund	336,320
Capital Fund	<u>33,420,000</u>
Total Finance	<u>2,384,770,769</u>

**Sinking Fund Commission**

General Fund	\$247,795,565
Water Fund	213,189,924
Aviation Fund	149,463,357
Car Rental Tax Fund	<u>6,000,000</u>
Total Sinking Fund	<u>616,448,846</u>

Total Appropriations \$3,001,219,615

Estimated Revenues:

**Finance**

Non-Tax Revenue	\$16,693,000
From Other Governments	705,541,000
Revenue From Other Funds	<u>23,800,000</u>
Total Estimated Revenues	<u>\$746,034,000</u>

Number of Full Time Employees:

**Finance**

Civil Service	90
Exempt	<u>82</u>
Total Employees	<u>172</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE</b></p> <p><u>The Code Violations Unit of the Office of the Director of Finance was using an incomplete Policy &amp; Procedures Manual for processing payments.</u> Although the manual was updated in November 2014, it still does not include procedures for processing customer on-line credit card payments.</p>	<p>There is a risk that on-line payments may be incorrectly processed in the absence of written procedures.</p>	<p>We recommend that the Code Violations Unit update their Policy &amp; Procedures Manual to include procedures for processing on-line credit card payments [103513.01].</p>	<p>After the FY15 audit, the Code Violations Unit has updated the Policy &amp; Procedures Manual to include procedures for processing on-line credit card payments (Section 22 includes “pay by web”).</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103510.05].</p>	<p>We will explore the feasibility of a formal lateness policy.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not provide any approved leave requests for six of the nine employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize employee 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 city’s standard accounting procedures [103513.02].</p>	<p>Implemented.</p>

City of Philadelphia  
 Department of Revenue\*  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

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

<u>Name and address of agency head</u> Frank Breslin, Commissioner Department of Revenue Municipal Services Building, 6 <sup>th</sup> Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$22,103,231 Water Fund 15,361,371 Grants Revenue Fund 21,150,000 Acute Care Hospital Fund 45,000 Total Appropriations <u>\$58,659,602</u>	<u>Estimated Revenues:</u> Tax Revenue \$2,910,819,000 Non-Tax Revenue 616,201,000 From Other Governments <u>35,162,000</u> Total Estimated Revenues <u>\$3,562,182,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 538 Exempt <u>12</u> Total Employees <u>550</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide approved leave requests for all four of the five employees we tested that had used leave time during our sample test period.</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 [103615.01].</p>	<p>Management has implemented this recommendation in fiscal year 2016. We are continuously monitoring this process and reminders are sent to managers/supervisors to authorize leave requests.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>City sick leave policy was not enforced.</u> Four of the five employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. Specifically, employees continued to use and be paid for both certified and uncertified sick leave, which is a violation of the city's sick leave policy. In addition, the department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. Furthermore, the department could not provide us with the eighth-day notification letter informing the four employees that they were being placed on the excessive use of sick leave list nor could they provide the fifth day warning letter for all five employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103613.01].</p>	<p>Implemented.</p>
<p><u>Water billings for sheriff sale properties still were incorrect.</u> Our review of the Water Revenue Bureau's billing records disclosed the automated billing system failed to ensure that penalties, incurred prior to a sheriff sale, are not transferred to the new owner.</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>Implemented.</p>

City of Philadelphia  
Procurement Department\*  
Findings and Recommendations  
Fiscal Year 2015

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> Trevor J. Day, Commissioner Procurement Department 120 Municipal Services Bldg. 1401 John F. Kennedy Boulevard Philadelphia, PA 19102 - 1685	<u>Appropriations:</u> General Fund                   \$4,643,115 Water Fund <u>69,028</u> Total Appropriations        \$ <u>4,712,143</u>	<u>Estimated Revenues:</u> Non-Tax Revenues               \$775,000
		<u>Number of Full Time Employees:</u> Civil Service                     41 Exempt <u>5</u> Total Employees <u>46</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the fifth consecutive year, we reported that the agency's lateness policy did not establish progressive sanctions for violations of the policy.</u> While the department's lateness policy defines when an employee is considered late, it does not specify disciplinary actions for those employees who chronically report late to work.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for chronic violations of the policy [103810.04].</p>	<p>The Procurement Department worked with the Office of Human Resources to implement a new Attendance Policy. The Policy was made effective as of January 12, 2016.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee evaluations were still not recently performed.</u> The agency could not provide a recent performance evaluation for two of the seven civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104012.04].</p>	<p>Going forward CTO will work with Finance ASC to ensure that all Civil Service Employee performance reviews are completed on a timely basis.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Approved leave requests could not always be provided for four of the six employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city Finance Office [104012.01].</p>	<p>Implemented.</p>



Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee evaluations were still not recently performed.</u> The agency was unable to provide recent employee evaluations for four of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104113.01].</p>	<p>The OCR will prepare annual performance reports for the civil service employees in the department.</p>
<p><u>For the fifth consecutive year, we are reporting the agency's lateness policy does not establish progressive sanctions for violations of the policy.</u> While the written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines progressive sanctions for violations of the policy [104110.04].</p>	<p>The OCR will draft a revised lateness policy that includes progressive sanctions for policy violations. We will work with the Human Resources department to ensure that sanctions are in line with any union agreements that our civil servants are bound by (both DC 33 and DC 47).</p>

City of Philadelphia  
Office of the Director of Commerce\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head  
Harold T. Epps  
Director of Commerce  
1515 Arch Street – 12<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 19,004,637
Hotel Tax Fund	59,137,000
Grants Revenue Fund	12,574,316
Community Development Fund	9,428,761
Capital Fund	<u>134,441,000</u>
Total Appropriations	<u>\$234,585,714</u>

Estimated Revenues:

Non-Tax Revenue	\$ 374,000
From Other Governments	21,931,000
Hotel Room Rental Tax	<u>59,136,000</u>
Total Estimated Revenues	<u>\$81,441,000</u>

Number of Full Time Employees:

Civil Service	16
Exempt	<u>9</u>
Total Employees	<u>25</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the nine petty cash bank and fund reconciliations tested during fiscal year 2015, we noted nine bank reconciliations and four fund reconciliations were prepared over thirty days after the end of the month. In addition, we noted one fund reconciliation was never prepared.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104215.01].</p>	<p>The petty cash fund was so rarely used that several months had no transactions at all. That being said the Commerce Department agrees that the standards around timeliness and accountability should be followed and will ensure reconciliations are done within the standard time.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The petty cash custodian did not properly safeguard the petty cash fund.</u> During our review of the agency's petty cash records we noted that an individual, other than the authorized petty cash custodian, was responsible for the custodial duties including fund disbursement and check signing. In addition, this same individual was also responsible for preparing the monthly fund reconciliation.</p>	<p>Failure to properly safeguard the fund increases the risk that the petty cash fund is not secure or accounted for properly. In addition, failure to properly segregate cash custodial and fund reconciliation duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure that the petty cash custodian is responsible for disbursing petty cash funds. Additionally, someone other than the petty cash custodian should perform the monthly fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [104215.02].</p>	<p>This custodial issue was in the midst of several staff changes that led to short periods where the standard procedures were not in place. Going forward we have redoubled our efforts to ensure that there are more safeguards in place by having a separate custodian, approvers and reconciler who are all separate people so that accountability and standards are followed.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The agency could not provide a recent performance evaluation for three of the eight civil service employees tested in fiscal year 2015.</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 employee evaluations for all civil service employees by supervisory personnel [104215.03].</p>	<p>2 out of the 3 evaluations cited were due to a unit being transitioned to another department. Going forward the Commerce Department will ensure that all employee evaluations are completed in a timely manner by using a checklist and better communication with supervisors.</p>

City of Philadelphia  
Division of Aviation\*  
Findings and Recommendations  
Fiscal Year 2015

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  
Chellie Cameron, Chief Executive Officer  
Division of Aviation  
Philadelphia International Airport  
Terminal D, Third Floor  
Philadelphia, PA 19153

Appropriations:  
Aviation Fund \$ 168,324,000  
Capital Fund 1,208,531,000  
Total Appropriations \$1,376,855,000

Estimated Revenues:  
Non-Tax Revenues \$413,867,000  
From Other Funds 2,500,000  
From Other Governments 4,750,000  
Total Estimated Revenues \$421,117,000

Number of Full Time Employees:  
Civil Service 751  
Exempt 5  
Total Employees 756

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for catering services for a “Years of Service Award Ceremony.” Even though the city’s Finance Office approved the expenditure, city policy restricts the use of petty cash to “material or services necessary for the department to perform its function.” Historically, this policy has been interpreted to mean that petty cash cannot be used for personal expenses such as employee meals.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under standard accounting procedures of the city’s Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city’s Finance Office [104315.01].</p>	<p>In this instance, payment was inadvertently made from Petty Cash instead of the Airport Employee Fund. Going forward, staff will has been instructed to process all Years of Service or other employee events from the Airport Employee Fund.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u> Of the five employees tested, one employee was not penalized according to the city's Sick Leave Rules and Regulations after being placed on the excessive use of sick leave list. This employee continued to use and was paid for uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled the employee and imposed the applicable penalties: a one-day suspension after the second undocumented sick leave occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The agency was also unable to provide a fifth day warning letter for one of the five employees selected for testing.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [104313.01].</p>	<p>Since our last review, all HR staff were trained on the City's Sick Leave Rules and Regulations. This led to a decrease in the number of employees omitted from receiving warnings and placement notifications for exceeding the number of undocumented occasions in accordance with the policy. We will closely review attendance of employees on the Excessive Use of Sick Leave list and ensure the policy is enforced. We will also continue to familiarize HR staff on the Sick Leave Rules and Regulations by re-issuing the training materials and evaluating future training needs.</p>
<p><u>Employee evaluations were not recently performed.</u> The agency was unable to provide recent employee performance evaluations for three of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104310.01].</p>	<p>More frequent communication by the Airport's HR Unit regarding the necessity of performance evaluations and its due dates resulted in a 9% increase in FY 15 over FY 14. We will continue to emphasize the submission of timely employee evaluations.</p>

City of Philadelphia  
Law Department\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head  
Sozi Pedro Tulante, City Solicitor  
Law Department  
17<sup>th</sup> Floor, One Parkway Building  
1515 Arch Street  
Philadelphia, PA 19102

Appropriations:

General Fund	\$13,262,255
Water Fund	3,166,711
Aviation Fund	1,971,311
Community Development Fund	<u>154,637</u>
<b>Total Appropriations</b>	<b><u>\$18,554,914</u></b>

Estimated Revenues:

Non-Tax Revenue	\$800,000
From Other Governments	<u>155,000</u>
<b>Total Estimated Revenues</b>	<b><u>\$955,000</u></b>

Number of Full Time Employees:

Civil Service	33
Exempt	<u>173</u>
<b>Total Employees</b>	<b><u>206</u></b>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash fund reconciliations were not performed.</u> During fiscal year 2015, the agency did not perform seven petty cash fund reconciliations in the nine months we tested.</p>	<p>Failure to timely perform monthly fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104415.01].</p>	<p>Beginning in the 4<sup>th</sup> quarter of fiscal year 2015, the Admin Services Unit increased its compliance with the performance of monthly fund reconciliation in a timely manner and submitting them to City Finance on a monthly basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Monthly petty cash fund reconciliations have not been independently reviewed and approved.</u> Neither of the two petty cash fund reconciliations that were prepared during fiscal year 2015 were reviewed and approved by a supervisory level individual.</p>	<p>Failure to review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.</p>	<p>Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [104415.02].</p>	<p>It was an oversight that these two petty cash reconciliations were missing signatures denoting review and approval. It is procedure that a supervisor affixes a signature after reviewing and approving the monthly petty cash fund reconciliation to denote independent review and approval of the reconciliation.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Duties for processing personal services expenditures were not adequately segregated.</u> The employee who obtains and distributes paychecks also maintains the personnel folders, and approves employee appointments, terminations and rate changes.</p>	<p>Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Duties for processing personal services expenditures should be adequately segregated [104415.03].</p>	<p>There are only two HR employees; it is difficult to segregate the referenced duties. The Director of Admin, who does not perform any duties for processing personal service expenditures, regularly reviews payroll expenditures for errors and other irregularities.</p>
<p><u>City sick leave policy was still not enforced.</u> Of the ten employees tested, three employees reached eight undocumented sick days during calendar year 2015 and were not placed on the excessive use of sick leave list. These employees continued to use and were paid for uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second undocumented sick leave occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted that one of the employees was inappropriately paid for a holiday following one of the uncertified sick days. If the department properly applied the penalties, the employee would not have been in pay status the day before a holiday and therefore would not have been paid for the holiday.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [104413.01].</p>	<p>The former payroll clerk has since retired and we have a new payroll clerk who has been trained appropriately in these practices. Going forward, the Law Department will increase efforts to effectively administer the sick leave policy.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fourth consecutive year, documentation supporting and authorizing leave time was not routinely prepared.</u> The agency could not provide approved leave requests for four of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104411.02].</p>	<p>The Law Department requires leave requests from Exempt staff to be approved in advance in writing by obtaining supervisory approval via a Leave Request Form. Signature on the biweekly time-sheet and/or daily timecard has served as final approval of the leave time recorded in the document. Going forward, the Law Department will increase efforts to attach the form authoring leave time directly to the timesheet or timecard.</p>
<p><u>For the fifth consecutive year, payroll data entry, supervisory and executive approvals were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for three of the twenty pay periods tested. On two other occasions, the same employee performed the supervisory level approval on the payroll data they entered into the on-line payroll system.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104410.03].</p>	<p>To increase segregation of payroll data entry and approvals, a fourth staff person has been assigned to perform approvals. Therefore, three staff personnel are available to sign-off on payroll.</p>

City of Philadelphia  
Board of Ethics  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head

J. Shane Creamer, Jr., Esquire, Executive Director  
Board of Ethics  
1515 Arch Street, 18<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

General Fund                    \$1,000,000

Estimated Revenues:

Non-Tax Revenue                    \$103,000

Number of Full Time Employees:

Civil Service	3
Exempt	6
Total Employees	<u>9</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>An overage exists in the agency's petty cash account.</u> Our review of the agency's petty cash indicated an overage in the amount of \$139.10. Upon further review, we found that the overage was caused by an overdraft of the account, which was subsequently closed by the bank after the petty cash custodian deposited her own money into the account to bring the balance to zero. Additionally, the agency has petty cash reimbursements approved by Finance that are pending because the agency does not have an active bank account in which to deposit the funds.</p>	<p>Failure to reconcile the petty cash fund indicates that errors or irregularities have occurred and remain undetected, and may also indicate that the fund is not being properly handled.</p>	<p>We recommend that the agency open a bank account, in order to deposit the pending petty cash transactions, in accordance with standard accounting procedures of the city's Finance Office [104515.01]. In addition, management should ensure that its employees refrain from depositing personal funds to replenish or increase its petty cash fund, as required by the standard account procedures of the city's Finance Office [104515.02].</p>	<p>This observation is being addressed. The Finance Department is currently assisting Board staff to complete the pending petty cash transactions. The Board does not intend to maintain a petty cash account once this process is concluded. Even though the Board will not maintain a petty cash account, its employees have been instructed about the requirements of standard Finance Office account procedures (104515.02) concerning a petty cash account.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not authorized.</u> Overtime was paid without evidence that the employee's request was approved. The agency was unable to provide approved overtime authorization forms for four of the five employees (fourteen sample dates) tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104515.03].</p>	<p>While not required for its exempt employees, the Board understood that it was advisable to use signed "authorization slips" for compensatory time for its exempt employees and use of such "slips" had already begun.</p>

City of Philadelphia  
Philadelphia Youth Commission\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head  
Ricardo Calderon, Executive Director  
Philadelphia Youth Commission  
1401 John F. Kennedy Boulevard  
16<sup>th</sup> Floor, Room G  
Philadelphia, PA 19102

Appropriations:  
General Fund            \$140,080

Estimated Revenues:            \$ -0-

Number of Full Time Employees:  
Exempt                                    2

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

City of Philadelphia  
Office of the Inspector General  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

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

Appropriations:  
General Fund                   \$1,524,569  
Grants Revenue Fund        13,884  
Total Appropriations        1,538,453

Estimated Revenues:  
From Other Governments        \$14,000  
  
Number of Full Time Employees:  
Exempt                                    18

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll time records were not always checked to ensure that separated employees were removed from the payroll system.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for ten days after their termination date. The agency discovered the error and was able to deduct the overpayment from the employee's termination pay.</p>	<p>Errors occurred and were not detected by the agency during the normal process of preparing the bi-weekly payroll. This resulted in the erroneous bi-weekly payroll payment to a separated employee.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [104815.01].</p>	<p>Management has implemented this recommendation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For four of the twenty pay periods we tested in fiscal year 2015, the same person performed both the supervisory and executive level approvals of payroll. For one of these periods, the same person also initiated entries to the system, thereby performing all three duties. Additionally, we noted the same individual performed supervisory approval on the payroll data they entered into the on-line payroll system for two pay periods.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104812.01].</p>	<p>Management has implemented this recommendation.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Approved leave requests could not be provided for three of the six employees tested.</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 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 [104813.01].</p>	<p>Implemented.</p>
<p><u>Certain payroll preparation duties were not adequately segregated.</u> The person posting payroll to the on-line payroll system was also the same person obtaining the paychecks/stubs from the Treasurer's Office and distributing the paychecks to employees.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Someone independent of payroll preparation should obtain the paychecks/stubs from the Treasurer's Office and distribute paychecks [104813.02].</p>	<p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Expenditure file documentation did not include evidence of the receipt of goods and services.</u>                      During our test of expenditures we noted the OIG did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services.</p>	<p>Failure to maintain original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as receiving reports, in order to support the validity of department transactions [104812.03].</p>	<p>Implemented.</p>
<p><u>Duties for processing purchases and expenditures are not adequately segregated.</u>                      One individual is fully or partially responsible for preparing and approving requisitions, approving invoices, and authorizing payments for goods and services.</p>	<p>Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the functions of approving purchase requisitions and invoices, and authorizing payments to separate employees [104811.02].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia City Planning Commission  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head

Gary Jastrzab, Executive Director  
Philadelphia City Planning Commission  
One Parkway Building  
1515 Arch Street, 13<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

General Fund	\$2,272,534
Grants Revenue Fund	611,573
Community Development Fund	<u>280,000</u>
Total Appropriations	<u>\$3,164,107</u>

Estimated Revenues:

Non-Tax Revenues	\$179,000
From Other Governments	<u>714,000</u>
Total Estimated Revenues	<u>\$893,000</u>

Number of Full Time Employees:

Civil Service	32
Exempt	<u>2</u>
Total Employees	<u>34</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105115.01].</p>	<p>Due to the ASD retiring and the administrative assistant transferring, one employee was performing the petty cash duties. Two employees are being trained to handle these duties and will allow for the separation of duties concerning petty cash.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the twelve petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that four bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105115.02].</p>	<p>Due to the ASD retiring and the administrative assistant transferring, there were delays in submitting reconciliations. Reconciliations will be submitted monthly in accordance with standard accounting procedures.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$140 were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. E-4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for one year, in accordance with standard accounting procedures of the city's Finance Office [105115.03].</p>	<p>Long outstanding checks have been deposited into the city's Unclaimed Monies Fund.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<b>PERSONAL SERVICES</b>			
<p><u>Payroll data entry, supervisory and executive approvals were not always segregated.</u> For fifteen of the twenty pay periods tested during fiscal year 2015, we noted the same individual performed supervisory approval on the payroll data they entered into the on-line payroll system. In addition, the same employee performed the supervisory and executive level approvals of the bi-weekly payroll for four pay periods.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105110.04].</p>	<p>PCPC has a very limited number of authorized payroll signers. When payroll needs to be signed off and one or more signers are unavailable, a signer may need to sign off for two levels.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was still not enforced.</u> Four of the five employees tested who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted the agency did not issue the eighth-day notification letter informing the four employees that they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [105110.03].</p>	<p>Implemented.</p>

City of Philadelphia  
The Free Library of Philadelphia  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$37,758,328
Grants Revenue Fund	8,523,461
Capital Fund	<u>16,126,000</u>
Total Appropriations	<u>\$62,407,789</u>

Estimated Revenues:

Non-Tax Revenue	\$ 1,484,000
From Other Governments	<u>8,523,000</u>
Total Estimated Revenues	<u>\$10,007,000</u>

Number of Full Time Employees:

Civil Service	655
Exempt	<u>1</u>
Total Employees	<u>656</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>REVENUE</b></p> <p><u>Revenue was not recorded in the proper fiscal period.</u> Library fine revenue received during fiscal year 2014 was not validated and recorded in the city's accounting system until fiscal year 2015.</p>	<p>Revenue recorded in fiscal year 2015 was overstated by \$23,000.</p>	<p>Management should determine what caused the Library fine revenue to be incorrectly recorded and take appropriate corrective action to prevent such errors from occurring in the future [105215.01].</p>	<p>Upon investigation, it was confirmed that the deposit was posted to the accounting records on 7/3/14 which caused it to be included in FY '15 revenue. Management will re-emphasize to staff the importance of making deposits in a more timely manner.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved the requests. The agency could not provide overtime authorization forms for twenty of the twenty-five sample dates selected for testing.</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 properly approved in writing by supervisory personnel [105215.02].</p>	<p>The Human Resources Department implemented the Controller's recommendation in FY '16. These changes should be reflected in next year's findings.</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency was unable to provide formal approved leave requests for any of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105211.01].</p>	<p>The Human Resources Department implemented the Controller's recommendation in FY '16. These changes should be reflected in next year's findings.</p>
<p><u>The agency's lateness policy did not establish progressive sanctions for violations.</u> While the department had a written lateness policy, the policy did not establish sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [105211.03].</p>	<p>The Human Resources Department will implement the Controller's recommendation in FY '17.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy still was not enforced.</u> All five employees tested had eight or more undocumented sick days, however only two employees were placed on the excessive use of sick leave list and none were penalized in accordance with the city's sick leave policy. These employees continued to use and be paid for certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, and a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted that the agency did not issue the required fifth-day warning letter or the eight-day letter informing them that they were being placed on the excessive use of sick leave list for four of the five employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy notification requirements, and any subsequent sanctions set forth in the policy, be adopted and enforced by management [105210.02].</p>	<p>The Human Resources Department implemented the Controller's recommendation in FY '16. These changes should be reflected in next year's findings.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that six bank reconciliations and five fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105415.02].</p>	<p>Implemented.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not authorized by supervisory personnel.</u> We noted that there was no supervisory signature indicating approval of the individual employee bi-weekly attendance records for two of the eight employees we tested.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [105415.03]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [105415.04].</p>	<p>Implemented. As of 2/29/16 Supervisors review and approve the timesheets for their respective divisions. The payroll unit is also reviewing the attendance sheets on a daily basis to ensure that approval was obtained.</p>
<p><u>Payroll data entry and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> For seven of the twenty pay periods tested in fiscal year 2015, the same employee performed both the supervisory and executive level approvals in the on-line system. In addition, for two pay periods, the same person entered the payroll data and performed the supervisory review.</p>	<p>Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105410.03].</p>	<p>Implemented. The Clerical Supervisor inputs data. The Administrative Officer performs the Supervisory level review. And, the Executive Director performs the Executive level review. Due to our small staff size, when one of the three cited staff is out of the office, the other two must perform multiple duties so that payroll can be completed. We are also in the process of obtaining approval for our Deputy Director of Compliance to sign off at a supervisory/executive level as a backup.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Duties for processing personal services expenditures were not adequately segregated.</u> The same person who approves the daily attendance records also performs the on-line supervisory level approval of the payroll entries in the on-line payroll system.</p>	<p>Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Duties for processing personal services expenditures should be adequately segregated [105412.02].</p>	<p>Implemented.</p>
<p><u>Employee evaluations were still not recently performed.</u> The agency could not provide a recent performance evaluation for five of the six civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105412.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Office of Human Resources and Civil Service Commission\*  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

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

Name and address of agency head

Pedro Rodriguez, Director  
Office of Human Resources  
Municipal Services Building, 15<sup>th</sup> Floor  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

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

Appropriations:

**Office of Human Resources**

General Fund \$5,724,218

**Civil Service Commission**

General Fund \$44,491,587

Estimated Revenues:

**Office of Human Resources**

Non-Tax Revenue \$2,000

Number Full Time of Employees:

**Office of Human Resources**

Civil Service 78  
Exempt 5  
Total Employees 83

**Civil Service Commission**

Civil Service 2

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																							
<p><b>PERSONAL SERVICES</b></p> <p>City sick leave policy was still not enforced. OHR did not always place employees of certain agencies within the Shared Services Program<sup>1</sup> on the excessive use of sick leave list when they reached eight undocumented sick days. Nor did they penalize those employees in accordance with the city's sick leave policy. We also noted OHR could not always provide us with documentation that it issued the required fifth day warning letter or the eighth day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list. Table 1 shows the policy was not always enforced for the following shared-services agencies:</p> <div data-bbox="176 683 705 743" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p><b>Table 1: Sick Leave Policy Not Enforced</b></p> </div> <table border="1" data-bbox="176 753 705 1253"> <thead> <tr> <th rowspan="2">City agency</th> <th colspan="3">Number of employees</th> </tr> <tr> <th>No 5<sup>th</sup> day warning letter</th> <th>No 8<sup>th</sup> day notification letter</th> <th>Sick abuse penalties not enforced</th> </tr> </thead> <tbody> <tr> <td>Innovation and Technology</td> <td>2</td> <td>1</td> <td>2</td> </tr> <tr> <td>Fleet Management</td> <td>0</td> <td>2</td> <td>2</td> </tr> <tr> <td>Human Resources</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Procurement</td> <td>2</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Source: Prepared by the Office of Controller</p>	City agency	Number of employees			No 5 <sup>th</sup> day warning letter	No 8 <sup>th</sup> day notification letter	Sick abuse penalties not enforced	Innovation and Technology	2	1	2	Fleet Management	0	2	2	Human Resources	1	1	1	Procurement	2	0	0	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [105612.01].</p>	<p>The Office of Human Resources agrees that enforcement of the policy is important and regrets these oversights.</p>
City agency		Number of employees																								
	No 5 <sup>th</sup> day warning letter	No 8 <sup>th</sup> day notification letter	Sick abuse penalties not enforced																							
Innovation and Technology	2	1	2																							
Fleet Management	0	2	2																							
Human Resources	1	1	1																							
Procurement	2	0	0																							

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

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for any of the four civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105615.01].</p>	<p>The Office of Human Resources agrees that annual evaluations are required by the Civil Service regulations and will enforce their completion.</p>
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared for some of the agencies within the Shared Services Program.</u> OHR could not provide authorized leave requests for three out of five employees tested for the Office of Fleet Management, and for three out of five employees tested in the Department of Public Property.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105612.02].</p>	<p>Supervisors periodically approve leave that was not requested in advance; The Office of Human Resources will post leave that is approved on the timesheet.</p>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> During our review of fiscal year 2015 payroll data, we noted that the Mural Arts Program, an agency within the Shared Services Program, failed to segregate bi-weekly payroll duties. The same employee performed both the data entry and supervisory approval for eleven of the twenty pay periods tested. In addition, the same employee performed both the supervisory and executive level approval for two pay periods.</p>	<p>Failing to segregate incompatible duties and combining multi-level reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105611.01].</p>	<p>The Office of Human Resources has changed its method of handling Mural Arts and will ensure that the duties are segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries still were not adequately checked.</u>                      There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets for both OHR and the Office of Mural Arts. Attendance records for two of five OHR employees and one of eight Mural Arts employees tested did not agree to the on-line postings. Additionally, we were unable to test the postings for one of the Mural Arts employees sampled because the agency was unable to provide the employee's attendance records.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [105611.02].</p>	<p>The Office of Human Resources has implemented this type of review.</p>
<p><u>The agency's lateness policy still does not establish progressive sanctions for violations of the policy.</u> While the written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for chronic violations of the policy [105610.01].</p>	<p>A prescribed schedule of penalties is not appropriate since types, durations and circumstances of lateness vary greatly.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> By not addressing progressive sanctions for lateness, the agency is not allowing an employee to know the consequences of inappropriate behavior. In addition, having a comprehensive discipline program avoids possible legal complications.]</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>The on-line payroll time records were not reviewed to ensure that a separated employee was removed in a timely manner.</u> Our testing revealed that a separated employee was incorrectly paid for a full bi-weekly salary after his termination date. The agency subsequently found the error and immediately notified the city's Finance Office who was able to reverse the payment for the two weeks of salary before the direct deposit was processed.</p>	<p>Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [105915.01].</p>	<p>The HR staff are currently notified of any irregularities of time usage and perform random audits of payroll data entries to ensure that accuracy of the timekeeping procedures. In addition, we have implemented a process to ensure that payroll is notified when employees go out of pay status.</p>
<p><u>City sick leave policy was not enforced.</u> Three of the five sample employees we selected for testing who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These three employees continued to be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence. We also noted that the agency could not provide us with the fifth-day warning letters or eighth-day notification letters for two of the employees tested.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [105915.02].</p>	<p>During the latter part of FY 2015, we hired additional staff in the Administrative Services Office that has been assigned to manage and enforce the city's sick leave policy.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> For seven of the twenty pay periods tested in fiscal year 2015, the same employee performed the supervisory level approval on the bi-weekly payroll entries they input into the on-line payroll system. For four pay periods, the same employee performed the supervisory and executive level approvals of the bi-weekly payroll. On another occasion, the same employee performed all three duties – data entry, supervisory approval and executive-level approval.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105912.02].</p>	<p>We are currently fully staffed in the Administrative Services Unit, which allows the assigning of different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>A formal lateness policy still was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [105911.03].</p>	<p>Implemented.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Supervisory and executive approvals of payroll time record entries were still not always segregated.</u> We found that the same individual performed the both the supervisory and executive level approvals of the bi-weekly payroll for all twenty pay periods tested.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [106312.01].</p>	<p>The observation is correct. The Executive Director does the supervisory and executive approval every pay period. The department only has 4 full time staff. Two of us do all payroll and HR functions.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> At the end of fiscal year 2015, the agency had a total of twelve full-time employees.]</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>For the fourth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [106310.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Register of Wills  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

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

Appropriations:  
General Fund                      \$3,333,341

Estimated Revenues:  
Non – Tax Revenue                      \$3,900,000

Number of Full Time Employees:  
Exempt    64

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Duties for preparing bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to perform the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106815.01].</p>	<p>Our procedure regarding bank and fund reconciliation was forwarded by a retiring employee several years ago and with this recommendation we have now revised and implemented the changes to reflect standard accounting procedures set forth by the city's Finance Office.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [106812.01].</p>	<p>Implemented.</p>
<p><u>Separation of duties still did not exist for the requisition, approval, receipt and payment for goods and services.</u> The incompatible functions of purchasing, receiving, and authorizing payment were assigned to one individual.</p>	<p>Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign the functions of preparing purchase requisitions, approving purchase requisitions, receiving goods and services, and authorizing payments to separate employees [106810.02].</p>	<p>Implemented.</p>

City of Philadelphia  
 District Attorney's Office  
 Findings and Recommendations  
 Fiscal Year 2015

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$33,219,606
Grants Revenue Fund	<u>17,644,412</u>
Total Appropriations	<u>\$50,864,018</u>

Estimated Revenues:

Non-Tax Revenue	\$10,002,000
From Other Governments	<u>7,754,000</u>
Total Estimated Revenues	<u>\$17,756,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	22
Civil Service - Civilian	71
Exempt	<u>461</u>
Total Employees	<u>554</u>

Observation Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was not enforced.</u>            One employee, of the three employees tested, was not placed on the Excessive Use of Sick Leave List after the eighth undocumented sick day. This employee continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. We also noted the agency was unable to provide the fifth-day warning letter for two employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [106915.01].</p>	<p>Duly noted. Protocol for checking for sick leave abuse weekly has been implemented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> The same employee performed the data entry into the on-line payroll system while also performing the supervisory level approval for seven of the twenty pay periods tested. In addition, another employee performed the data entry and executive level approval for one pay period.</p>	<p>Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [106913.01].</p>	<p>It is our position that the appropriate employees are assigned to these responsibilities. Arbitrarily assigning individuals with little knowledge of the payroll system would not achieve realistic or rational oversight. The instances where a supervisor performs payroll data entry are sporadic enough to insure compliance with proper procedures.</p>
<p><u>Employee overtime still was not authorized.</u> Overtime was paid without evidence that management approved the requests. The agency could not provide approved authorization forms for 22 out of 25 sample dates tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [106912.01].</p>	<p>Employee overtime is authorized in advance and is approved by the supervisor via employee time sheets which were supplied.</p>
<p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly define lateness and the progressive sanctions for violations of the policy [106912.02].</p>	<p>We do not intend to implement such a policy. When necessary employees are counseled or disciplined with regard to attendance.</p>
<p><u>For the fourth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide authorized leave requests for four of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106911.01].</p>	<p>Historically, we have been satisfied that the supervisor's approval of time sheets bearing instances of leave or attendance is proper authorization.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fourth consecutive year, we are reporting that documentation supporting personnel time in the field was incomplete.</u> When employees work outside the office, management does not require that they complete a field destination sheet that would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [106911.02].</p>	<p>The work of the District Attorney's Office is largely performed offsite at the Criminal Justice Center and has been for many years, requiring frequent trips, often more than one per day, to and from our office. D.A.'s Offices are generally located in the county courthouse. Our office does not have this luxury.</p>
<p><u>For the fifth consecutive year, we are reporting that payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [106910.01].</p>	<p>The example provided to the D.A.'s Office of proper spot-checking was for a department of 100 persons. Our office has over 600 employees, which would an inordinate amount of time checking every pay period. We find no evidence of systematic errors in data entry.</p>

City of Philadelphia  
Office of the Sheriff  
Findings and Recommendations  
Fiscal Year 2015

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 – 5<sup>th</sup> Floor  
Philadelphia, PA 19110

<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
General Fund	\$ <u>18,488,677</u>	Non-Tax Revenue	\$ <u>8,450,000</u>
<u>Number of Full Time Employees:</u>			
		Civil Service	277
		Exempt	<u>22</u>
		Total Employees	<u>299</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>The agency's petty cash continued to remain missing.</u> In previous years, the Sheriff's Office paid employees for travel expenses by making advances from its petty cash account. No documentation for these costs was ever submitted from these employees. In our fiscal years 2006 and 2005 audit report, we recommended that action should be taken to recover the amounts directly from the employees. Our current year testing found the \$10,000 of petty cash funds remained missing.</p>	<p>By not holding someone accountable for the agency's petty cash fund, \$10,000 remains missing.</p>	<p>We recommend that the Sheriff's Office solicit the city's Finance Office's assistance to resolve the missing petty cash funds [107015.01].</p>	<p>It is our understanding that a prior Sheriff did have petty cash account that was misused forcing the Finance Department to close it. The prior Sheriff's operation has been the subject of a lengthy Federal Criminal Investigation. Those involved with petty cash and more serious matters have been convicted and or indicted. Restitution can come at the conclusion of the Federal trial.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p><b>(continued)</b></p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The city's Finance Office did not close the Sheriff's petty cash amount. The Sheriff's Office should solicit the assistance of the city's Finance Office to resolve the missing petty cash funds or, if necessary, close the account.]</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Supervisory and executive approvals of payroll time record entries were not always segregated.</u> For six of the twenty pay periods tested in fiscal year 2015, the same individual performed both the supervisory and executive-level approvals of the bi-weekly payroll in the on-line payroll system.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [107015.02].</p>	<p>Approval of payroll time sheets are now segregated with the Under Sheriff and Chief of Staff assuming different approval responsibilities.</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for five days after their termination date. The agency subsequently discovered the error and was able to deduct the five days of overpayment from the employee's termination pay.</p>	<p>Errors occurred and were not detected by the agency during the normal process of preparing the bi-weekly payroll. This resulted in the erroneous bi-weekly payroll payment to a separated employee.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [107015.03].</p>	<p>Those involved in the payroll function have been told to be punctual in transmitting data on separating employees. From time to time there can be delay transmitting information on separated employees stationed outside of the central office. The fail-safe method in such cases is to capture any overpayment through termination pay.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Lateness policy still did not establish progressive sanctions for violations.</u> While the Sheriff's Office had a written lateness policy, it did not establish progressive sanctions for chronic violations of the policy.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the Sheriff's Office may not be able to maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for chronic violations of the policy [107012.01].</p>	<p>Implemented.</p>
<p><u>Travel reimbursements were not properly authorized.</u> We reviewed five reimbursable travel expense vouchers totaling \$23,123, that were not approved by executive level staff of the agency. Additionally, the mileage and related vehicle expense worksheets to support the mileage recorded on the reimbursable expense voucher were not approved by a supervisor in all five vouchers selected for testing.</p>	<p>Failure to obtain proper approvals for employee reimbursements increases the risk of undetected errors and provides opportunities for a person to perpetrate irregularities on the reimbursable expense vouchers.</p>	<p>All reimbursable expense vouchers should be authorized and approved by executive level staff as required by Administrative Board Rule No. 2. Additionally, the mileage and related vehicle expense worksheet that supports the mileage recorded on the reimbursable expense voucher should be approved by the employee's supervisor [107012.02].</p>	<p>Implemented.</p>

City of Philadelphia  
City Commissioners Office  
Findings and Recommendations  
Fiscal Year 2015

Functions

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

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

Appropriations:  
General Fund \$ 9,403,434  
Grants Revenue Fund 900,000  
Total Appropriations \$10,303,434

Estimated Revenues:  
Non-Tax Revenue \$ 25,000  
From Other Governments 900,000  
Total Estimated Revenues \$925,000

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

Number of Full Time Employees:  
Civil Service 77  
Exempt 14  
Total Employees 91

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly bank and fund reconciliations have not been performed.</u> Our review of the agency's petty cash records noted that there have been no monthly bank or fund reconciliations performed since 2008 when the current petty cash custodian assumed responsibility for the fund.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [107315.01].</p>	<p>Our current petty cash custodian did not begin working for our Department until FY'13 and was not able to reconcile the fund due to pre-2012 discrepancies. We worked with Finance to submit a balanced, fund reconciliation in July 2016 and will continue to do so on a monthly basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Petty cash purchase was split in an effort to evade the \$500 spending limit.</u> The agency circumvented the \$500 petty cash limit established by the Director of Finance, by splitting the purchase of eight folding tables between two vendors with payments of \$415 and \$474 respectively.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office [107315.02].</p>	<p>We will take steps to ensure the limit is not exceeded in the future and have directed our staff to comply with the recommendation.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave was not enforced.</u> One of the five employees tested was not placed on the Excessive Use of Sick Leave List after the eighth undocumented sick day. Consequently this employee was paid for certified sick leave in violation of the city's sick leave policy. We also noted the agency was unable to provide the fifth-day warning letter for three employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [107315.03].</p>	<p>We agree with the recommendation and have taken steps to comply prior to Calendar Year 2015.</p>
<p><u>For the fourth consecutive year, we are reporting payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot-checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systematic 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 entry by referencing back to the daily attendance records. This process should be documented [107311.04].</p>	<p>We agree with the recommendation. Spot checking of payroll data entries began to be documented as of September 2015.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fifth consecutive year, we are reporting employee overtime was not authorized.</u> Overtime authorization slips were not provided for any of the five employees selected for testing. The agency does not utilize overtime authorization slips, but rather uses email for authorization of overtime requests. Upon our review of the email documentation provided, we noted that the overtime authorization did not specifically name the employees requesting overtime nor did it specify the number of hours of overtime requested.</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 properly approved by supervisory personnel. Documentation of approved overtime should include the name of the employee, as well as the number of hours to be worked [107310.05].</p>	<p>We agree with the recommendation. The Office of the City Commissioners amended its overtime authorization procedures in FY'16. Authorization for individual employees for specific amounts of time are documented as of October 10, 2015.</p>
<p><u>For the fifth consecutive year, we are reporting payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For fifteen of the twenty pay periods tested, the same employee performed both the supervisory and executive level approvals of the entries input into the on-line payroll system. In addition, the same individual performed both the data entry and executive level approval for two pay periods, and the supervisory and executive level approval for one pay period.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [107310.07].</p>	<p>Payroll approval roles have been segregated. We began keeping confirmation records in October 2015.</p>
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Management could not provide approved leave requests for sixteen of the thirty leave requests selected for testing.</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 forms for supervisory review and approval in accordance with accounting procedures of the city's Finance Office [107310.04].</p>	<p>Implemented.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> In our review of the agency's attendance records, we noted that two employees approved their own overtime.</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 properly approved in writing by supervisory personnel [108415.02].</p>	<p>Approval of the two employees' overtime was obtained via e-mail prior to the overtime usage by the direct supervisor and administrator for these individuals.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> The documentation the agency provided auditors subsequent to our fieldwork, did not support the agency's assertion that supervisory approval occurred.]</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by any of the five employees we tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [108415.03].</p>	<p>The First Judicial District is an independent governmental branch of the City of Philadelphia and not subject to policies, procedures or regulations under Civil Service. The Vacation policy, requires that employees request vacation time in advance, and it does not stipulate how the vacation time is requested. The majority of the departments in the FJD use email or verbal response as their approval for leave requests.</p> <p><b>[Controller's Office Evaluation of Agency's Response:</b> In our opinion, accepting verbal requests for employee leave time increases the risk of errors in preparing the bi-weekly payroll and fails to adequately document payroll transactions. In the case of the First Judicial District, while the use of emails might be considered an acceptable alternative to a formal leave request system; the use of leave time still should be authorized by an appropriate supervisor. The First Judicial District was unable to provide documentation that such authorization had occurred.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were still not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eleven of the forty-five pay periods tested in fiscal year 2013 and 2014. Additionally, the same individual entered the daily attendance record into the payroll system and performed the supervisory approval for four pay periods.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [108411.01].</p>	<p>Implemented.</p>

