

CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

Promoting honest, efficient, and fully accountable government

**ANNUAL AUDITOR'S REPORT
ON
PHILADELPHIA CITY AGENCIES
FISCAL YEAR 2011**



City Controller
ALAN BUTKOVITZ



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

February 19, 2013

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

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal year 2011 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for agencies marked with an asterisk occurred under the administration of a previous agency head.

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

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

Very truly yours,

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

ALAN BUTKOVITZ
City Controller

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



ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY AGENCIES

EXECUTIVE SUMMARY

Why The Controller's Office Conducted The Examination

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

What The Controller's Office Found

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

- Several city agencies — most notably the Office of Innovation and Technology, the Office of the Mayor, the Office of Housing and Community Development, the Fire Department, Public Property, Licenses and Inspections, the Office of Property Assessment, the Sheriff's Office and the City Commissioner's — failed to design and implement procedures over revenues to make certain they were complete, accurate and / or all collected. During fiscal year 2011, for instance, the Fire Department still did not follow-up on unbilled emergency medical services, leaving potentially millions (\$6.5 million when we last analyzed it for fiscal year 2010) as a lost source of revenues.
- In the area of payroll expenditures, we again observed that the majority of city agencies could do a better job to ensure the accuracy of the bi-weekly payroll. Nearly sixty-six percent of all city agencies did not independently double-check the accuracy of employee work hours entered into the payroll system by their payroll clerks. Even more alarming, many of these same agencies allowed the individual completing payroll data entry to carry out both the supervisory and executive-level reviews, exposing the agencies to a high level of risk for undetected fraudulent entries input to the system.
- A significant number of agencies still lacked written policies that defined lateness and prescribed the consequences of arriving late to work. Many of the agencies lacking a formal lateness also were lax in requiring their employees to properly account for their time on daily attendance sheets, leaving themselves exposed to higher risks for employee abuse of city time.

A number of city agencies took corrective action on some of the prior year conditions. Noteworthy of mentioning is the First Judicial District, which assumed the duties of the Clerk of Quarter Sessions in March 2010. In fiscal year 2011, it implemented all of our prior recommendations for that agency.

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

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.

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

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

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

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

Management

Agency heads and their deputies are responsible for the effective and efficient management of their agency's operations. The findings and recommendations section of this report includes a discussion of the functions of each city agency examined, the fiscal 2011 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

City Accounting System and Internal Controls

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

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

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



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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

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

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

Internal Control Over Financial Reporting

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

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

Our consideration of each city agency's internal control over financial reporting was limited to determining if its internal control components for revenue, payroll, and other expenditure activity were suitably designed and placed in operation during fiscal year 2011, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

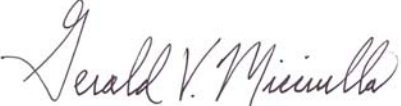
Our consideration of each city agency's compliance with certain provisions of laws, regulations and contracts was limited to tests of revenue, payroll, and other expenditure activity during fiscal year 2011. Grant compliance was tested and reported on as part of our single audit in accordance with Office of Management and Budget Circular A-133. Our agency tests disclosed no instances of noncompliance or other matters by city agency's that are required to be reported under *Government Auditing Standards*.

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

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

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

December 17, 2012


GERALD V. MICCIULLA, CPA
Deputy City Controller

FINDINGS AND RECOMMENDATIONS

City of Philadelphia
City Council*
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Total Appropriations:
General Fund \$15,048,972

Estimated Revenues:
\$ -0-

Number of Full Time Employees:
Civil Service 0
Exempt 181
Total employees 181

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>A formal lateness policy was not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy [100111.01].	Management indicated that all city council staff is exempt and since they are “at will” employees, there is no need for a policy.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance records were not checked for the computation of hours worked</u> –There was no evidence that daily attendance records were checked for the computation of total hours each day and pay period.</p>	<p>Errors could occur and not be detected during the normal payroll process of preparing the bi-weekly payroll, which may result in employees being paid for time not worked or not paid for time worked.</p>	<p>Payroll unit employees should ensure the accuracy of the payroll by recalculating the hours worked for each employee on the daily attendance record, and evidence their responsibility for the computations by signing or initialing the daily attendance record [100111.02].</p>	<p>Management indicated that going forward it will require the payroll unit to recalculate the total hours worked for each employee on the time sheets.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of the payroll preparation was spot checking data entries to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [100111.03].</p>	<p>Management stated that due to sensitivity issues, the recommended procedure cannot be done. The agency does not allow anyone except the payroll staff to view employee information.</p>
<p><u>Payroll checks were not adequately reviewed prior to distribution</u> – There was no evidence that someone independent of the payroll preparation process compared the biweekly payroll checks to the payroll register and scanned them for unusual amounts.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll which may result in employees being underpaid or overpaid.</p>	<p>Require someone independent to make this comparison and scan the checks for unusual amounts. The process should be documented [100111.04].</p>	<p>Management stated that going forward, it will have someone scan through the payroll registry for any unusual amounts.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The city's sick leave policy was not enforced</u> – There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We noted three sampled employees who had excessive undocumented sick time but had not been notified or placed on the sick abuse list in accordance with city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [100111.05].</p>	<p>Management indicated that all city council staff is exempt and since they are "at will" employees, there is no need for a policy.</p>
<p><u>Payroll entries were not subject to independent supervisory and executive reviews</u> – For four of five payroll periods tested, the same individual performed both the supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the object of the review process. Systemic errors may occur and not be detected during the normal process of preparing the biweekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [100111.06].</p>	<p>Management indicated this issue will be resolved once the Chief Financial Officer receives access to the online payroll system to perform executive review of payroll.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared</u> – Formal employee requests for compensated absences were not required by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100110.01].</p>	<p>Management indicated that the agency does not use leave slips as all employees are exempt. Employees notify management via e-mail for leave requests.</p>

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

<u>Appropriations:</u>	
General Fund	\$67,432,032
Water Fund	16,855,025
Grants Revenue Fund	34,260,000
Aviation Fund	6,294,985
Capital Fund	<u>42,282,000</u>
Total Appropriations	<u>\$167,124,042</u>

<u>Estimated Revenues:</u>	
Non-Tax Revenue	\$51,160,000
From Other Governments	1,760,000
From Other Funds	<u>28,965,000</u>
Total Estimated Revenues	<u>\$81,885,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	199
Exempt	<u>126</u>
Total employees	<u>325</u>

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

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
			<p>[Controller's Office Evaluation of Agency's Response: The evidence obtained during the audit indicated that reconciliations were not performed between the franchises' audit reports and the revenue amounts recorded in the city's books and records.]</p>
<p><u>Control totals of receipts were not independently prepared</u> – The employee who opened the mail did not prepare a listing of checks received, but instead forwarded the checks to another employee who prepared both the listing of receipts and the deposit summary. The listing of receipts should be independently prepared at the time the checks are received.</p>	<p>Failure to independently prepare a listing of receipts could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection.</p>	<p>The employee who opens the mail should also prepare a listing of all receipts, which should then be independently compared to the validated deposit summary after the deposit is made with the city's Department of Revenue [100411.02].</p>	<p>OIT will ensure that the individual who validates the Revenue Deposit Summary to the accounting entries in FAMIS will not be the same individual who initially prepares the Revenue Deposit Summary form.</p>
<p>PERSONAL SERVICES</p> <p><u>The city's sick leave policy was not enforced</u> – There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We noted nineteen employees who had excessive undocumented sick leave time but had not been notified by the agency in accordance with city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick leave.</p>	<p>Effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave notification policy, including employee counseling, be complied with by management [100411.03].</p>	<p>Throughout fiscal year 2011, OIT's human resources functions, including the issuance of formal warning notices for uncertified sick leave of five days, were overseen by the Administrative Services Center (ASC) within the Finance Department. The Citywide Sick Leave Policy was enforced and procedures were followed for OIT employees, as well as the employees of each department within the ASC.</p> <p>[Controller's Office Evaluation of Agency's Response: The evidence obtained during the audit indicated that the city's sick leave policy was not enforced.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [100411.04].</p>	<p>Throughout fiscal year 2011, OIT's payroll was prepared by the Administrative Services Center (ASC) within the Finance Department. The response in the Office of the Director of Finance and Sinking Fund Commission section of this report also applies here.</p>
<p><u>A formal lateness policy was not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100410.02].</p>	<p>OIT is committed to drafting, approving, and implementing a formal lateness policy prior to fiscal year 2014.</p>
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the system as performing the supervisory review.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll from those of performing supervisory reviews [100410.04].</p>	<p>Throughout fiscal year 2011, OIT's payroll was prepared by the Administrative Services Center (ASC) within the Finance Department. The response in the Office of the Director of Finance and Sinking Fund Commission section of this report also applies here.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monitoring procedures over franchise fees were not adequately performed</u> – The city’s cable franchise agreement required franchisees to submit audited reports of their gross revenues within 90 days after the close of the franchisees’ fiscal year end. We found that OIT personnel performed little or no contract monitoring procedures to ensure vendor compliance. For example, a franchisees’ audit report for gross revenues for the year ended December 31, 2010 (due April 2011) was not on file with the OIT as of August 2011.</p>	<p>Failure to ensure that all franchisees submit required audit report negates the purpose of the control procedure and may result in the understatement and loss of revenues properly due to the city.</p>	<p>At a minimum, the department should prepare formal monitoring procedures for the use of staff, including the establishment of a tickler file to ensure all required audit reports of gross revenue are obtained [100410.01].</p>	<p>Implemented.</p>
<p><u>Payroll timesheet file documentation was misplaced and not available for review and audit</u> – One of the randomly selected employee’s timesheets for a two week period was not located by staff when requested during the audit.</p>	<p>Loss of original timesheets may conceal exceptions to an employee’s scheduled work hours. Further any loss of records supporting departmental activities undermines management’s ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to maintain and safeguard supporting documentation as part of the department’s daily routine in order to support the validity of payroll transactions [100410.05].</p>	<p>Implemented.</p>

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Year 2011

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint four principal assistants - the managing director, the director of finance, the city representative, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct agency having its own budget. In addition to these four officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities,. The fiscal 2011 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation, Mayor's Office of Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes.

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

Appropriations:
General Fund \$ 9,967,347
Grants Revenue Fund 2,007,820
Total Appropriations \$11,975,167

Estimated Revenues:
Non-Tax Revenue \$ 3,000
From Other Governments 2,007,000
Total Estimated Revenues \$2,010,000

Number of Full Time Employees:
Civil Service 1
Exempt 47
Total employees 48

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE AND RECEIPTS			
<u>Incompatible duties weakened controls over cash receipts</u> – One employee handled all aspects of the revenue process: receiving, recording and depositing cash receipts. The same employee also functioned as the Mayor's Office petty cash custodian.	Failure to segregate these duties increases the risk of undetected errors in both the revenue receipt and petty cash functions, and may provide an opportunity to perpetuate and conceal irregularities and commingling funds.	The duties of receiving, recording and depositing revenues should be segregated, and the duties of petty cash custodian should be assigned to a different employee who is independent of the cash receipt function [100511.01].	Management indicated that one individual still handles revenue collections, and someone needs to be trained in order to split the duties, which will take some time.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked in the Mayor's Office and its related Offices of Arts and Cultural and Labor Relations</u> – There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [100511.02].</p>	<p>Management indicated that someone from the Mayor's Office who is not involved with timekeeping will perform this procedure.</p>
<p><u>Payroll checks for the Mayor's Office of Arts and Culture were not adequately reviewed prior to distribution</u> – There was no evidence that someone independent of the payroll preparation process compared the biweekly payroll checks to the payroll register and scanned them for unusual amounts.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll, which may result in employees being underpaid or overpaid.</p>	<p>Require someone independent to make this comparison and scan the checks for unusual amounts. The process should be documented [100511.03].</p>	<p>Management indicated that someone from the Mayor's Office will scan paychecks before distribution to employees.</p>
<p><u>Management for the Mayor's Office of Arts and Culture did not periodically review payroll costs to determine whether any significant variances had occurred between payroll periods or amounts budgeted</u> – There was no evidence to suggest that such a review was being performed.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the Mayor's Office operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [100511.04].</p>	<p>Management indicated that the Mayor's Office of Arts and Culture only has two employees, and someone from the Mayor's Office will review their payroll costs.</p>
<p><u>Payroll entries were not subject to independent supervisory and executive reviews within the Mayor's Commission on Aging</u> – We observed at least four payroll periods in which the same individual performed both the supervisory and executive-level reviews over the payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [100511.05].</p>	<p>Management agreed with the condition and indicated that going forward, the duties of supervisory and executive level reviews and approvals would be segregated.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was still not established and communicated to employees</u> – There was still no written lateness policy available to guide management and staff of the Mayor’s Office and its related offices (Office of Labor Relations and Office of Arts and Culture) on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The Mayor’s Office may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100510.01].</p>	<p>Management indicated that a lateness policy is not needed.</p>
<p><u>Employees who prepared the on-line payroll time record were still not always different from the person who provided the supervisory and / or executive-level reviews and approvals</u> – Throughout the fiscal year in Office of Labor Relations, we again observed that the same individual frequently performed data entry of the payroll while also completing the supervisory and executive level reviews. We observed similar conditions for the Mayor’s Office payroll and those payrolls associated with the Mayor’s Office of Arts and Culture, as well as the Office of Transportation.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of preparing the payroll from those of performing the supervisory and executive-level reviews and approvals [100510.05].</p>	<p>Management agreed with the condition and indicated that going forward the duties of payroll data entry, supervisory and executive level reviews would be segregated.</p>
<p>OTHER EXPENDITURES</p> <p><u>No separation of duties existed for the requisition, approval, receipt and payment for goods and services</u> – The incompatible functions of purchasing, receiving goods and services, and authorizing payment were assigned to one individual.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors or irregularities when performing normal duties.</p>	<p>Management should assign the functions of preparing purchase requisitions, approving purchase requisitions, receiving goods and services, and authorizing payments to separate employees [100511.06].</p>	<p>Management indicated that this process was changed in October 2012 and the duties for purchasing, receiving goods and services, and authorizing payment will be separated.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Preauthorization of employee overtime was not required by the Office of Labor Relations</u> - We were informed by Labor Relations' management that employees are not required to submit an authorization form for overtime or compensatory time prior to working the additional time.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [100510.03].</p>	<p>Implemented.</p>

City of Philadelphia
Office of Housing and Community Development
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$ 2,800,000
Grants Revenue Fund	152,061,768
Community Development Fund	74,198,101
Housing Trust Fund	<u>12,000,000</u>
Total Appropriations	<u>\$241,059,869</u>

Estimated Revenues:

Non-Tax Revenues	\$ 150,000
From Other Governments	<u>246,111,000</u>
Total Estimated Revenues	<u>\$246,261,000</u>

Number of Full Time Employees:

Exempt 72

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Control totals of receipts were not independently prepared</u> – The employee who opened the mail did not prepare a listing of checks received, but instead forwarded the checks to another employee who prepared both the listing of receipts and the deposit summary. The listing of receipts should be independently prepared at the time the checks are received.</p>	<p>Failure to independently prepare a listing of receipts could result in checks being lost, misplaced or stolen prior to making the deposit with little or no chance of detection.</p>	<p>The employee who opens the mail should also prepare a listing of all receipts [100611.01].</p>	<p>Management concurred with the observation, but stated that 95 percent of OHCD's revenue is received by wire transfer; the number of physical checks received represents only about five percent of total revenue collected by OHCD.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Receipts were not adequately safeguarded</u> – Checks received by the department were not restrictively endorsed before being deposited.</p>	<p>Failure to restrictively endorse checks needlessly exposes the agency to the risk of loss in the event that checks are lost, misplaced, or misappropriated.</p>	<p>Restrictively endorse all checks for deposit only to the credit of the City of Philadelphia immediately upon receipt [100611.02].</p>	<p>Management indicated that it may have been instructed by the city's Revenue Department not to restrictively endorse checks.</p>
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not preauthorized</u> – Despite OHCD's policy of requiring employees to obtain supervisory authorization for overtime and compensatory time in advance of it being earned, we frequently observed its approval after the fact.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [100611.03].</p>	<p>Management concurred with the condition observed, and stated that OHCD employees are required to obtain supervisory authorization for overtime and compensatory time in advance of it being earned. While supervisory authorization may be verbal at first, a formal approved authorization must be processed using the agency's automated overtime/leave request system in Lotus Notes.</p>
<p><u>Employees did not always sign daily attendance sheets in order of their arrival</u> – We observed several instances when employees were signing in and recording a start time on the daily attendance sheet earlier than the start time of the employee who had signed the sheet on the previous line.</p>	<p>Failure to require employees to sign in order of their arrival on the daily attendance sheet increases the risk that someone could be paid for time not actually worked.</p>	<p>Require all employees to sign the daily attendance sheets in order of arrival [100611.04].</p>	<p>Management concurred with the condition observed and indicated it made the same observation in June 2011. It brought the issue to the attention of supervisory personnel.</p>
<p><u>Payroll data entries were not adequately checked</u> - There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [100610.01].</p>	<p>Management indicated that it will have someone independent of payroll review entries.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was still not established and communicated to employees</u> – There was still no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [100610.02].</p>	<p>Management continues to believe formal implementation of a documented lateness policy would be inopportune primarily due to union concerns regarding work rules. However, management asserts that employees who have lateness issues are subject to progressive disciplinary action.</p>

City of Philadelphia
 Mayor's Office of Community Services*
 Findings and Recommendations
 Fiscal Year 2011

Functions

The Mayor's Office of Community Services (MOCS) function is to implement and administer the City of Philadelphia's anti-poverty program. The MOCS empowers individuals, families and neighborhoods to reach self-sufficiency by providing program services and coordinating resources. Its programs range from lending necessary items and goods to pregnant women and infants in the West Philadelphia area to providing intensive delivery of comprehensive economic and community development services in the federally designated empowerment zone. The MOCS directly provides or supports with grants the following programs and services: the Community Engagement Unit facilitates and supports a range of activities designed to strengthen families and communities, and carry out mayoral initiatives by providing city residents with referrals to emergency services and other facilities to meet their needs; the Fatherhood Initiative Program offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program utilizes older adults by mobilizing them to serve in local schools and community based organizations; and the Work Wise Program provides job readiness classes and job placement for low income individuals who are referred by the County Assistance Office. MOCS also funds many sub-contracted programs and services offered by area non-profit organizations and other city departments such as utility grants, lead abatement, mortgage foreclosures and housing counseling. The MOCS Advisory Board consists of 36 members. The mayor selects 12 members from the public sector and 12 members from the private/business sector. The public from each Community Action Area elect the remaining 12 members. An executive director, appointed by the mayor, oversees the MOCS' day to day operations.

Name and address of agency head

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

Appropriations:

Grants Revenue Fund \$9,921,185

Estimated Revenues:

From Other Governments \$9,921,185

Number of Full Time Employees:

Exempt 155

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [100811.01].</p>	<p>Management stated that two staff persons, independent of payroll preparation, are being trained to validate entries to the on-line time and attendance records. Training will be completed prior to the end of fiscal year 2013.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>An individual not authorized by the city's Finance Office is still approving the MOCS' bi-weekly payroll</u> – Testing again disclosed an unauthorized individual performing reviews; this time, the executive-level review.</p>	<p>Failure to formally document all personnel authorized to impact the city's financial transactions may result in unauthorized and improper transactions.</p>	<p>Authorizations to approve payroll time records should be formally documented on signature authorization cards approved by the executive director and the city's Finance Office [100810.01].</p>	<p>Management indicated that it is currently working to ensure that all payroll staff receive training on proper payroll procedures, and that the three levels of approval in the system are segregated appropriately.</p>
<p><u>Payroll duties still were not adequately segregated</u> – The same individual was frequently performing all three payroll process functions: data entry from daily attendance records, supervisory review of the data entry, and executive approval of the payroll.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>We again recommend assigning different individuals to perform the data entry, the supervisory review, and the executive-level review of the bi-weekly payroll [100810.02].</p>	<p>Management indicated that it is currently working to ensure that all payroll staff receive training on proper payroll procedures, and that the three levels of approval in the system are segregated appropriately.</p>
<p><u>City sick leave policy still was not enforced</u> - There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We observed 41 instances of when employees who had excessive undocumented sick leave time were not notified by the agency in accordance with city policy.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we again recommend that the sick leave notification policy, including employee counseling, be complied with by management [100810.03].</p>	<p>Management indicated that its Human Resources Department monitors employee sick time in compliance with the city's excessive sick leave policy, and its provisions are enforced.</p>

City of Philadelphia
Office of the Managing Director*
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:
General Fund \$17,983,836
Grants Revenue Fund 10,318,600
Capital Fund 4,129,000
Total Appropriations \$32,431,436

Estimated Revenues:
Non-Tax Revenue \$ 640,000
From Other Governments 9,879,000
Total Estimated Revenues \$10,519,000

Number of Full Time Employees:
Civil Service 46
Exempt 122
Total Employees 168

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Management did not appear to periodically review payroll costs to determine whether any significant variances had occurred between payroll periods or amounts budgeted</u> – No evidence existed to suggest the procedure was being done.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the MDO's operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [101011.01].</p>	<p>MDO management maintains a list of all its employees and regularly checks it against allotted personal services appropriations to ensure it is within budget. No checklist codifying this regular monitoring exercise exists.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were not adequately checked</u> - There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [101011.02].</p>	<p>MDO management was not prepared to respond to the observed condition. Since it is part of the “Shared Services Model” of the city’s Office of Human Resources, it believes the MDO is not responsible for checking payroll data entries pertaining to its employees.</p>
<p><u>Payroll duties were still not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing both the supervisory and executive-level reviews.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Again we recommend assigning different individuals to perform the data input, the supervisory review and the executive level review of the biweekly payroll [101010.02].</p>	<p>MDO management believes it is not responsible for attendance entries into the city’s system. The Office of Human Resources management, who is accountable for MDO’s payroll, indicated it will continue to strive to ensure that someone other than who performed the supervisory review performs the executive review.</p>

City of Philadelphia
Police Department
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:

General Fund	\$538,403,280
Grants Revenue Fund	30,651,276
Aviation Fund	13,532,660
Capital Fund	<u>23,070,000</u>
Total Appropriations	<u>\$605,657,216</u>

Estimated Revenues:

Non-Tax Revenue	\$ 4,770,000
From Other Governments	<u>33,001,000</u>
Total Estimated Revenues	<u>\$37,771,000</u>

Number of Full Time Employees:

Uniformed	6,596
Civilian (Civil Service)	773
Civilian (Exempt)	<u>9</u>
Total Employees	<u>7,378</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance record postings were still not properly authorized</u> – We noted numerous instances where daily attendance data posted to the department’s payroll system was still not approved by a supervisor. These situations occurred because the payroll was either processed without any approval or it was approved by the same employee who posted it.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate duties also provides opportunities for a person to perpetrate and conceal irregularities when performing normal duties. Ultimately employees may be paid for time not worked.</p>	<p>Instruct district personnel as to the proper procedures to be followed when processing daily attendance records. The duties of entering payroll data into the system should be segregated from the duties of performing supervisory reviews and approvals [101110.01].</p>	<p>Management has indicated that it is aware of this condition and will again notify districts of the requirements.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Police sick leave policy was still not enforced</u> – There was no evidence that the Police Department’s sick leave policy (Directive 66) was routinely enforced. We noted one sampled employee had excessive undocumented sick leave occurrences; however, management did not impose any of the policy’s sick leave abuse sanctions.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [101110.02].</p>	<p>The Police Department concurs with the finding and recommendation. The Police Department’s Standards and Accountability Division is now charged with auditing compliance with the sick leave policy. In 2012 the Standards and Accountability Division completed an audit of employee sick leave to insure management compliance with the policy. The Standards and Accountability Division will continue to conduct periodic audits of sick leave compliance with the next audit beginning Spring 2013.</p>

City of Philadelphia
 Department of Streets
 Findings and Recommendations
 Fiscal Year 2011

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> Clarena I. W. Tolson, Commissioner Department of Streets Municipal Services Building, 7 th Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$113,190,468 County Liquid Fuels Tax Fund 4,950,000 Special Gasoline Tax Fund 22,864,000 Grants Revenue Fund 7,324,297 Capital Fund <u>165,134,000</u> Total Appropriations <u>\$313,462,765</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$21,028,000 From Other Governments <u>39,940,000</u> Total Estimated Revenues <u>\$60,968,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 1,677 Exempt <u>5</u> Total Employees <u>1,682</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. We did not observe approved authorization forms for two of the three sampled employees that worked overtime compensatory time during the pay periods tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [101211.01].</p>	<p>Overtime for the department is assigned as operations require. Often decisions concerning overtime occur during daily operations within divisions and do not provide the opportunity to approve such work in advance. However, all overtime is approved by the appropriate supervisor in writing prior to being posted in the payroll system by evidence of their signature on the appropriate time sheet.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were still not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the system as performing the supervisory review.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [101210.02].</p>	<p>We have instructed our payroll unit to change this practice. The payroll manager will now sign off on payroll eliminating this issue except in the cases where the payroll supervisor and/or manager may be unavailable.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [101210.03].</p>	<p>Management indicated that it has instituted a multi-level audit system that provides for the regular review of postings by independent staff, including the human resources manager and senior human resource staff.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not always prepared</u> – During our testing of payroll records, we noted that formal employee requests for leave time are not always obtained by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office's standard accounting procedures [101210.01].</p>	<p>Management indicated that its practice has not required an authorization slip be completed when an employee "calls in" for leave since the appropriate signatures on the timesheet would act as authorization of said leave.</p>

City of Philadelphia
Fire Department
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head

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

Appropriations:

General Fund	\$188,762,090
Grants Revenue Fund	1,519,293
Aviation Fund	6,203,000
Capital Fund	<u>11,586,000</u>
Total Appropriations	<u>\$208,070,383</u>

Estimated Revenues:

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

Number of Full Time Employees:

Civil Service – Uniformed	2,115
Civil Service - Civilian	98
Exempt - Civilian	<u>7</u>
Total Employees	<u>2,220</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Follow-up on unbilled emergency medical services was 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.</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>Management indicated that the finding has still not been resolved, however, the department hired a new EMS billing vendor to take over the billing process as of February 1, 2012.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS (continued)</p> <p>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>			

City of Philadelphia
 Department of Public Health
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

<u>Name and address of agency head</u> Donald F. Schwarz, MD, MPH Deputy Mayor, Health & Opportunity – Health Commissioner Department of Public Health Room 600 Municipal Services Bldg. 1401 John F. Kennedy Boulevard Philadelphia, PA 19102-1679	<u>Appropriations:</u> General Fund \$113,962,348 Grants Revenue Fund 101,269,787 Acute Care Hospital Fund 146,235,320 Capital Fund <u>25,704,000</u> Total Appropriations <u>\$387,171,455</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$ 14,392,000 From Other Governments <u>158,010,000</u> Total Estimated Revenues <u>\$172,402,000</u>	<u>Number of Full Time Employees:</u> Civil Service 854 Exempt <u>29</u> Total Employees <u>883</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked</u> - There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [101411.01].</p>	<p>Management agrees with the condition. It plans to assign an employee independent of payroll to spot-check payroll entries.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Lateness policy still does not define lateness or establish sanctions</u> – Management provided us with a copy of the employee handbook on work hours in response to our request for a lateness policy. However, that document neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101410.06].</p>	<p>Management stated that the agency follows the citywide lateness policy and believes this policy gives management the opportunity to discipline for lateness violations when necessary.</p> <p>[Controller’s Office Evaluation of Agency’s Response: A formal “citywide” lateness policy does not exist.]</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 provided</u> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by two of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city’s Finance Office [101410.01].</p>	<p>Implemented.</p>
<p><u>Daily attendance records were not authorized by supervisory personnel</u> – For one of the divisions selected in our payroll sample, we found that management permitted an employee to approve his own records of time worked.</p>	<p>The lack of appropriate supervisory review may result in improperly completed or misstated attendance records.</p>	<p>Management should monitor and enforce policies that prohibit non-supervisory employees from approving attendance records [101410.02].</p>	<p>Implemented.</p>
<p><u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. We did not observe approved authorization forms for two of the three sampled employees who worked overtime or compensatory time during the pay periods tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [101410.03].</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Behavioral Health and Intellectual Disabilities Services
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

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

Appropriations:

General Fund	\$ 14,271,572
Grants Revenue Fund	272,890,374
Health Revenue Fund	<u>885,003,000</u>
Total Appropriations	<u>\$1,172,164,946</u>

Estimated Revenues:

Non-Tax Revenue	\$ 7,500,000
From Other Governments	<u>1,101,393,000</u>
Total Estimated Revenues	<u>\$1,108,893,000</u>

Number of Full Time Employees:

Civil Service	239
Exempt	<u>14</u>
Total Employees	<u>253</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [101511.01].</p>	<p>Management indicated that spot checking of attendance sheets, record postings, earnings and leave balances will be documented at regular intervals going forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared</u> – For two of four employees tested who used paid leave time during the sampled pay period, the department was unable to provide documentation supporting and authorizing the employee leave time. For one of the two employees, the daily time reports indicated that the individual had taken three days of administratively excused leave time.	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.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office’s standard accounting procedures [101510.01].	Management indicated that it will review and address leave request procedures in all divisions.
<u>Lateness policy still did not define lateness or establish sanctions</u> – Management provided us with a copy of guidelines on employee work hours in response to our request for a lateness policy; however, that document neither defined lateness nor established progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101510.02].	Management will modify and incorporate additional language into its lateness policy that defines lateness and establishes sanctions as recommended. The revised policy will be distributed to all employees, monitored, and enforced by supervisory personnel.
<u>Daily attendance sheets were still not being used contemporaneously</u> – Our testing of payroll records noted several instances in one division where employees were not signing out and back in for lunch.	Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.	Require employees to contemporaneously sign the attendance sheets [101510.05].	Management indicated that it re-issued a directive to all DBH/HIDS employees addressing sign-in/sign-out procedures, followed by an outline of disciplinary action for non-compliance.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. One of five sampled employees was not required to submit an authorization form for overtime or compensatory time prior to working the additional time.	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.	Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [101510.03].	Implemented.

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Daily attendance records were not authorized by supervising personnel</u> – Management permitted lower level employees to approve the time worked by more senior personnel. We observed that lower level employees had authorized time sheets for a unit head.</p>	<p>The lack of appropriate supervisory review and approval may result in improperly completed or misstated timesheets.</p>	<p>Management should prohibit employees from approving attendance records for more senior personnel within a unit [101510.06].</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Parks and Recreation*
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

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

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

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 2011.

<u>Name and address of agency head</u> Michael DiBerardinis Deputy Mayor and Commissioner Department of Parks and Recreation 1515 Arch Street, 10 th Floor Philadelphia, PA 19102	<u>Appropriations:</u> General Fund \$ 52,377,534 Grants Revenue Fund 10,260,164 Capital Fund <u>148,451,000</u> Total Appropriations <u>\$211,088,698</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$ 758,000 From Other Governments <u>10,212,000</u> Total Estimated Revenues <u>\$10,970,000</u>
		<u>Number of Employees:</u> Civil Service 602 Exempt <u>8</u> Total Employees <u>610</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was not established and communicated to employees</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>Management indicated now that the former Recreation Department and the Fairmount Park Commission have merged, it will be examining a uniform lateness policy for the agency sometime during calendar year 2013.</p>
<p><u>Employees did not always sign daily attendance sheets in order of their arrival</u> – We observed several instances when employees were signing in and recording a start time on the daily attendance sheet earlier than the start time of the employee who had signed the sheet on the previous line.</p>	<p>Failure to require employees to sign in order of their arrival on the daily attendance sheet increases the risk that someone could be paid for time not actually worked.</p>	<p>Require all employees to sign the daily attendance sheets in order of arrival [101611.02].</p>	<p>Management stated that its policy is for employees to sign-in when arriving at work. It will re-emphasize the policy to employees. It believed that the explanation for employees signing-in out of chronological order is because the employees either started in the field, or forgot to sign-in upon arrival to work.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll attendance records were not prepared and authorized contemporaneously</u> – We found that employees routinely signed, and supervisors routinely approved, weekly employee time sheets prior to the dates worked by the employee. We also noted one of the employees tested did not sign out and back in from lunch.</p>	<p>Employees may erroneously or purposefully submit false records of work hours and be paid for time not worked.</p>	<p>Supervisors should require employees to contemporaneously record work hours and sign weekly attendance records [101610.01]. In addition, management should require supervisors to review, verify, and approve attendance records at the completion of the work week. The practice of pre-approving weekly attendance records should be prohibited [101610.02].</p>	<p>Implemented.</p>

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll timesheet documentation was misplaced and not available for review and audit</u> – Management reported that one employee timesheet requested for audit could not be located and was presumed lost.</p>	<p>Timesheets are prepared and reviewed to ensure employees are paid for time worked. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to maintain supporting documentation as part of the department’s daily routine in order to support the validity of payroll transactions [101710.02].</p>	<p>Implemented.</p>
<p><u>Payroll attendance records were not being authorized by supervisory personnel</u> – We found that, for one week, a supervisor failed to authorize employee time sheets.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should review and verify time actually worked. All time sheets should be routinely authorized as historical records of time worked [101710.05].</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Public Property
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

<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 \$165,282,761 Water Fund 2,500,266 Aviation Fund 26,900,000 Capital Fund <u>49,528,000</u> Total Appropriations <u>\$244,211,027</u>	<u>Estimated Revenues:</u> Non-Tax Revenue \$ 8,485,000 From Other Governments <u>18,000,000</u> Total Estimated Revenues <u>\$26,485,000</u>
		<u>Number of Full Time Employees:</u> Civil Service 146 Exempt <u>9</u> Total Employees <u>155</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Documentation in support of the sale of real estate was still incomplete</u> – Management provided a copy of a checklist used for selling real estate. However, the document did not sufficiently detail all steps required in the process of selling real estate to indicate that the necessary steps were addressed and completed.</p>	<p>The lack of documentation may result in substantial noncompliance with existing laws and regulations.</p>	<p>The existing checklist should be revised to include all steps required in the process of selling real estate, and all related documentation to evidence the performance of each step should be obtained and retained by the department [102010.01].</p>	<p>Management noted that as a result of the Controller’s fiscal year 2009 audit and the Controller’s recommendations, it has developed a checklist to verify and document all steps in the process of selling real estate. This process has been used in every transaction from the day it was developed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Lateness policy did not establish progressive sanctions for violations</u> – While the department had a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations [102011.01].</p>	<p>Management indicated that the department was in the beginning stages of documenting all of its human resource policies and procedures. It is looking at other departmental policies for best practices with regard to lateness.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared</u> – During our testing of payroll records, we noted that, for two out of ten paid leave occurrences examined, formal employee requests for paid leave time were not obtained by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office's standard accounting procedures 102010.02].</p>	<p>Management indicated that the Department of Public Property's payroll function is supported by the Office Human Resource's shared services model, so it has reached out to that agency to respond to this issue. The department will reiterate the payroll rules requiring pre-approved leave to its employees.</p>
<p><u>Payroll data entries were still not being adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries into the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102010.03].</p>	<p>Management noted that the Department of Public Property's payroll function is supported by the Office Human Resource's shared services model, so it has reached out to that agency to respond to this issue.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll timesheet documentation was misplaced and not available for review and audit</u> – One of fifty randomly selected employee’s timesheets for a two week pay period was not located by staff when requested during the audit. We review time sheets to ensure employees are paid for time worked.</p>	<p>Loss of original timesheets may conceal exceptions to an employee’s scheduled work hours. Further, any loss of records supporting department activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to maintain and safeguard supporting documentation as part of the department’s daily routine in order to support the validity of payroll transactions [102010.04].</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Human Services
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

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

Appropriations:
 General Fund \$576,365,473
 Grants Revenue Fund 22,494,165
 Capital Fund 1,640,000
 Total Appropriations \$600,499,638

Estimated Revenues:
 Non-Tax Revenue \$ 5,253,000
 From Other Governments 548,145,000
 Total Estimated Revenues \$553,398,000

Number of Full Time Employees:
 Civil Service 1,644
 Exempt 61
 Total Employees 1,705

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets. Our limited testing of randomly selected payroll entries disclosed an instance where an employee's overtime hours were not recorded in the payroll system.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102211.01].</p>	<p>Management indicated that someone will either be hired or placed into a position to handle these spot checks.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance sheets were still not used contemporaneously</u> – Our testing of payroll records for five randomly selected employees found that employees in two of the units examined 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>Management responded that it was possible that some employees may not actually be taking a lunch due to an inability to break away from either their scheduled tasks or parents and/or children being at their desk in need of help or services.</p>
<p><u>Payroll duties were still not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. As discussed above, our limited payroll testing identified an instance where an employee's overtime hours were not recorded in the payroll system. We believe that such errors could be more easily detected if another employee performed the supervisory review.</p>	<p>Failure to segregate duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data input and supervisory reviews of the bi-weekly payroll [102210.02].</p>	<p>Management indicated that because of the high volume of employees handled by each payroll clerk, the short window for payroll data entry and sign-off, the correction of errors, and requests for information about employee leave balances, it would be very difficult to implement the recommendation.</p>

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head

Louis Giorla, Commissioner
Philadelphia Prison System
7901 State Road
Philadelphia, PA 19136-3407

Appropriations:

General Fund	\$234,139,870
Grants Revenue Fund	3,184,000
Capital Fund	<u>34,070,000</u>
Total Appropriations	<u>\$271,393,870</u>

Estimated Revenues:

Non-Tax Revenue	\$1,250,000
From Other Governments	<u>2,809,000</u>
Total Estimated Revenues	<u>\$4,059,000</u>

Number of Full Time Employees:

Civil Service	2,169
Exempt	<u>3</u>
Total Employees	<u>2,172</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries still were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>We again recommend that someone independent of payroll preparation spot-check data entries by referencing back to the daily attendance records. The process should be documented [102310.02].</p>	<p>Management indicated the procedure was being done; however, it was not documented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy still was not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [102310.03].</p>	<p>A formal policy addressing employee lateness is under development and currently being reviewed by the commissioner of the prisons system.</p>
<p><u>The city's sick leave policy still was not enforced</u> – The agency did not appear to be complying with the city's sick leave policy. There was no evidence that two of the five employees tested who had reached five undocumented sick leave days had been notified that they were close to being placed on the city's "Excessive Use of Sick Leave List" as required by the policy.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We again recommend that the sick leave notification policy, including employee counseling, be complied with by management [102310.04].</p>	<p>Management again stated that it will more closely monitor this area by assigning responsibilities to both a payroll supervisor and an administrator to ensure that supervisory personnel are notified of excessive undocumented sick leave by employees at the appropriate times.</p>

City of Philadelphia
Office of Supportive Housing
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:
General Fund \$ 38,473,558
Grants Revenue Fund 60,516,141
Capital Fund 3,579,000
Total Appropriations \$102,568,699

Estimated Revenues:
Non-Tax Revenue \$ 1,933,000
From Other Governments 59,922,000
Total Estimated Revenues \$61,855,000

Number of Full Time Employees:
Civil Service 150
Exempt 5
Total Employees 155

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll duties were not adequately segregated</u> – Our payroll testing noted that, for two of seven pay periods reviewed, the same payroll unit employee initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. In addition, out of the seven pay periods reviewed, we observed two instances where an employee signed off as performing both the supervisory review and the executive approval.</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data input, the supervisory review and the executive level review of the bi-weekly payroll [102411.01].</p>	<p>Management concurred with the condition and will implement the recommendation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Lateness policy did not establish progressive sanctions for violations</u> – While the agency had a written lateness policy, the policy did not establish specific sanctions for repeated violations. Also, while the agency’s Riverview facility had its own lateness policy which listed progressive disciplinary actions, the policy did not specify the number of lateness occurrences that would lead to each penalty.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policies to include progressive sanctions for violations of the policy, which define the number of lateness occurrences and the resulting penalties. Issue the revised policies to employees and implement the progressive sanctions for violations [102411.02].</p>	<p>Management believes that it is difficult to prepare a lateness policy because of the various divisions within the agency.</p>
<p><u>Payroll attendance records were still not authorized contemporaneously</u> – Our payroll testing found that a supervisor failed to authorize one employee’s time card for all five pay periods we reviewed for that employee. In addition, OSH staff conducted an internal review of fiscal year 2011 payroll records and noted that for all 17 employees selected for review, there were instances where supervisory approval on the timesheets was missing.</p>	<p>Employees may erroneously be paid for time not worked or not paid for time worked.</p>	<p>Supervisors should review and verify time actually worked. All time cards should be routinely authorized as historical records of time worked [102410.02].</p>	<p>Management indicated that supervisory reviews are required and has sent e-mails and memos to supervisory staff explaining what is expected.</p>
<p><u>Payroll data entries were still not adequately checked</u> – Management provided us with a copy of a memorandum summarizing the results of an independent internal review of selected fiscal year 2011 payroll records conducted in October 2011 by department staff. According to the memorandum, this review included spot checking payroll data entries by reference to daily attendance records. Management informed us that this process will be conducted annually. We believe such reviews should be performed more frequently than once a year so that errors and/or irregularities can be detected and corrected on a timelier basis.</p>	<p>Systemic errors and/or irregularities may occur and not be timely detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require a periodic review throughout the fiscal year where someone independent of payroll preparation spot-checks data entries by referencing back to the daily attendance records. This periodic spot-check should be documented [102410.03].</p>	<p>Management did not know of the procedure, but has indicated that upon becoming aware of it during the audit, it has implemented a review.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was still not enforced</u> – There was no evidence of effective monitoring of the city’s sick leave policy, particularly by the payroll unit located at the Riverview facility. Our testing noted seven Riverview employees who had excessive undocumented sick leave time in calendar 2010 but had not been notified by the department as required by the city’s sick leave policy. In addition, we found five employees, three of whom worked at Riverview, had not been notified that their undocumented sick leave incidents had become excessive in calendar 2011.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [102410.04].</p>	<p>Management believes the incidents of non-compliance noted at Riverview are isolated.</p>

City of Philadelphia
Office of Fleet Management
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:

General Fund	\$51,437,489
Water Fund	8,509,626
Grants Revenue Fund	2,678,890
Aviation Fund	8,108,573
Capital Fund	<u>4,245,000</u>
Total Appropriations	<u>\$74,979,578</u>

Estimated Revenues:

Non-Tax Revenue	\$2,940,000
From Other Governments	<u>2,679,000</u>
Total Estimated Revenues	<u>\$5,619,000</u>

Number of Full-Time Employees:

Civil Service	330
Exempt	<u>1</u>
Total Employees	<u>331</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Payroll attendance records were not authorized contemporaneously</u> – We found that supervisors periodically failed to authorize employee time sheets.	Employees may erroneously be paid for time not worked or not paid for time worked.	Require supervisors to document their review and approval of all timesheets [102511.01].	Management will ensure that unit supervisors properly endorse their signature on daily attendance reports on a daily basis.
<u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. For all five sample employees tested, written supervisory approvals were obtained after the overtime hours were worked.	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.	Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [102511.02].	Management stated that it is impractical to authorize overtime in advance simply because the need for overtime is very difficult to anticipate.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [102510.01].</p>	<p>Someone independent of the payroll processing system will be assigned the duty of spot checking payroll postings for accuracy.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Inadequate segregation of duties in the payroll unit</u> – Responsibility for the payroll preparation process and the distribution of paychecks was performed by the same employee. Although a Human Resources employee picked up the payroll checks from the Treasurer’s Office, the payroll supervisor reviewed the checks for anomalies and distributed the checks to the employees.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of processing payroll from those of distributing payroll checks. The Human Resources employee that picks up the check from the Treasurer’s Office should also review the checks for anomalies and distribute the checks to the employees [102510.02].</p>	<p>Implemented.</p>
<p><u>Formal lateness policy does not establish sanctions</u> – The lateness policy did not provide benchmarks or clearly define progressive sanctions for violations sufficient to effectively guide management and staff.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, due to abuses caused by employees habitually reporting to work late and/or not working a complete shift.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy [102510.03].</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Licenses and Inspections*
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

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

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

Appropriations:

General Fund	\$23,674,118
Grants Revenue Fund	10,920,000
Community Development Fund	<u>605,961</u>
Total Appropriations	<u>\$35,200,079</u>

Estimated Revenues:

Non – Tax Revenue	\$43,909,000
From Other Governments	<u>11,526,000</u>
Total Estimated Revenues	<u>\$55,435,000</u>

Number of Full Time Employees:

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

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUES AND RECEIPTS</p> <p><u>Receipts were still not adequately safeguarded</u> - Cashiers in the Licenses Issuance and Permit Units did not restrictively endorse checks when received. In addition, the Licenses Issuance Unit routinely stored its checks overnight in a freely accessible in-basket or in an unlocked desk drawer.</p>	<p>Checks may be lost, misplaced, or misappropriated. In addition, checks returned by the bank for insufficient funds may not be identifiable with the underlying transaction.</p>	<p>Restrictively endorse all checks at the time of payment with the appropriate department codes, including a unique identifier number such as license or permit number to allow bank returned checks to be traced to the initiating transaction [102610.01].</p> <p>We also recommend that the department store checks overnight in a more secure location such as a locked cabinet or safe [102610.02].</p>	<p>Management indicated that it has ordered stamps with the words “For Deposit Only-City of Philadelphia” that will be utilized when checks are received.</p> <p>Management also indicated it has purchased a new safe that will be used to secure checks overnight until they are deposited with Revenue.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Verification of license fee revenues was still not performed</u> - The department did not establish procedures to reconcile license fee income as recorded in its data base with actual amounts of revenues received and reported by the city's Revenue Department. We noted differences between license fee revenues reflected in the department's data base and the revenues recorded in the city's books and records.</p>	<p>Failure to perform adequate reconciliation procedures could result in lost, misappropriated, or misclassified revenues going undetected.</p>	<p>All revenues associated with the issuance of licenses and permits should be reconciled to Revenue Department records to ensure that all income has been recorded and properly classified. Significant differences should be investigated [102610.03].</p>	<p>Management indicated that due to unanticipated employee turnover, this initiative was slightly delayed. It asserted that the goal is to review the department's database and revenue records to identify any significant variances or spikes in revenue.</p>

City of Philadelphia
Philadelphia Water Department*
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:

Water Fund	\$299,257,000
Water Residual Fund	22,927,000
Capital Fund	<u>598,751,000</u>
Total Appropriations	<u>\$920,935,000</u>

Estimated Revenues:

Non-Tax Revenue	\$ 41,188,000
From Other Governments	3,300,000
From Other Funds	<u>87,498,000</u>
Total Estimated Revenues	<u>\$131,986,000</u>

Number of Full Time Employees:

Civil Service	1,839
Exempt	<u>4</u>
Total Employees	<u>1,843</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employees earning emergency duty pay continue to be overpaid</u> – The payroll unit was not effectively monitoring and enforcing civil service regulations for employees designated by the department as emergency duty employees. A civil service regulation allows emergency duty employees to be paid an additional pay step increase throughout the year to respond to emergency situations outside of normal working hours. The same regulation prohibits these employees from also earning compensatory time.</p>	<p>The lack of adherence to civil service regulations has allowed emergency duty employees to be systematically overcompensated for the same hours worked. This abusive practice has resulted in the unnecessary expenditure of taxpayer money.</p>	<p>Prohibit emergency duty employees from earning compensatory time or any other premium time in accordance with civil service regulations. The practice of paying two premium pay rates for the same hours worked should be ceased immediately [102810.02].</p>	<p>Management indicated that it established a written policy in March 2012 disallowing employees who earn Emergency Pay from simultaneously earning compensatory time.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES CONT'D			
<p>However, our current year review continued to find that in addition to receiving the one step pay increase, an emergency duty employee was also earning compensatory time (at the rate of time and one half) for work outside of the normal work day. Accordingly, the emergency duty employee was improperly receiving two premium pay rates for the same hours worked.</p>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was not enforced</u> – There was no evidence that the payroll unit effectively monitored the city’s sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy’s notification requirements including employee counseling and subsequent sanctions set forth in the policy be enforced by management [102810.01].</p>	<p>Implemented.</p>

City of Philadelphia
Department of Records
Findings and Recommendations
Fiscal Year 2011

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> Joan Decker, Commissioner Department of Records Room 160 City Hall Philadelphia, PA 19107	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
	General Fund	<u>\$4,009,212</u>	Non-Tax Revenue	<u>\$27,170,000</u>
	<u>Number of Full Time Employees:</u>			
			Civil Service	62
			Exempt	<u>1</u>
		Total Employees	<u>63</u>	

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUES AND RECEIPTS</p> <p><u>Untimely deposits of revenue receipts</u> – Revenue receipts were not always deposited within two business days.</p>	<p>Untimely deposits of revenue receipts results in lost interest income to the city and increases the risk of misappropriation.</p>	<p>Deposit all revenue receipts within two business days [103111.01].</p>	<p>Due to staff shortages and the lengthy reconciliation process, several days of receipts are aggregated and deposited together.</p>

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head

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

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

Appropriations:

Finance

General Fund	\$1,138,514,587
Water Fund	87,280,000
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	300,000,144
Aviation Fund	46,822,000
Community Development Fund	25,121,547
Acute Care Hospital Fund	298,680
Capital Fund	<u>31,775,000</u>
Total Finance	<u>1,630,811,958</u>

Sinking Fund Commission

General Fund	211,035,690
Water Fund	195,044,421
Aviation Fund	121,217,708
Car Rental Tax Fund	<u>5,000,000</u>
Total Sinking Fund	<u>532,297,819</u>

Total Appropriations \$2,163,109,777

Estimated Revenues:

Finance

Non-Tax Revenue	\$ 12,517,000
From Other Governments	757,945,000
Revenue From Other Funds	22,511,000
Sinking Fund Commission	<u>0</u>
Total Estimated Revenues	<u>\$792,973,000</u>

Number of Full Time Employees:

Finance

Civil Service	86
Exempt	<u>52</u>
Total Employees	<u>138</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>PERSONAL SERVICES</u></p> <p><u>Payroll duties were still not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review.</p>	<p>Failure to segregate duties increases the risk of undetected errors or provides opportunities to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [103510.02].</p>	<p>We are aware of this requirement and make every effort to comply each and every payroll posting. However, there are circumstances that make it impossible to comply every time. For example, the human resources manager who approves at the supervisor level may have to make corrections and/or post payroll if the departmental payroll clerk is absent. With a limited staff it is difficult to comply every payroll.</p>
<p><u>A formal lateness policy was not established and communicated to employees</u> – There was no written lateness policy available to define mandated work hour schedules and guide management and staff on the consequences of lateness.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [103510.05].</p>	<p>A departmental lateness policy has been drafted and is in the process of being reviewed.</p>
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the biweekly payroll.</p>	<p>Require someone independent of payroll to spot check data entries by referencing back to the daily attendance records. The process should be documented [103510.07].</p>	<p>Management indicated that it has assigned an employee who does not have data entry authority in the payroll system to randomly check payroll input on a periodic basis.</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> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by two of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with the Finance Office’s standard accounting procedures [103510.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
<p><u>City sick leave policy was not enforced</u> – There was ineffective monitoring of the city’s sick leave policy by the payroll unit. We reviewed the office’s sick leave payroll screens for calendar 2010 and noted employees with excessive undocumented sick leave time had not been notified by the department as required by the city’s sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy’s notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [103510.04]</p>	<p>Implemented.</p>

City of Philadelphia
 Department of Revenue
 Findings and Recommendations
 Fiscal Year 2011

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> Keith J. Richardson, Commissioner Department of Revenue Municipal Services Building, 6 th Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102	<u>Appropriations:</u> General Fund Water Fund Grants Revenue Fund Acute Care Hospital Fund Total Appropriations	\$15,049,812 15,144,046 10,000,000 45,000 <u>\$40,238,858</u>	<u>Estimated Revenues:</u> Tax Revenue Non-Tax Revenue From Other Governments Total Estimated Revenues	\$2,618,918,000 511,837,000 <u>32,010,000</u> <u>\$3,162,765,000</u>
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<u>Number of Employees:</u>	
Civil Service	471
Exempt	<u>11</u>
Total Employees	<u>482</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced</u> – Our payroll testing disclosed that sick leave abuse warning letters were not always distributed to employees in a timely manner, prescribed financial sanctions were not imposed on employees on the Sick Abuse List, and documentation supporting placement on the Sick Abuse List was not maintained by the department.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced [103611.01].</p>	<p>Management indicated that the exceptions noted by the auditor were overlooked by its staff.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – During our testing of payroll records, we noted that for one of five randomly selected employees we tested, there was no evidence of a formal request for paid leave time approved by a supervisor.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office's standard accounting procedures [103610.02].</p>	<p>The department has recently implemented an electronic leave authorization system, which will require the formal request and approval of all leave time.</p>

City of Philadelphia
Procurement Department
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:
General Fund \$4,238,574
Water Fund 69,228
Grants Revenue Fund 150,000
Total Appropriations \$4,457,802

Estimated Revenues:
Non-Tax Revenues \$1,303,000
From Other Governments 150,000
Total Estimated Revenues \$1,453,000

Number of Full Time Employees:
Civil Service 42
Exempt 4
Total Employees 46

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced</u> – There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We noted employees who had excessive undocumented sick leave time but had not been notified by the department in accordance with the city policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the policy relies upon continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave notification policy including employee counseling be compiled with by management [103811.01].</p>	<p>Management indicated that due to personnel changes in the payroll unit, documentation evidencing monitoring of the sick leave abuse policy could not be located.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [103811.02].</p>	<p>Management concurred with finding and agreed to add the independent test to the departmental payroll processing procedures.</p>
<p><u>A formal lateness policy was still not established and communicated to employees</u> – During the fiscal year 2010 review a written lateness policy was not established to guide management and staff. During fiscal year 2011, a formal lateness policy was established however the lateness policy did not set forth sanctions for employees arriving 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>Compile, issue, and implement a comprehensive employee lateness policy [103810.04].</p>	<p>Management indicated that it intends to consult with the Office of Human Resources to gather its expertise on expanding the Procurement’s lateness policy to include definitive actions for preventing and addressing employee abuse.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation was not available to support recorded revenues</u> – Management could not provide all the evidence required, such as invoices, scrap metal weights, related metal prices or other documentation, to completely support the deposits made for one of the three scrap metal sales selected for testing. Accordingly, we could not determine whether the city received too much, too little, or the correct amount for scrap materials delivered to vendors.</p>	<p>Loss of original records supporting departmental activities undermines management’s abilities to effectively control its operations and may conceal possible anomalies or irregularities.</p>	<p>Maintain and safeguard documentary evidence, such as material identification and weight records, in order to support the validity of proceeds from scrap sales [103810.01].</p>	<p>Implemented.</p>
<p><u>Documentation supporting and authorizing leave time was not routinely prepared</u> – During our testing of payroll records, management could not provide formal paid leave requests for leave taken by four of the five employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increase the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office’s standard accounting procedures [103810.03].</p>	<p>Implemented.</p>

City of Philadelphia
Office of the City Treasurer
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:
General Fund \$904,699

Estimated Revenues:
Non-Tax Revenues \$22,501,000
From Other Governments 5,475,000
Total Estimated Revenues \$27,976,000

Number of Full Time Employees:
Civil Service 10
Exempt 4
Total Employees 14

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance sheets were still not used contemporaneously</u> – Employees were not consistently signing out and back in for lunch. We noted that employees not signing out for lunch included that times as part of their regular work week.</p>	<p>Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.</p>	<p>Require employees to contemporaneously sign the attendance sheets [104010.01].</p>	<p>Management indicated that all employees have been notified to sign out when they begin their lunch break, and to sign in upon returning from their break.</p>

City of Philadelphia
Office of the City Representative*
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head

Desiree Peterkin-Bell
Office of the City Representative
One Parkway Building - 12th Floor
1515 Arch Street
Philadelphia, PA 19102

Total Appropriations:

General Fund \$945,591

Estimated Revenues:

\$-0-

Number of Full Time Employees:

Civil Service	4
Exempt	<u>2</u>
Total Employees	<u>6</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>The city's sick leave policy was not enforced</u> – There was no evidence of monitoring of the city's sick leave policy by the payroll unit. We noted two sampled employees who had excessive undocumented sick time but had not been notified or placed on the sick abuse list in accordance with city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave policy's notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [104111.01].</p>	<p>We did not have anyone that would have qualified for the sick abuse list and we did not have anyone that used 5 undocumented days that would have needed a warning letter.</p> <p>[Controller's Office Evaluation of Agency's Response: The evidence obtained during the audit indicated that management did not provide employees who had excessive undocumented sick leave with appropriate notification.]</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time was still not always prepared</u> – During our testing of payroll records, we noted that formal employee requests for leave time were not always obtained in advance by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with Finance Office’s standard accounting procedures [104111.02].</p>	<p>Except for days that people call out sick, requests are being submitted.</p> <p>[Controller’s Office Evaluation of Agency’s Response: The evidence obtained during the audit indicated the department does not obtain formal employee leave requests, in advance, for leave time other than sick time.]</p>
<p><u>Payroll entries were not subject to independent supervisory and executive reviews</u> – For five of the five payroll periods tested the same individual performed both the supervisory and executive reviews over payroll.</p>	<p>Failure to segregate duties and combing multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [104110.01].</p>	<p>Management indicated that, currently, review of payroll is performed at the supervisory level and will be reviewed at the executive level.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets. We noted instances where employees signed in for their arrival times out of sequence, and where an employee signed out for lunch at the end of the day to avoid being charged for leave time.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104110.02].</p>	<p>The First Deputy City Representative reviews the Time Sheets and signs them before Payroll is entered.</p>
<p><u>Daily attendance sheets were still not being used contemporaneously</u> – civil service employees of the agency were still not signing out and back in for lunch.</p>	<p>Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.</p>	<p>Require employees to contemporaneously sign the daily attendance sheets. [104110.03].</p>	<p>Management indicated that lunches are not always recorded on a daily basis. We are working to ensure compliance through employee e-mail and verbal reminders that this policy must be followed.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff, or define mandated work reporting patterns.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [104110.04].</p>	<p>Management indicated that a Lateness Policy Memo was issued February 2, 2011 regarding Notification of Lateness or Absence. This was distributed to everyone and implemented.</p> <p>[Controller's Office Evaluation of Agency's Response: The evidence obtained during the audit indicated the department does not have a formal lateness policy.]</p>

City of Philadelphia
Office of the Director of Commerce
Findings and Recommendations
Fiscal Year 2011

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 the economic development activities through contracts with various quasi-public agencies. The Mayor appoints a commerce director to head the agency. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately.

Name and address of agency head

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

Appropriations:

General Fund	\$ 18,642,662
Hotel Tax Fund	41,720,000
Grants Revenue Fund	27,238,725
Community Development Fund	16,613,416
Capital Fund	<u>91,129,000</u>
Total Appropriations	<u>\$195,343,803</u>

Estimated Revenues:

Non-Tax Revenue	\$ 502,000
From Other Governments	43,602,000
From Other Funds	2,000,000
Hotel Room Rental Tax	<u>41,718,000</u>
Total Estimated Revenues	<u>\$87,822,000</u>

Number of Full Time Employees:

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

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</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 Commerce management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>Commerce may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [104211.01].</p>	<p>Commerce is in its final stage of completing its Employee Handbook which would include the official lateness policy. A lateness policy is being practiced based on emails sent out to staff.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The city's sick leave policy was not enforced</u> – Commerce did not appear to be complying with the city's sick leave policy. There was no evidence that one of the five employees tested who had reached five undocumented sick leave days had been notified that he was close to being placed on the city's "Excessive Use of Sick Leave List" as required by the policy.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. We recommend that the sick leave notification policy, including employee counseling, be complied with by management [104211.02].</p>	<p>This policy has been enforced for every employee. This was the only employee whereby there were difficulties in retrieving sick time-off documentation in a timely manner. Moving forward, we will adhere strictly to the policy that is in place, no exceptions.</p>
<p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – The same individual frequently performed both supervisory and executive reviews over the bi-weekly payrolls.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [104211.03].</p>	<p>Management suggested that this observation was a rare occurrence – the supervisory reviewer was not available within the time frame to meet the deadline to sign-off payroll, so the executive reviewer had to perform both reviews.</p>
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104210.03].</p>	<p>Commerce is in the process of setting up an employee, independent of payroll, to spot check the timesheets against the data input for payroll.</p>

City of Philadelphia
Division of Aviation
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:
Aviation Fund \$ 154,524,000
Capital Fund 1,072,096,000
Total Appropriations \$1,226,620,000

Estimated Revenues:
Non-Tax Revenues \$361,000,000
From Other Governments 5,000,000
Total Estimated Revenues \$366,000,000

Number of Full Time Employees:
Civil Service 718
Exempt 8
Total Employees 726

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>Authorization codes of individual airport officials responsible for approving purchase requisitions and authorizing payments were not maintained in a manner that prevented unauthorized use by others</u> – Of 34 fiscal year 2011 expenditure transactions tested, 14 (40 percent) had been approved by an unauthorized individual using the authorization code of a former DOA executive that had retired.</p>	<p>Although none of the expenditures examined were found to be improper, allowing individuals the unauthorized access to authorization codes of others increases the risk of improper payments. Moreover, accountability for expenditures is threatened.</p>	<p>Take measures to ensure that access codes of all separated employees are timely revoked [104311.01].</p>	<p>Management stated that it found itself in an unusual predicament when its deputy director of Aviation retired. Time was of the essence and DOA took the unusual step of using the retired employee’s authorization code in the system, but only after the necessary reviews were completed by the appropriate administrators. The DOA has received sign-off permission for two additional assistant deputy directors. Management stated it will be proactive in recognizing any procedural discrepancies in the future.</p>

City of Philadelphia
Law Department
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Appropriations:

General Fund	\$18,665,480
Water Fund	3,251,388
Grants Revenue Fund	21,842,820
Aviation Fund	1,878,074
Community Development Fund	<u>208,789</u>
Total Appropriations	<u>\$45,846,551</u>

Estimated Revenues:

Non-Tax Revenue	\$22,250,000
From Other Governments	<u>1,052,000</u>
Total Estimated Revenues	<u>\$23,302,000</u>

Number of Full Time Employees:

Civil Service	76
Exempt	<u>149</u>
Total Employees	<u>225</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Proper use of the Law Department's daily attendance records were not always enforced by department management</u> – Although the department had a suitable attendance record (time clock card) to capture employee hours worked, one of five employees whose payroll records we examined, frequently (50 percent of 16 days inspected) did not use the time clock card appropriately – either the employee failed to punch out and back in for lunch, or utilized the reverse side of a previously used time card. Despite the employee's misuse of the time clock cards, her supervisor routinely approved them.</p>	<p>Use of the time clock system in an inappropriate way may lead to payroll errors and/or theft of time.</p>	<p>Without exception, require all employees to use the attendance system the way it was designed [104411.01].</p>	<p>Management indicated that it will improve its monitoring of employee timecards, including the timely submissions of daily timecards.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Employee absences were not supported by approved leave requests when required</u> – Asserting that leave requests became too onerous for its payroll unit to maintain, the Law Department discontinued using them.</p>	<p>Failure to mandate the use of formal leave requests may result in misclassified employee leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city’s Finance Office [104411.02].</p>	<p>Management indicated that all civil service employees will be reminded that approved leave requests are required. All daily time cards are reviewed by supervisors; therefore, all leave time is approved.</p>
<p><u>City sick leave policy still was not being enforced</u> – Evidence examined suggests the Law Department was still not complying with the city’s sick leave policy. Of five employees whose payroll records we examined, one having excessive undocumented sick leave (5 days) was not officially notified that she was in jeopardy of being placed on the “Excessive Use of Sick Leave List”.</p>	<p>The purpose of the city’s sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead employees abusing sick time.</p>	<p>Effective use of the city’s sick leave policy relies upon continuous monitoring and then notification to employees that sanctions may result from excessive use of sick leave without appropriate evidence of being ill. We continue to recommend that management comply with the sick leave notification policy including, employee counseling when necessary [104410.01].</p>	<p>Management indicated it will improve its monitoring of employee sick leave time.</p>
<p><u>Payroll data entries still not being subject to independent supervisory and executive-level reviews</u> – For one of three randomly selected payroll periods tested, the same individual performed both the supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [104410.03].</p>	<p>Management indicated that, due to the city Finance Office’s strict controls, the department has one person at each review/authorization level. On rare occasions, it is necessary for the same person to perform both reviews due to Central Payroll’s strict sign-off deadlines.</p>
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104410.04].</p>	<p>Management indicated that the department’s budget officer periodically reviews departmental payroll costs. Most of the staff are exempt salaried employees so payroll costs usually don’t vary.</p>

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

<u>Total Appropriations:</u>		<u>Estimated Revenues:</u>	
General Fund	<u>\$810,000</u>	Non-Tax Revenue	<u>\$50,000</u>
		<u>Number of Full Time Employees:</u>	
		Exempt	<u>8</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll checks were not adequately reviewed prior to distribution</u> – No one independent of the payroll preparation process compared the biweekly payroll checks to the payroll register and scanned them for unusual amounts. Management does not require this practice.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll which may result in employees being underpaid or overpaid.</p>	<p>Require someone independent to make this comparison and scan the checks for unusual amounts. The process should be documented [104511.01].</p>	<p>Management concurred with the condition. It indicated that the practice would be implemented and the individual performing the procedure would sign-off at the bottom of the payroll register to document the process was occurring.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [104511.02].</p>	<p>Management indicated that it was unaware of the necessity of the process, but would begin requiring an independent spot checking of data entry on a quarterly basis.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting and authorizing employee leave time still was not routinely prepared</u> - Formal employee requests for compensated absences were not required by management.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104510.02].</p>	<p>Management indicated that it does not use written leave requests to document the use and approval of leave time. It prefers use of a calendar system located on the Board's Local Access Network where staff record their anticipated leave.</p>
<p><u>The city sick leave policy still was not adopted and enforced</u> - There was no evidence that employee sick leave was monitored by the payroll unit. We noted one sampled employee who had excessive undocumented sick leave time but had not been notified by the agency in accordance with the city policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of a sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave notification policy including employee counseling and any subsequent sanctions set forth in the policy be adopted and enforced by management [104510.03].</p>	<p>Management indicated it is in the process of monitoring sick abuse because five of the Board's employees will be entering civil service status.</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 the management and staff, or define mandated work reporting patterns.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [104510.04].</p>	<p>Management indicated it is in the process of creating a lateness policy because five of the Board's employees will be entering civil service status.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee frequently initiated entries to the payroll system based on employee timesheets and also signed off in the payroll system as performing the supervisory review. We also found other</p>	<p>Failure to segregate duties and combining multilevel reviews increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll process.</p>	<p>Assign different individuals to perform the data input, the supervisory review, and the executive level review of the bi-weekly payroll [104510.01].</p>	<p>Implemented</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
instances where the same payroll unit employee signed off in the system as performing all three payroll process functions (data entry, supervisor review, and executive approval). Our limited testing identified an employee whose administrative leave time was not entered in the payroll system for the pay period in which it occurred. The data-entry errors went undetected and uncorrected for over four months. We believe such data entry errors would be more easily detected if another employee performed the supervisor review.			

City of Philadelphia
Philadelphia Youth Commission
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head
Jamira Burley, Executive Director
Philadelphia Youth Commission
1401 John F. Kennedy Boulevard
16th Floor, Room G
Philadelphia, PA 19102

Total Appropriations:
General Fund \$100,000

Estimated Revenues: \$ -0-

Number of Full Time Employees:
Exempt 1

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>Expenditure file documentation still did not include evidence of the receipt of goods and services</u> - Of two judgmentally selected expenditures — one for an executive chair and the other for printing services — we again noted that the Youth Commission did not retain evidence, such as receiving reports or other documentation, to support the receipt of goods it received from vendors.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as invoices and receiving reports in order to support the validity of departmental transactions [104710.01].</p>	<p>Management indicated that, in place of receiving reports, signatures on invoices indicating delivery receipt are acceptable.</p>

City of Philadelphia
Office of the Inspector General
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Total Appropriations:
General Fund \$1,379,677

Estimated Revenues:
\$ -0-

Number of Full Time Employees:
Exempt 16

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced</u> – The OIG did not appear to be complying with the city’s sick leave policy. There was no evidence that three employees of the OIG who had reached five undocumented sick leave days had been notified that they were close to the criteria (eight undocumented sick leave days) for being placed on the city’s “Excessive Use of Sick Leave List”.</p>	<p>The purpose of the sick abuse policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>Effective use of the policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave notification policy, including employee counseling, be complied with by OIG management [104811.01].</p>	<p>The OIG employee who monitored employee sick leave has left the OIG. Moving forward, management will be actively compiling per pay period employees’ use of undocumented leave and will be following the appropriate city procedures regarding written notifications and counseling when necessary.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was still not established and communicated to employees</u> – There was no written lateness policy available to guide the OIG management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The OIG may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [104810.01].</p>	<p>The OIG has compiled, issued, and implemented a formal lateness policy. The OIG believes this policy adequately balances the schedule flexibility of its employees and the 75 hour bi-weekly work requirement implemented by the city.</p>
Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</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, okaying invoices, and authorizing payments for goods and services.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Management should assign the functions of approving purchase requisitions, okaying invoices, and authorizing payments to separate employees [104811.02].</p>	<p>OIG management is actively looking to correct this issue. The budget officer who was responsible for purchasing and expenditure duties has recently left the OIG. Moving forward, the OIG will be filling this position but will be decentralizing the purchasing and expenditure functions into multiple OIG employees creating separate employees to approve purchases, review invoices, and authorize payments.</p>

City of Philadelphia
Philadelphia City Planning Commission and Zoning Code Commission
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

<u>Name and address of agency head</u> Gary Jastrzab, Executive Director Philadelphia City Planning Commission One Parkway Building 1515 Arch Street, 13 th Floor Philadelphia, PA 19102	<u>Appropriations:</u> Philadelphia City Planning Commission General Fund \$2,551,249 Grants Revenue Fund 1,538,163 Community Development Fund <u>408,186</u> Total Appropriations <u>\$4,497,598</u>	<u>Estimated Revenues:</u> Philadelphia City Planning Commission Non-Tax Revenues \$ 83,000 From Other Governments <u>1,864,000</u> Total Estimated Revenues <u>\$1,947,000</u>
Eva Gladstein, Executive Director Zoning Code Commission One Parkway Building 1515 Arch Street, 13 th Floor Philadelphia, PA 19102	Zoning Code Commission General Fund <u>\$500,000</u>	<u>Number of Full Time Employees:</u> Philadelphia City Planning Commission Civil Service 36 Exempt <u>1</u> Total Employees <u>37</u> Zoning Code Commission Exempt <u>2</u> Total Employees <u>2</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [105111.01].</p>	<p>Management indicated it plans to have an employee independent of payroll processing review payroll postings.</p>
<p><u>City sick leave policy was still not enforced</u> – There continued to be evidence that the payroll unit of the PCPC was not adequately monitoring enforcement of the city's sick leave policy. Of the one employee that had exceeded five undocumented sick days in the randomly drawn sample of five employees, there was no evidence on file (as required) that the PCPC had warned the employee of the risk of being placed on the city's excessive sick use list.</p>	<p>The city's sick leave policy was established to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees misusing sick leave.</p>	<p>To curb possible misuse of city sick leave, the PCPC must effectively implement the policy. This includes not only counseling employees, but formally notifying them that sanctions may result from excessive occurrences. The PCPC must also execute a procedure to ensure that employees responsible for carrying out the policy do so [105110.03].</p>	<p>Management concurred with the finding and indicated that it planned to fully comply with the city's sick leave policy.</p>
<p><u>Payroll data entries were still not subject to independent supervisory and executive reviews</u> – Three of five employees examined showed that both supervisory and executive approval of their bi-weekly payroll was performed by the same individual.</p>	<p>Combining multilevel reviews undermines the objectives of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two individuals to perform the supervisory and executive reviews of the bi-weekly payroll [105110.06].</p>	<p>Management agreed and in May 2011 requested the city's Finance Office for additional authorized approvers to address the agency's limited capacity to sign off on the bi-weekly payroll.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>A formal lateness policy was not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff, or define mandated work reporting patterns.</p>	<p>The PCPC may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy [105110.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance sheets were not being used contemporaneously</u> – Not all employees were punching out and back in for lunch. We also noted an instance where an employee did not punch out for the day. Management alleged that the employee attended a meeting out of the office. However, the employee was not recorded on the “out of office” sheet for that day.</p>	<p>Failure to require employees to record work hours including their departure and return times for lunch, as these events occur, increases the risk that someone could be paid for time not actually worked.</p>	<p>Require employees to contemporaneously sign attendance records to correctly record work hours [105110.04].</p> <p>Distribute the PCPC’s policies and procedures for recording employee time away from the office, and require supervisors to spot check the “out-of-office” log for compliance [105110.05].</p>	<p>Implemented.</p> <p>Implemented</p>

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Year 2011

Functions

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

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

Total Appropriations:

General Fund	\$32,968,362
Grants Revenue Fund	13,964,131
Capital Fund	<u>5,676,000</u>
Total Appropriations	<u>\$52,608,493</u>

Estimated Revenues:

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

Number of Employees:

Civil Service	669
Exempt	<u>10</u>
Total Employees	<u>679</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Absences were not supported by approved leave requests when required</u> – Although the Library requires most employees to complete a vacation schedule at the beginning of each year, when the employees take non-scheduled administrative leave or other paid leave time throughout the year no formal leave request is required.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</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>Leave time taken due to unusual circumstances are approved by the manager/supervisor on the timesheet. The manager/supervisor signs the timesheet approving the leave. The Free Library considers this sufficient approval.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee is sometimes performing data entry to the payroll system based on employee timesheets and also signing off in the system as performing both the supervisory and executive-level reviews.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory and executive reviews [105211.02].</p>	<p>The postings to the on-line payroll system are now reviewed by the department's human resources professional.</p>
<p><u>A formal lateness policy was not established and communicated to employees</u> – Although management provided us with a copy of its administrative policies and procedures for reporting time and communicating with the Library Payroll Unit, these policies and procedures only addressed the topic of recording lateness of less than fifteen minutes on the "Time Sheet". We did not consider it a formal lateness policy because it failed to adequately define lateness in terms of when it occurs, when it becomes chronic, and what progressive disciplinary actions will take place if a pattern of chronic lateness arises.</p>	<p>The Library 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>Establish and communicate a formal lateness policy to employees [105211.03].</p>	<p>We discipline for chronic lateness in accordance with the Collective Bargaining Agreement, which calls for Progressive Discipline. We will follow up on the Controller's suggestion, and draft a policy that reflects our practice for review by Office Human Resources/Labor Relations to ensure that our policy is consistent city-wide.</p>
<p><u>Unclaimed paychecks, as well as employee earnings and deduction advices are not returned to the City Treasurer's Office within one week if an employee cannot be located</u> – Instead the Library's policy is to return such items to the City Treasurer's Office in six to eight weeks.</p>	<p>The Library may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance requirements with the state's unclaimed monies law.</p>	<p>Comply with the unclaimed paycheck procedures (E-9901) of the city's Finance Office [105211.04].</p>	<p>The department concurs and has initiated a procedure to return all unclaimed checks to the City Treasurer's Office if the employee cannot be located within 60 days of the date payable.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>REVENUE RECEIPTS</p> <p><u>Revenues generated from billings to the federal government's 'E-Rate Program' were not effectively monitored</u> – We found that no one was ensuring that all approved line items under the program award were billed, and no one performed reconciliations to ensure that all revenues billed were received.</p>	<p>The lack of effective program monitoring could result in a loss of funds caused by the failure to bill for all potential E-Rate revenues.</p>	<p>We recommend that the Library's accounting unit ensure that all eligible program expenditures are timely billed, and that all payments are received and accounted for [105210.01].</p>	<p>Implemented.</p>
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not uniformly enforced</u> – There was ineffective monitoring of the city's sick leave policy by the payroll unit. The Library's sick leave payroll screens for calendar year 2010 indicated that numerous employees had excessive undocumented sick time but had not been notified or placed on the sick leave abuse list as required by the city's sick leave policy.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the sick leave policy's notification requirements including employee counseling and subsequent sanctions set forth in the policy be enforced by management [105210.02].</p>	<p>Implemented.</p>

City of Philadelphia
 Commission on Human Relations
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

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

Appropriations:
 General Fund \$2,066,937

Estimated Revenues:
 From Other Governments \$250,000

Number of Full Time Employees:
 Civil Service 27
 Exempt 3
 Total Employees 30

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was still not established and communicated to employees</u> – Management provided a copy of a lateness policy in draft form that defined lateness and detailed the progressive sanctions for violations of the policy. However, this policy had not yet been finalized and issued to employees.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employees abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Finalize, issue, and implement the employee lateness policy that has been drafted [105410.02].</p>	<p>Management indicated that its draft lateness policy will be provided to the unions for approval so that it can be implemented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were still not subject to independent supervisory and executive reviews</u> – Our limited testing noted that, for seven pay periods during fiscal year 2011, the same individual performed both the supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [105410.03].</p>	<p>Management indicated the division of responsibility has been re-established; three different people handle payroll duties. For many months, the executive director had technical problems logging into the payroll system to perform “executive” review. Those problems have now been rectified.</p>
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [105410.04].</p>	<p>Management indicated that it assigned this duty to a staff person on June 13, 2011. To the extent that this spot check may not have been performed regularly in the past, it will be performed on a quarterly basis going forward.</p>

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Year 2011

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

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

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

Appropriations:

Office of Human Resources

General Fund	\$5,185,757
Grants Revenue Fund	<u>572,240</u>
Total Appropriations	<u>\$5,757,997</u>

Civil Service Commission

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

Office of Human Resources

From Other Governments	\$572,000
Civil Service Commission	<u>0</u>
Total Estimations	<u>\$572,700</u>

Number Full Time of Employees:

Office of Human Resources

Civil Service	67
Exempt	<u>6</u>
Total Employees	<u>73</u>

Civil Service Commission

Civil Service	<u>2</u>
Total Employees	<u>2</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll duties were not adequately segregated</u> – The same payroll unit employee is sometimes performing data entry to the payroll system based on employee timesheets and also signing off in the system as performing the supervisory review. Additionally, the same individual performing the supervisory review is also frequently completing the executive-level approval.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory the supervisory and executive-level reviews [105611.01].</p>	<p>Management indicated it will continue to strive to ensure that someone other than who performed the supervisory review performs the executive review.</p>
<p><u>Payroll data entry was not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking data entry to the payroll system by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entry by referencing back to the daily attendance records. The process should be documented [105611.02].</p>	<p>Management indicated that payroll processing rules are sufficiently complex that untrained staff could not adequately perform such a check. The payroll system performs the arithmetic and enforces payroll rules. Employees and their supervisors receive quarterly reports of leave usage and leave balances are printed on the employee paychecks. These practices provide reasonable safeguards against error or fraud and are achievable with the resources available.</p>
<p><u>Documentation supporting the pre-approval of overtime was not prepared</u> – The one sampled employee granted compensatory time in our limited test of payroll transactions had no documented evidence that the time earned was pre-approved by a supervisor. Further inquiries revealed that OHR did not subscribe to a formal system for approving compensatory time and overtime worked in advance.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Moreover, discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [105611.03].</p>	<p>Since supervisors must approve time for employees on a daily basis, management considers it unnecessary to require written pre-authorization documentation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was still not established and communicated to employees</u> – There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [105610.01].</p>	<p>On December 9, 2010, management issued a memo to all staff which included a section on Attendance and Punctuality Expectations. These are still in effect.</p> <p>[Controller's Office Evaluation of Agency's Response: 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>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>OTHER EXPENDITURES</p> <p><u>Expenditure documentation was incomplete</u> – We found documentation for two of five randomly selected expenditure transactions tested was deficient. One transaction included a vendor invoice that had not been formally approved, and another transaction was not fully supported with evidence that services purchased were performed.</p>	<p>The agency is at increased risk of payment for goods and services not received in part or in full when invoices are not reviewed for appropriate supporting documentation and formally approved prior to payment.</p>	<p>We recommend that the agency more carefully review vendor invoices to ensure that the billings are properly supported and document that review by formally approving the invoices prior to processing for payment [105610.03].</p>	<p>Implemented.</p>

City of Philadelphia
Office of Property Assessment
Findings and Recommendations
Fiscal Year 2011

Functions

The Office of Property Assessment was created by City Council Ordinance Number 090706, approved by the mayor on January 23, 2010, and given the powers, functions and duties of the Board of Revision of Taxes with respect to the initial making of property assessments. Those duties include: making or supervising the making of all assessments and valuations of all subjects of taxation in accordance with law, ordinance and industry standards; ensuring the annual revisions and equalization of all such assessments and valuations; and certifying all assessments after their revision and equalization. To provide funding for the department, Ordinance Number 110052, effective March 16, 2011, transferred appropriations from other departments to the Office of Property Assessment.

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

Appropriations:
General Fund \$-0-¹

Estimated Revenues:
Non – Tax Revenue \$-0-

Number of Full Time Employees:
Civil Service 80
Exempt 15
Total Employees 95

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE AND RECEIPTS <u>File maintenance runs (specifically RD26 Forms) detailing market value changes to the property assessment data base that supports Philadelphia real estate tax assessments were still not formally reviews and authorized</u> – Of 30 market value changes we sampled for examination, none had any evidence of being reviewed and authorized by a supervisor.	Inaccurate market value changes to real state assessments may be recorded and not detected. Undetected errors in property assessments could result in individual taxpayers either bearing an unfair tax burden or receiving an unfair tax benefit.	All file maintenance runs detailing market value changes should be reviewed by supervisory personnel [105911.01].	Management of the new Office of Property Assessment indicated that supervisors will initial file maintenance runs to document evidence of the review process.

¹ Fiscal year 2011 appropriations of \$1,690,000 were established by transfer ordinance (Bill No. 110052) on March 16, 2011

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Instructions to standardize the real estate valuation assessment process (precepts) were still not being updated annually</u> – Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be updated and re-issued annually. The last year precepts were issued was for tax year 1992.</p>	<p>Without clear guidance, improper re-assessments may occur without detection.</p>	<p>Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania’s legislative code at 72 P.S. § 5341.7 [106310.02].</p>	<p>Management indicated that the precepts are in the process of being updated.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during 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 [105911.02].</p>	<p>Management indicated that payroll data is verified by the departmental human resources manager who is independent of payroll records. Subsequent to this report, this individual will periodically test payroll data by comparing leave slips, time records, doctor’s notes, etc., with payroll data. All reference documents will be noted and a list of examined records will be maintained and be available as required.</p> <p>[Controller’s Office Evaluation of Agency’s Response: The evidence obtained during the audit indicated that an individual independent of payroll processing was not reviewing payroll records.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>A formal lateness policy was not established and communicated to employees</u> – Management provided a copy of a lateness policy in draft form that defined lateness and detailed the progressive sanctions for violations of the policy. However, this policy had not yet been finalized and issued to employees.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Finalize, issue, and implement the employee lateness policy that has been drafted [105911.03].</p>	<p>The department made significant progress in finalizing both the OPA’s Employee Manual and revising its Time Management System Policy during its recent Labor/Management meeting. Both documents reference the department’s lateness policy. We anticipate that the final policy will be distributed to staff within the next few months.</p>
<p><u>Various payroll documentation was not available for review</u> – The department was unable to document its compliance with the city’s sick leave policy for one sample employee who had excessive undocumented sick leave time. While the payroll system indicated that a warning letter had been sent, a copy of the letter could not be located by the department when requested during the audit. In addition, management informed us the department did not retain employee forms authorizing direct deposit of wages but instead discarded them after direct deposit had taken effect for an employee.</p>	<p>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>Loss of supporting documentation that authorizes direct deposit of wages may conceal irregularities.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy’s notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management. Copies of all notices sent to employees should be retained on file by the department [105911.04].</p> <p>Employee forms authorizing direct deposit of wages should be retained on file by the department [105911.05].</p>	<p>Management agrees with the finding. OPA had recently hired a new payroll clerk and this responsibility was shared while the new employee was in training. It is our belief that an oversight prevented the department from issuing the five day warning.</p> <p>The department recently (within the past year) began to destroy direct deposit authorization forms after the first deposit cleared in an effort to protect employees’ account information. We will review our policy regarding maintenance of the authorization forms and make adjustments accordingly.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Documentation supporting personnel time in the field was incomplete</u> – While staff requests for time in the field were approved by supervisors on standard department forms, the information on these forms was incomplete. Although there was a block on the form to indicate the start and end times for the field visit, employees did not complete this portion of the form.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Prior to approving employee requests for field time, supervisors should ensure that request forms contain complete information, including the start and end times [105911.06].</p>	<p>While the field leave slips do contain a section to indicate hours, this section is not filled in by staff submitting slips as field time typically consumes an entire work day. The department has communicated that employees are to report to work should they not require a full day's field leave. Time/record adjustments will be made upon employees' arrival to work.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>REVENUE AND RECEIPTS</p> <p><u>Assessment change forms (Money Change Forms) were not formally reviewed and authorized</u> – Real estate assessments are the basis for real estate and for use and occupancy tax billings. When changing assessments, an evaluator prepares a money change form. Twelve of fifty change forms selected for review did not contain evidence of a supervisory review.</p>	<p>Inaccurate changes to real estate assessments may be recorded and not detected. Undetected errors in property assessments could result in individual taxpayers either bearing an unfair tax burden or receiving an unfair tax benefit.</p>	<p>All proposed changes to property assessments should be reviewed and authorized by both the real estate evaluator and supervisory personnel [106310.01].</p>	<p>Implemented.</p>

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2011

Functions

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

Honorable Alan K. Silberstein, Chairman Board of Revision of Taxes 601 Walnut Street, Suite 300 West Philadelphia, PA 19106	<u>Appropriations:</u> General Fund	<u>\$6,502,559</u>	<u>Estimated Revenues:</u> Non – Tax Revenue	<u>\$4,000</u>
			<u>Number of Full Time Employees:</u> Civil Service	2
			Exempt	6
			Total Employees	<u>8</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency’s Response
<p>PERSONAL SERVICES</p> <p><u>Exempt employees were not required to report hours worked on a daily attendance record, which is subsequently properly approved by a supervisor</u> – No daily attendance record was being used by an exempt employee included in our randomly drawn sample of employees.</p>	<p>Failure to require employees to record their work hours on a daily attendance record increases the risk of misappropriation of time by employees or errors occurring in the preparation of the bi-weekly payroll.</p>	<p>Implement the use a daily attendance records for all employees [106311.01]</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Absences were not supported by approved leave requests when required</u> – We observed no evidence that administrative leave or vacation time taken by one randomly selected employee in our sample was supported by a properly approved leave request.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106311.02].</p>	<p>No response was received from management.</p>
<p>OTHER EXPENDITURES</p> <p><u>BRT's purchasing function for goods and services is not adequately segregated from the receiving and payment functions</u> – the same individual responsible for preparing and approving purchase requisitions is also responsible for verifying the receipt of goods and services, as well as authorizing payments.</p>	<p>Failure to segregate the duties between purchasing and the receiving and payment functions increases the opportunity for the misappropriation of city assets.</p>	<p>Maintain appropriate segregation for the duties of purchasing, receiving, and authorizing payments for goods and services [106311.03].</p>	<p>No response was received from management.</p>

City of Philadelphia
 Clerk of Quarter Sessions*
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

Based on an Administrative Order on March 4, 2010, by the Supreme Court of Pennsylvania, all duties and functions of the Office of the Clerk of Quarter Sessions were absorbed and assumed by the First Judicial District of Pennsylvania. The Office of the Clerk of Quarter Sessions was officially abolished effective July 1, 2010 by Ordinance Number 100360. Prior to abolishment, City Council appropriated funds to the Clerk of Quarter Sessions for fiscal year 2011. Subsequently, Ordinance Number 100488, approved by the Mayor on November 3, 2010, transferred these appropriations from the Clerk of Quarter Sessions to the First Judicial District.

<u>Name and address of agency head</u> Mr. Joseph H. Evers, Clerk of the Court First Judicial District of Pennsylvania Criminal Justice Center, Room 310 1301 Filbert Street Philadelphia, PA 19107	<u>Total Appropriations:</u>		<u>Estimated Revenues:</u>	
	General Fund	<u>\$4,549,313</u>	Non-Tax Revenue	<u>\$8,025,000</u>
			<u>Number of Full Time Employees:</u>	
			Civil Service	0
			Exempt	<u>0</u>
			Total Employees	<u>0</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee leave requests were not located</u> – Staff were unable to locate formal requests for leave time taken by two of the four employees tested.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with the Finance Office’s standard accounting procedures [106410.01].</p>	<p>Implemented by the First Judicial District of Pennsylvania after assuming the Clerk of Quarter Sessions duties.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was not enforced</u> – There was no evidence that the payroll unit monitored the city’s sick leave policy. We noted one sampled employee who had excessive undocumented sick leave time but had not been notified or placed on the sick abuse list by the department in accordance with the city policy. In addition, payroll screens indicated that another 34 employees had not been notified that their undocumented sick leave incidents had become excessive in calendar year 2010.</p>	<p>The purpose of the sick leave policy was to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to employees using sick time in lieu of vacation or personal leave time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the sick leave policy’s notification requirements including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [106410.02].</p>	<p>Implemented by the First Judicial District of Pennsylvania after assuming the Clerk of Quarter Sessions duties.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to the daily attendance sheets.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance sheets. The process should be documented [106410.03].</p>	<p>Implemented by the First Judicial District of Pennsylvania after assuming the Clerk of Quarter Sessions duties.</p>
<p><u>Daily attendance sheets were not being used contemporaneously</u> – Employees were not signing out and back in for lunch.</p>	<p>Failure to require employees to record their departure and return times for lunch as these events occur increases the risk that someone could be paid for time not actually worked.</p>	<p>Require employees to contemporaneously sign the attendance sheets [106410.04].</p>	<p>Implemented by the First Judicial District of Pennsylvania after assuming the Clerk of Quarter Sessions duties.</p>
<p>OTHER EXPENDITURES</p> <p><u>Expenditure file documentation was misplaced and not available for review and audit</u> – One of five randomly selected voucher packages was not located by Clerk of Quarter Sessions staff requested during the audit.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Emphasize to staff the need to maintain and safeguard supporting documentation as part of the department’s daily routine in order to support the validity of departmental transactions [106410.05].</p>	<p>Implemented by the First Judicial District of Pennsylvania after assuming the Clerk of Quarter Sessions duties.</p>

City of Philadelphia
 Register of Wills
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

<u>Name and address of agency head</u> Honorable Ronald R. Donatucci Register of Wills City Hall, Room 180 Philadelphia, PA 19107	<u>Total Appropriations:</u> General Fund	<u>\$3,399,278</u>	<u>Estimated Revenues:</u> Non – Tax Revenue	<u>\$4,194,000</u>
			<u>Number of Full Time Employees:</u> Exempt	<u>63</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance were not authorized contemporaneously</u> – Daily attendance records were not always approved by an agency supervisor as required by accounting procedures of the city's Finance Office.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formerly approve (by signing the attendance record) time worked by employees [106811.01]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [106811.02].</p>	<p>Department management has begun to comply with this recommendation. All sign-in sheets are signed by a supervisor or deputy.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>The computation of hours worked by each employee and used for data entry into the payroll system was not evident on daily attendance records</u> – None of the attendance records we examined for selected days throughout the fiscal year showed the total hours worked by employees each day.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that unit supervisors compute the total hours worked each day for each employee that he or she supervises [106811.03]. The hours should then be recomputed by the payroll unit before entered into the payroll system [106811.04].</p>	<p>Management asserted that supervisors' signatures on daily attendance records ensure employees worked the time indicated.</p>
<p><u>Management did not periodically review payroll costs to determine whether any significant variances have occurred between payroll periods or amounts budgeted</u> – No evidence existed to suggest this procedure was being done periodically.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the Register of Will's operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [106811.05].</p>	<p>Management concurred with the finding and in the future will keep evidence documenting this review.</p>
<p><u>Payroll checks were not adequately reviewed prior to distribution</u> – There was no evidence that someone independent of the payroll preparation process compared the biweekly payroll checks to the payroll register and scanned them for unusual amounts.</p>	<p>Errors could occur and not be detected during the normal process of preparing the bi-weekly payroll which may result in employees being underpaid or overpaid.</p>	<p>Require someone independent to make this comparison and scan the checks for unusual amounts. The process should be documented [106811.06].</p>	<p>Management was unaware of this requirement and has an issue with someone completely independent of the payroll preparation process examining checks/stubs because of confidentiality expectations.</p>
<p><u>Payroll data entries were not adequately checked</u> – There was no evidence that someone independent of payroll was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [106810.01].</p>	<p>Management utilizes their administrative services director to check the attendance records prior to payroll sign off and has begun to document those checks. Management was unaware of the requirement that the person needs to be independent of payroll preparation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>No separation of duties existed for the requisition, approval, receipt and payment for goods and services</u> – The incompatible functions of purchasing, receiving and services, and authorizing payment were assigned to one individual.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors or 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>Management indicated that it will consider assigning the requisition approval function to another employee so the functions will be separated, staff permitting.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The expenditure file documentation did not include formal evidence supporting the receipt of the services obtained.</u></p>	<p>Not obtaining signed receiving reports as part of the authorization path for payment increases the risk of payment for goods and services not received in part or in full.</p>	<p>Management should require that invoices/receiving reports be approved by signing and dating to document the receipt of goods or services [106810.03].</p>	<p>Implemented.</p>

City of Philadelphia
 District Attorney's Office
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

Name and address of agency head

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

Total Appropriations:

General Fund	\$29,062,121
Grants Revenue Fund	<u>18,140,862</u>
Total Appropriations	<u>\$47,202,983</u>

Estimated Revenues:

Non-Tax Revenue	\$10,025,000
From Other Governments	<u>8,141,000</u>
Total Estimated Revenues	<u>\$18,166,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	22
Civil Service - Civilian	77
Exempt	<u>422</u>
Total Employees	<u>521</u>

Observation Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – Management has no system in place to document the pre-approval of employee leave time. In lieu of formal leave slip requests, which are required by accounting procedures of the city's Finance Office, the DA's Office simply makes notations on the daily attendance record. Additionally, DA management asserted that a sampled employee's Family Medical Leave Act (FMLA) certification form that we sought to observe (with essential medical information redacted) during our testing of payroll was protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). This claim is contrary to the city's Office of Human Resources</p>	<p>Failure to obtain formal leave requests or maintain documentation substantiating employee absences from work may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</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. Documentation supporting employee leave, including certification forms under the FMLA, should be maintained on file [106911.01].</p>	<p>Management believes that its current procedure for tracking leave is sufficient and accurate and that its position towards withholding the FMLA evidence from the City Controller's is appropriate.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES (continued)</p> <p>interpretation of the act, and accordingly suggests that the DA's Office either did not have documentation to support the employees leave time, or is ill informed about HIPPA and the City Controller's authority to examine nonmedical information substantiating leave time.</p>			
<p><u>Personnel time in the field is not adequately controlled</u> – When DA Office employees work outside the office, management does not require that they complete a field destination sheet would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.</p>	<p>Inadequate control over employee work time could lead to the theft of time from the city.</p>	<p>When performing work duties outside the office, DA employees should be required to sign a field destination sheet that would provide information regarding an individual's work location and a telephone number where they can be contacted by management if the need were to arise [106911.02].</p>	<p>Management has indicated that it believes time sheets (daily attendance sheets) accurately document time spent in the field by DA employees.</p>
<p><u>Daily attendance records (sign-in-sheets) were not adequately checked for accuracy</u> – There was no evidence on daily attendance to suggest that the payroll unit of the DA's Office was checking the computations of employee work hours entered or to be entered into the payroll system.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Payroll clerks check each other's computation of employee work hours [106911.03].</p>	<p>Management has indicated that time is accurately calculated by the payroll system upon input by its payroll unit clerks.</p> <p>[Controller's Office Evaluation of Agency's Response: DA management is misinformed about the city's payroll system. The system does not calculate the hours worked. This is a manual computation that payroll clerks enter into the system for each employee.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Management did not periodically review payroll costs to determine whether any significant variances have occurred between payroll periods or amounts budgeted</u> – Management has no policy to require such a procedure.</p>	<p>Payroll errors, fraud, and/or significant operational gaps between pay periods and budgeted amounts may not be timely detected by management, which in turn could negatively impact the DA's operations.</p>	<p>Management should establish policy that, periodically, it determines whether there are any significant variances between payroll periods or amounts budgeted. The procedure should be documented [106911.04].</p>	<p>Management believes that the city's Finance Office reviews payroll expenditures and budgeted amounts for variances and therefore does not have to perform such a review.</p> <p>[Controller's Office Evaluation of Agency's Response: The DA's Office management is misinformed of its responsibility for accountability of payroll dollars that it expends against taxpayer funded appropriations.]</p>
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that the DA's Office human resource manager was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets. Moreover, when both payroll clerks of the DA's Office were absent, the human resource manager asserted she performed the payroll data entry function, as well as the independent checking task.</p>	<p>Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Always 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>Periodical review of payroll as currently performed is sufficient.</p>
Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>The purchasing function is not adequately separate from the receiving and payment functions</u> – The same employee prepares requisitions for goods and services, verifies the receipt of those goods and services, and then approves and compares invoices with the underlying documentation.</p>	<p>Failure to segregate duties increases the opportunities for a person to perpetrate and conceal errors and irregularities when performing normal duties.</p>	<p>At a minimum, consider assigning a separate individual to verify the receipt of goods and/or services when delivered [106911.05].</p>	<p>Management disagreed with the observation and believes the duties are adequately segregated.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Sick leave policies were not enforced</u> - There was insufficient monitoring of the city's sick leave policy adopted for the DA's civil service employees, and the DA's sick leave policy adopted for exempt non-attorney employees (paralegals and confidential assistants) by the payroll unit. We noted instances where civil service and exempt non-attorney employees had excessive undocumented sick leave time but were notified by the department as required by the above mentioned sick leave policies. In addition, we noted that the DA's personnel policies for its exempt attorneys did not address sick leave abuse similar to the sick rules and regulations adopted for its civil service and exempt non-attorney 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 employees using sick time in lieu of vacation or personnel leave 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 policy's notification requirements including employee counseling be complied with by management [106910.02]. We also recommend that the DA develop and implement a sick leave policy for its attorneys, which is similar to the policy adopted for its non-attorneys [106910.03].</p>	<p>Implemented.</p>

City of Philadelphia
Office of the Sheriff
Findings and Recommendations
Fiscal Year 2011

Functions

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

Name and address of agency head
Honorable Jewell Williams, Sheriff
Office of the Sheriff
100 South Broad Street – 5th Floor
Philadelphia, PA 19110

<u>Total Appropriations:</u>		<u>Estimated Revenues:</u>	
General Fund	\$ <u>13,088,657</u>	Non-Tax Revenue	\$ <u>9,550,000</u>

<u>Number of Full Time Employees:</u>	
Civil Service	205
Exempt	<u>17</u>
Total Employees	<u>222</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Inadequate segregation of duties over revenue receipts</u> – The same individual who accepts over the counter receipts, also prepares bank deposits and deposit summaries.</p>	<p>Inadequate segregation of duties increases the risk of undetected errors and misappropriation of assets.</p>	<p>Incompatible duties such as accepting revenue receipts, preparing bank deposits and deposit summaries, and comparing validated deposit slips to accounting entries should be separated immediately [107011.01].</p>	<p>We agree with the finding. We have made changes in Fiscal Year 2013 to correct this condition.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not preauthorized</u> – Overtime was paid without evidence that management had pre-approved the overtime. Exempt employees were not always required to submit an authorization form for overtime or compensatory time prior to working the additional time.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [107011.02].</p>	<p>No response was received from management.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared</u> – Formal leave requests for compensated absences were not required by management for exempt employees.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [107011.03].</p>	<p>This office does and always has required leave slips for all leave time requested. Leave time is usually requested in advance. The leave taken is also reflected on the time sheet.</p> <p>[Controller's Office Evaluation of Agency's Response: The evidence obtained during the audit indicated that management does not obtain formal leave requests authorizing leave time from exempt employees.]</p>
<p><u>Payroll data entries were still not subject to independent supervisory and executive reviews</u> – The same individual frequently performed both supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require that the supervisory and executive review functions be performed by separate individuals [107010.02].</p>	<p>This problem has been resolved. Since March 2011, an executive level employee is assigned to provide the "executive" level review and a supervisory level employee provides the "supervisory" level review.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll data entries were still not adequately checked</u> – There was no evidence that someone independent of payroll preparation was spot checking the data entries to the payroll time records by reference to daily attendance sheets.</p>	<p>Systemic errors irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [107010.03].</p>	<p>While periodic reviews of the payroll records have occurred since March 2011, no one independent of the payroll authorization function has performed this review. The chief deputy for Finance and Accounting will perform this function going forward.</p>
OTHER EXPENDITURES			
<p><u>Expenditure file documentation did not include evidence of the receipt of goods and services</u> – During our test of expenditures we noted that the Sheriff's Office did not retain evidence such as receiving reports or other documentation to support the receipt of goods and services.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as invoices and receiving reports in order to support the validity of departmental transactions [107011.05].</p>	<p>We agree that receiving reports should be maintained. Since November 2011, the office started to attach a copy of the receiving report to the invoice.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance records were not required for exempt employees</u> – Management informed us that it did not require the maintenance of attendance and leave records for its exempt employees. Without such records there is no documentation to support the number of hours worked or the employees' accumulated leave balances.</p>	<p>Failure to require employees to record their work hours increases the risk that someone could be paid for time not actually worked.</p>	<p>Management should maintain written attendance and leave records for its exempt employees as required by the city's Administrative Board Rule No.11 [107010.01.].</p>	<p>Implemented.</p>

City of Philadelphia
City Commissioners Office*
Findings and Recommendations
Fiscal Year 2011

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 co-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, Co-Chair
City Commissioners Office
City Hall, Room 132
Philadelphia, PA 19107

Total Appropriations:
General Fund \$ 8,794,177
Grants Revenue Fund 7,594,109
Total Appropriations \$16,388,286

Estimated Revenues:
Non-Tax Revenue \$ 30,000
From Other Governments 7,594,000
From Other Funds 2,000,000
Total Estimated Revenues \$9,624,000

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

Number of Full Time Employees:
Civil Service 80
Exempt 15
Total Employees 95

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Each day's collections were not deposited timely with the city's Department of Revenue</u> – Of four sampled deposits ranging from \$334 to \$1,923, none were made on the same day the money was collected or on the next day of business. On average, deposit delays ranged from 7 to 36 business days. In one instance, the deposit was made 77 business days after the collection had occurred.</p>	<p>Failure to deposit collections timely increases the risk of theft and minimizes the amount of interest the city can earn on funds.</p>	<p>To the extent possible, minimize the length of time it takes to make with the city's Department of Revenue after cash and checks have been collected [107311.01].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>REVENUE AND RECEIPTS</p> <p><u>Responsibilities for collecting, recording and verifying deposited revenues are not properly segregated</u> – The same employee responsible for collecting cash and checks pertaining to various fees (such as those charged by the City Commissioners Office for filling late campaign reports, providing election data, and making photocopies) is also charged with recording collected amounts in accounting records maintained by the City Commissioners Office. Additionally, another employee in charge of preparing the monies collected for deposit with the city's Department of Revenue is also responsible for comparing the validated deposit summary to the city's centralized accounting system (FAMIS) to verify that the deposit was recorded properly.</p>	<p>Failure to adequately segregate duties over the processing of collected revenues increases the risk of undetected misappropriation.</p>	<p>Separate the duties of handling cash and checks from those which involve recordkeeping. For example, require someone independent of handling the cash and checks to record collected amounts in the City Commissioners Office accounting records. The individual recording transactions in these records can obtain the information from a copy of the pre-numbered receipt issued when the checks or cash are collected [107311.02]. Consider giving this same individual responsibility for verifying that the validated deposit summaries agree with the FAMIS accounting system. He or she could determine that validated deposit summaries agree with both the city's centralized accounting system, as well as the City Commissioners Office internal accounting records [107311.03].</p>	<p>No response was received from management.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry was not adequately checked</u> - There was no evidence that someone independent of payroll preparation was spot checking data entry to the payroll system by reference to daily attendance sheets.</p>	<p>Systemic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entry by referencing back to the daily attendance records. The process should be documented [107311.04].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll attendance records were still not authorized contemporaneously</u> – Supervisors still regularly failed to approve daily attendance of employees. For four of five pay periods we randomly selected during the fiscal year under review, daily attendance records had not been approved by a supervisor as required by accounting procedures of the city's Finance Office.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formerly approve (by signing the attendance record) time worked by employees [107310.02]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [107310.03].</p>	<p>No response was received from management.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared</u> – Formal leave requests were not obtained by management for three of four employees with paid leave taken during the payroll periods selected for review.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employees absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with accounting procedures of the city's Finance Office [107310.04].</p>	<p>No response was received from management.</p>
<p><u>Employee overtime was still not preauthorized</u> – Overtime was paid without evidence that management had pre-approved it. For all three employees with overtime in our sample of five employees, there was no evidence to suggest the additional work time had been approved by management.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is pre-approved in writing by supervisory personnel [107310.05].</p>	<p>No response was received from management.</p>
<p><u>Payroll data entries were still not always subject to independent supervisory and executive level reviews</u> – For three of five payroll periods randomly selected for review, the same individual was performing both the supervisory and executive level reviews of payroll.</p>	<p>Combining multilevel reviews undermines the objectives of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign two different individuals to perform the supervisory and executive level reviews of the bi-weekly payroll [107310.07].</p>	<p>No response was received from management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<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.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [107310.08].	No response was received from management.

City of Philadelphia
 First Judicial District of Pennsylvania
 Findings and Recommendations
 Fiscal Year 2011

Functions

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

Name and address of agency head

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

Total Appropriations:

General Fund	\$ 99,096,983
Grants Revenue Fund	<u>58,058,046</u>
Total Appropriations	<u>\$157,155,029</u>

Estimated Revenues:

Non-Tax Revenue	\$ 38,760,000
From Other Governments	<u>69,738,000</u>
Total Estimated Revenues	<u>\$108,498,000</u>

Number of Full Time Employees:

Civil Service	8
Exempt	<u>2,415</u>
Total Employees	<u>2,423</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not subject to independent supervisory and executive reviews</u> – For ten of the twelve payroll samples tested, the same person performing both the supervisory and executive reviews over payroll.</p>	<p>Combining multilevel reviews 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 two different individuals to perform the supervisory and executive reviews of the bi-weekly payroll [108411.01].</p>	<p>The FJD Office of Human Resources implemented separation of duties related to the approval of payroll processing. Three levels of payroll sign-off are in place and were instituted during the scope of the audit (May 2012).</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll duties were still not adequately segregated</u> – For two of the twelve payroll samples tested, the same payroll unit employee initiated entries to the payroll system based on employee timesheets and then signed off in the system as performing the supervisor review.</p>	<p>Failure to segregate duties increases the risk of undetected errors or provides opportunities to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Segregate the duties of entering payroll data from those of performing supervisory reviews [108410.01].</p>	<p>The FJD Office of Human Resources implemented separation of duties related to the approval of payroll processing. Three levels of payroll sign-off are in place and were instituted during the scope of the audit (May 2012).</p>

APPENDIX I: SUMMARY OF FINDINGS

	City Council	OIT	Office of the Mayor	OHCD	MOCS	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBH/IDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OSH	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	Youth Commission	OIG	City Planning / Zoning	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	Quarter Sessions	Register of Wills	District Attorney's Office	Sheriff's Office	City Commissioners	First Judicial District										
Revenue and Receipts																																																					
Incomplete documentation														✓																																							
Inadequate monitoring of fees		✓						✓																																													
Inadequate duty segregation		✓	✓	✓																																						✓	✓										
Inadequate receipt verification																			✓																																		
Inadequate safeguards over receipts				✓														✓																																			
Ineffective controls over billing process																																																					
Untimely deposits																					✓																										✓						
Inadequate instructional manual																																																					
Personal Services																																																					
Inadequate documentation of paid leave	✓						✓		✓	✓	✓										✓				✓		✓	✓					✓				✓				✓	✓	✓										
Accuracy of payroll not checked	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓	✓			✓	✓	✓	✓	✓			✓			✓	✓	✓	✓			✓	✓	✓	✓									
Incomplete documentation																																																					
Improper supervisory review					✓		✓																																														
Inadequate management oversight			✓			✓																																								✓	✓						
Inadequate lateness policy	✓	✓	✓	✓					✓	✓	✓	✓										✓	✓			✓	✓			✓	✓					✓	✓	✓	✓									✓					
Employee overtime not preauthorized				✓			✓											✓							✓																					✓	✓						
Payroll checks not reviewed	✓		✓																												✓																						
Inappropriate handling of unclaimed checks																																																					
Attendance sheets improperly used				✓							✓	✓		✓											✓	✓			✓																								
Inadequate duty segregation	✓	✓	✓		✓	✓	✓							✓		✓						✓				✓	✓																			✓	✓	✓					
Sick leave policy was not enforced	✓	✓			✓		✓									✓	✓					✓	✓			✓	✓			✓	✓																						
Attendance sheets improperly reviewed	✓																✓	✓																																	✓		
Attendance sheets not used																																																					
Inappropriate emergency duty pay																																																					
Other Expenditures																																																					
Incomplete or misplaced documentation																																																					
Unauthorized approvals																																																					
Inadequate duty segregation			✓																																																		

CONTROLLER'S OFFICE CONTACT AND STAFF ACKNOWLEDGEMENTS

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Staff Acknowledgements

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