

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

### REVENUE DEPARTMENT MAIL CENTER OPERATIONS

#### Review of Time Fraud

October 2016

City Controller  
**Alan Butkovitz**



*Promoting honest, efficient & fully accountable government*



## Ongoing Investigation of Mail Center Operations Review of Time Fraud

### Executive Summary

#### Why the Controller's Office Conducted this Investigation

The Controller's Office developed information that operations in the Mail Center under the Department of Revenue (Revenue) were not efficient, were not providing appropriate services to other City of Philadelphia users of the center, and were wasting city resources on unnecessary postage cost and excessive overtime. As a result of this information, an investigation was undertaken to substantiate or refute the information developed.

#### What the Controller's Office Found

During the initial stages of the investigation, information was developed that raised serious concerns about the services of the Mail Center. As a result, a preliminary report was issued on February 2, 2016 to immediately address these concerns while the inquiry continued.

On April 27, 2016, a follow-up report was issued that addressed significant management issues and oversight of the Mail Center including a lack of written policies, management allowing virtually unlimited and excessive overtime with a coinciding reduction in productivity and serious security concerns.

This "Review of Time Fraud" report details the actions of employees who claimed overtime for periods when they were not in their work center, with the knowledge, concurrence and certification from their supervisors during a period of approximately eight weeks. By performing video surveillance and examining time records, we observed the following:

#### OVERTIME PAID BUT NOT WORKED 8 WEEK TIMESPAN

Position	# of Hours	Overpayment
Administrative Officer	6	\$ 345
Mail Center Supervisor	111.5	\$3,800
Mail Center Employees (Certified By Supervisor)	169	\$5,000
Mail Center Employees (Certified by Administrative Officer)	9.5	\$ 240
<b>TOTALS</b>	<b>296</b>	<b>\$9,385</b>

- The Mail Center Supervisor knowingly certified 169 hours of overtime for 10 Mail Center employees that were not at the work site, resulting in overpayments in excess of \$5,000.
- The Supervisor claimed and certified 111 ½ hours of his own time when he was not observed at the work site, resulting in overpayments in excess of \$3,800.
- The Administrative Officer responsible for the Mail Center knowingly certified 26 hours of overtime for the Mail Center Supervisor and 9 ½ hours of subordinates when they did not work resulting in overpayments of approximately \$1,100.<sup>1</sup>
- The Administrative Officer also, on four occasions, certified a total of six hours of his own overtime when he was not at a work site, resulting in overpayment of approximately \$345 during the period reviewed.

#### The Controller's Office Recommends the Revenue Commissioner

- Take appropriate administrative actions to recover any paid overtime that was not earned.
- Take available disciplinary actions as appropriate.
- Institute appropriate and enhanced time monitoring systems as well as improve management oversight to preclude reoccurrence.

<sup>1</sup> \$860.00 of this amount certified by the Administrative Office is also included in the \$3,800 certified by the Supervisor

## **Review of Time Fraud**

### **Review Details**

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#### **BACKGROUND**

Information was developed by the Controller's Office that indicated operations in the Mail Center, which is under the supervision and control of the Department of Revenue, were significantly deficient. The services provided by the Mail Center were in such a state of dysfunction that citizens of the city were not being serviced appropriately and were at risk of serious monetary harm as well as loss of driving privileges, vehicle impoundment and warrants for their arrest. During the preliminary stages of this inquiry, information was developed that confirmed our initial conclusions had merit and that immediate action was required to improve operations and reduce the risk to recipients of mail sent out by the Mail Center.

As a result of our preliminary review, a meeting was held with the Revenue Commissioner and he was provided with information concerning our initial findings in order to take appropriate immediate actions. In addition, a preliminary report was issued on February 2, 2016 to document the initial findings and a hotline and email address was provided to the public for them to report and attempt to resolve any issues that resulted from delayed mail.

After the initial report, our data collection and review continued and a follow up report was issued on April 27, 2016. The second report addressed significant management issues and oversight including a lack of written policies, failure to follow available policies, and minimal to non-existent security procedures.

Another significant finding of our investigative work was what appeared to be excessive overtime along with a lack of proper oversight and approvals with a corresponding decrease in productivity.

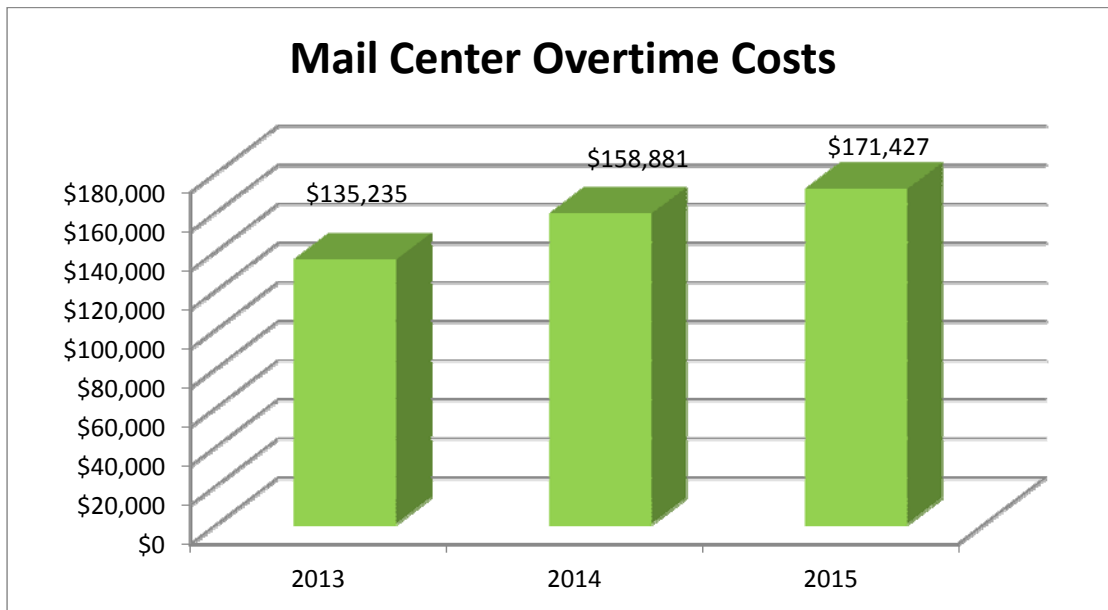
During the continuing investigation of Mail Center operations, we analyzed and developed additional information which clearly indicated a systemic and pervasive lack of supervisory oversight, employee and supervisory time fraud and supervisors knowingly and falsely certifying regular and overtime records.

This report details specific findings of timekeeping and overtime fraud based on video surveillance of Mail Center operations and personnel from December 5, 2015 to January 26, 2016.

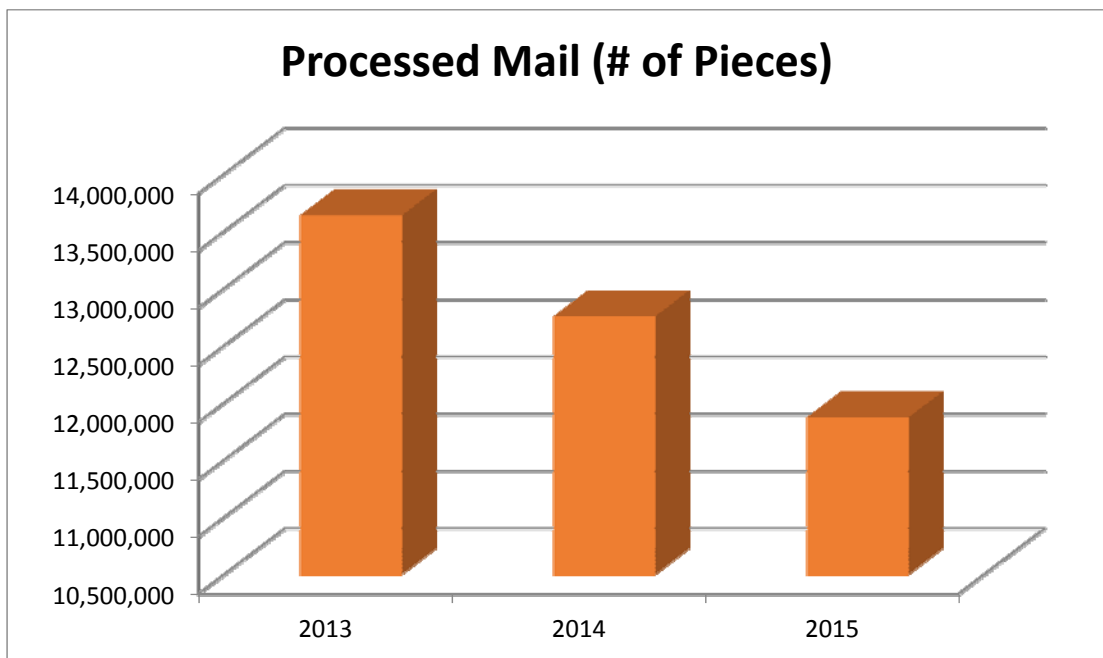
## DISCUSSION

During our previous review, we identified Mail Center overtime costs had increased significantly while there was a reduction in the amount of mail processed, as illustrated below:

Mail Center overtime increased by 27%



Mail volume (pieces processed) decreased 10%



<sup>11</sup> CY 2013 and 2014 data extrapolated from FY's 2012, 2013 and 2014 data, 2015 data was reported by calendar year.





[illegible]

We then compared the information provided with data collected during video surveillance from December 5, 2015 to January 26, 2016 of Mail Center personnel and operations. This surveillance revealed information as to when employees reported to and/or departed from the worksite and provided information to compare with the claimed and certified time records.

## Administrative Officer Overtime

Overtime records indicate the administrative officer, whose responsibilities include the Mail Center as well as some other work areas, claimed a total of 161 ½ hours of overtime during the period of our surveillance. All overtime records indicate the purpose of the overtime was for “Processing Water/Sewer Bills.” In addition, he certified daily and overtime records for the Mail Center Supervisor (Supervisor) and, on occasion, certified overtime records for other Mail Center employees.

Our surveillance and analysis revealed the following:

- He was not seen processing any mail except on one occasion when he created and attached a mailing label for a small shipping box that he took from the Mail Center.
- On three occasions (see chart below) the administrative officer certified a total of six overtime hours for himself when evidence indicates he was not at any authorized work location. For example, on one occasion, he was observed entering over 1 ½ hours late, on another he was not located at any work site and on the third occasion, he was observed departing the Mail Center prior to his certified end time.

DATE	CERTIFIED START TIME	OBSERVED		CERTIFIED END TIME	DISCREPANCY
		START TIME	OBSERVED END TIME		
Sunday, December 20, 2015	12:00 Noon	1:35 PM			1:35
Sunday, January 17, 2016	8:00 AM	Not Seen	Not Seen	12:00 Noon	4:00
Thursday January 21, 2016			7:52 PM	8:30 PM	0:38

- The Administrative Officer also certified overtime records on 17 days for a total of approximately 35 overtime hours for the Supervisor and/or other Mail Center employees when the Administrative Officer was either in the mail center himself, or entered after the employees had departed but before the certified ending time. For example, he was observed talking with subordinates as they signed out or prepared to leave and then certified records that they actually departed later. This certification for time that was not actually worked resulted in an overpayment of approximately \$1,100. Details are illustrated in the chart below.

DATE	SUBORDINATE	OBSERVED END		DISCREPANCY
		TIME	CERTIFIED END TIME	
Tuesday, December 8, 2015	Employee	7:13 PM	8:30 PM	1:17
	Employee	7:14 PM	8:30 PM	1:16
	Employee	7:14 PM	8:30 PM	1:16
	Employee	7:16 PM	8:30 PM	1:14
Wednesday, December 16, 2015	Supervisor	7:15 PM	8:30 PM	1:15
Thursday, December 17, 2015	Supervisor	7:38 PM	9:00 PM	1:22
Monday, December 21, 2015	Supervisor	7:33 PM	9:00 PM	1:27
Tuesday, December 22, 2015	Supervisor	7:45 PM	8:30 PM	0:45
Tuesday, December 29, 2015	Supervisor	7:24 PM	8:30 PM	1:06

DATE	SUBORDINATE	OBSERVED END TIME	CERTIFIED END TIME	DISCREPANCY
Thursday, December 31, 2015	Supervisor	5:12 PM	8:30 PM	3:18
Monday, January 4, 2016	Supervisor	7:11 PM	8:30 PM	1:19
Friday, January 8, 2016	Supervisor	7:24 PM	8:30 PM	1:06
Monday, January 11, 2016	Supervisor	5:26 PM	8:30 PM	3:04
Tuesday, January 12, 2016	Supervisor	7:07 PM	8:30 PM	1:23
Wednesday, January 13, 2016	Supervisor	7:18 PM	8:30 PM	1:12
Thursday, January 14, 2016	Supervisor	7:16 PM	8:30 PM	1:14
Tuesday, January 19, 2016	Supervisor	7:14 PM	8:30 PM	1:16
Wednesday, January 20, 2016	Supervisor	8:05 PM	8:30 PM	0:25
Thursday, January 21, 2016	Supervisor	Not Observed <sup>2</sup>	8:30 PM	2:30
	Employee	7:23 PM	8:30 PM	1:07
	Employee	7:23 PM	8:30 PM	1:07
	Employee	7:23 PM	8:30 PM	1:07
	Employee	7:31 PM	8:30 PM	0:59
Friday, January 22, 2016	Supervisor	3:40 PM	7:00 PM	3:20

Total Time Discrepancy 35:42#

### Mail Center Supervisor Time and Overtime

Overtime records indicate the supervisor claimed a total of 218 overtime hours in addition to working 234 ½ normal work hours during our surveillance period, representing a significant amount of overtime.

The Controller's Office conducted analyses of overtime records and compared them to the video surveillance to verify the amount of time claimed. Our analysis revealed the following:

- The supervisor certified a total of 111 ½ of his own normal and/or overtime hours when he was not observed at the work site, resulting in overpayments in excess of \$3,800. For example, he was observed entering the work location well after his certified arrival time and/or departing before his certified quitting time. A revenue deputy commissioner responsible for the Mail Center stated the supervisor's only duties during this timeframe were in the Mail Center.
- During the period of our surveillance non-supervisory employees were scheduled to work overtime on 38 days. Of those days, the Supervisor certified overtime records on 37 days.
- On the 37 days noted above, the supervisor certified 169 hours of overtime for Mail Center employees when they were not at the work site, resulting in over \$5,000 in excess overtime payments.

<sup>2</sup> The Supervisor was not observed in the Mail Center on this date yet claimed 2 ½ hours of overtime which was certified by the administrative officer.



- The supervisor should have known that the overtime claimed by his subordinates on the 37 days noted above was false as the supervisor certified that he was on duty during those same days and times.

From Saturday, December 5, 2015 to Monday, January 4, 2016 and again from Friday, January 8 to Tuesday, January 26, 2016, video surveillance was conducted of the Mail Center. A review of the video revealed that the Mail Center Supervisor certified 133 hours and 39 minutes for time that he was not observed in the work center<sup>3</sup>. However, using standard timekeeping rules<sup>4</sup>, timesheets indicated he would have been paid for 452 hours but should have been paid for only 340.5 hours, a discrepancy of 111 ½ hours and overpayment in excess of \$3,800.

DATE	CERTIFIED START TIME	OBSERVED		CERTIFIED END TIME	DISCREPANCY
		START TIME	OBSERVED END TIME		
Saturday, December 05, 2015	7:00 AM	8:48 AM	2:14 PM	2:30 PM	2:04
Sunday, December 06, 2015	7:00 AM	9:34 AM	3:11 PM	2:30 PM	1:53
Monday, December 07, 2015	8:00 AM	12:35 PM	7:13 PM	7:30 PM	4:52
Tuesday, December 08, 2015	8:00 AM	9:44 AM	7:05 PM	7:30 PM	2:09
Wednesday, December 09, 2015	8:00 AM	10:01 AM	7:24 PM	8:30 PM	3:07
Thursday, December 10, 2015	10:00 AM	10:42 AM	7:37 PM	8:30 PM	1:35
Friday, December 11, 2015	8:00 AM	9:56 AM	5:45 PM	7:00 PM	3:11
Saturday, December 12, 2015	7:00 AM	9:45 AM	3:29 PM	3:30 PM	2:46
Sunday, December 13, 2015	7:00 AM	9:28 AM	2:35 PM	3:30 PM	3:23
Monday, December 14, 2015	8:00 AM	9:56 AM	7:38 PM	8:30 PM	2:48
Tuesday, December 15, 2015	1:00 PM	2:34 PM	7:26 PM	9:00 PM	3:08
Wednesday, December 16, 2015	1:00 PM	1:26 PM	7:15 PM	8:30 PM	1:41
Thursday, December 17, 2015	10:00 AM	10:05 AM	7:38 PM	9:00 PM	1:27
Friday, December 18, 2015	8:00 AM	11:03 AM	7:46 PM	9:00 PM	4:17
Saturday, December 19, 2015	7:00 AM	8:22 AM	3:49 PM	3:30 PM	1:03
Sunday, December 20, 2015	7:00 AM	10:30 AM	4:43 PM	4:30 PM	3:17
Monday, December 21, 2015	10:00 AM	10:17 AM	7:33 PM	9:00 PM	1:44
Tuesday, December 22, 2015	8:00 AM	10:08 AM	7:45 PM	8:00 PM	2:23
Wednesday, December 23, 2015	8:00 AM	9:52 AM	7:04 PM	8:30 PM	3:18
Thursday, December 24, 2015	8:00 AM	9:39 AM	2:38 PM	5:30 PM	4:31
Friday, December 25, 2015	Holiday				
Saturday, December 26, 2015	7:00 AM	8:45 AM	5:49 PM	4:30 PM	0:26
Sunday, December 27, 2015	7:00 AM	9:28 AM	3:01 PM	3:30 PM	2:57
Monday, December 28, 2015	8:00 AM	10:32 AM	7:35 PM	8:30 PM	3:27
Tuesday, December 29, 2015	8:00 AM	9:45 AM	7:24 PM	8:30 PM	2:51

<sup>3</sup> In two instances security card access information at the Municipal Services Bldg indicated a later end time than the video analysis and these times are reflected in the full review and indicated in Red in the analysis chart above.

<sup>4</sup> Overtime is paid in ½ hour increments. If an employee works 15 or more minutes in the ½ hour, they are paid for the entire ½ hour, less than 15 minutes and no overtime is earned.

DATE	CERTIFIED START TIME	OBSERVED		CERTIFIED END TIME	DISCREPANCY
		START TIME	OBSERVED END TIME		
Wednesday, December 30, 2015	8:00 AM	10:02 AM	7:38 PM	8:30 PM	2:54
Thursday, December 31, 2015	8:00 AM	9:08 AM	5:12 PM	8:30 PM	4:26
Friday, January 01, 2016	Holiday				
Saturday, January 02, 2016	7:00 AM	9:17 AM	4:46 PM	3:30 PM	1:01
Sunday, January 03, 2016	7:00 AM	8:42 AM	3:05 PM	3:30 PM	2:07
Monday, January 04, 2016	12:00 PM	1:52 PM	7:10 PM	8:30 PM	3:12
Friday, January 08, 2016	8:00 AM	9:27 AM	7:25 PM	8:30 PM	2:32
Saturday, January 09, 2016	7:00 AM	9:31 AM	3:35 PM	3:30 PM	2:26
Sunday, January 10, 2016	7:00 AM	7:42 AM	2:45 PM	3:30 PM	1:27
Monday, January 11, 2016	8:00 AM	8:37 AM	5:41 PM	8:30 PM	3:26
Tuesday, January 12, 2016	8:00 AM	8:36 AM	7:07 PM	8:30 PM	1:59
Wednesday, January 13, 2016	8:00 AM	9:18 AM	7:20 PM	8:30 PM	2:28
Thursday, January 14, 2016	8:00 AM	9:40 AM	7:16 PM	8:30 PM	2:54
Friday, January 15, 2016	8:00 AM	9:45 AM	7:07 PM	8:30 PM	3:08
Saturday, January 16, 2016	7:00 AM	8:06 AM	3:44 PM	4:30 PM	1:52
Sunday, January 17, 2016	7:00 AM	8:23 AM	2:38 PM	3:30 PM	2:15
Monday, January 18, 2016	7:00 AM	9:29 AM	4:08 PM	3:30 PM	1:51
Tuesday, January 19, 2016	8:00 AM	11:09 AM	7:14 PM	8:30 PM	4:25
Wednesday, January 20, 2016	8:00 AM	10:29 AM	8:05 PM	8:30 PM	2:54
Thursday, January 21, 2016	9:00 AM	Not Seen	Not Seen	8:30 PM	7:30
Friday, January 22, 2016	8:00 AM	11:45 AM	3:41 PM	7:00 PM	7:04
Saturday, January 23, 2016	Not on Duty				
Sunday, January 24, 2016	Not on Duty				
Monday, January 25, 2016	9:00 AM	8:39 AM	5:56 PM	5:30 PM	0:00
Tuesday, January 26, 2016	9:00 AM	Not Seen	Not Seen	5:30 PM	7:30

Total Time Discrepancy 133:39#

## Combined Overtime Claimed

The chart below delineates a total of 296 hours of time claimed, in only an eight week period, when the employees were not observed in the work center,<sup>5</sup> resulting in overpayments of approximately \$9,385.

### OVERTIME PAID BUT NOT WORKED 8 WEEK TIMESPAN

Position	# of Hours	Overpayment
Administrative Officer	6	\$ 345
Mail Center Supervisor	111.5	\$3,800
Mail Center Employees (Certified By Supervisor)	169	\$5,000
Mail Center Employees (Certified by Administrative Officer)	9.5	\$ 240
<b>TOTALS</b>	<b>296</b>	<b>\$9,385</b>

## MANAGEMENT ACTION RECOMMENDATIONS

The Revenue Commissioner should specifically:

- Take appropriate administrative actions to recover any paid regular time or overtime that our evidence supports was not actually worked.
- Take appropriate disciplinary actions on the employees that fraudulently certified overtime work that they did not perform.
- Take appropriate disciplinary actions on supervisors who fraudulently certified overtime for themselves and/or their subordinates that was not actually worked.
- Develop appropriate and reliable timekeeping controls to effectively validate claimed hours worked for this remote location.
- Provide a more active and visible management presence to ensure proper Mail Center operations and accountability.

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<sup>5</sup> It should also be noted that the Administrative Officer's primary work location is not in Mail Center and only limited amount of his total overtime during this period was subject to our observations.

## **ADDITIONAL INFORMATION**

Specific detail, analyses and supporting evidence concerning the above findings will be provided under a separate cover.

While this report was being finalized, it came to our attention that the Mail Center Supervisor and the Administrative Office detailed above have terminated city employment. Management should still pursue recovery of any fraudulently obtained payments due to the activities detailed in this report.

# **REVENUE DEPARTMENT RESPONSE**





# CITY OF PHILADELPHIA

DEPARTMENT OF REVENUE  
Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102  
(215) 686-6400  
FAX (215) 686-6537

FRANK BRESLIN, CPA  
Revenue Commissioner  
Chief Collections Officer

October 7, 2016

The Honorable Alan Butkovitz  
City Controller  
City of Philadelphia  
Municipal Services Building  
1401 John F. Kennedy Boulevard, Room 1230  
Philadelphia, PA 19102

Dear Mr. Butkovitz:

Thank you for providing the Department of Revenue with the opportunity to respond to the ongoing investigation of the Mail Center Operations report.

In our response to the initial Mail Center investigation report, the Department acknowledged that the Mail Center had lacked operational oversight and process improvement changes were needed. The Department responded immediately. Significant changes have been made in the Mail Center many of which were previously highlighted. Improvements made since April 2016 include:

- Installation of video surveillance cameras that allow remote monitoring
- Overtime reduction of 47% in the 4<sup>th</sup> quarter of FY16 compared to the 4<sup>th</sup> quarter of FY15
- Backlogs have been eliminated and work is processed within 2 business days after receipt
- Ongoing implementation of work flow improvements, metrics and process development
- Implemented full Intelligent Mail Barcode (IMB) which optimizes all of the features of the sorter and gives additional postage savings of more than \$31,000 annually
- Changed daily United States Postal Service daily pick-up times to allow more time for processing

## **City Controller Findings**

In summary, the report indicates that an analysis of overtime and normal work time records compared with video surveillance showed evidence that several Mail Center employees, including the Administrative Officer and Mail Center Supervisor were paid for overtime and normal hours they did not work. A total of 296 hours of time claimed in an eight-week period when employees were not observed in the work center, resulted in overpayments of approximately \$9,385.

## **City Controller Recommendations and Department of Revenue Responses**

### **Recommendation:**

Take appropriate administrative actions to recover any paid regular time or overtime that evidence supports was not actually worked.

Take appropriate disciplinary actions on the employees that fraudulently certified overtime work that they did not perform.

### **Revenue's Response:**

The proper steps will be taken to attempt to recover any paid regular time or overtime that evidence supports was not actually worked.

### **Recommendation:**

Take appropriate disciplinary actions on supervisors who fraudulently certified overtime for themselves and/or their subordinates that was not actually worked.

### **Revenue's Response:**

The employees who held the supervisor and administrative officer positions in the Mail Center are no longer working for the City of Philadelphia. We will work with the appropriate agency to exercise options available to recover overpayments.

### **Recommendation:**

Development appropriate and reliable timekeeping controls to effectively validate claimed hours worked for this remote location.

### **Revenue's Response:**

We are preparing a bid for punch card time clocks which will allow added timekeeping controls. In the meantime, timesheets are reviewed daily to account for employees' time and attendance. Currently, overtime is monitored and approved by the Chief Fiscal and Administrative Officer and clear goals and expectations are outlined in the approval of overtime.

### **Recommendation:**

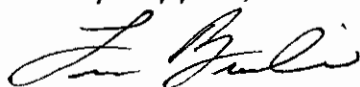
Provide a more active and visible management presence to ensure proper Mail Center operations and accountability.

### **Revenue's Response:**

As referenced in our prior response to this ongoing investigation, the Department immediately assigned a management team to the mail center. Since that time the Department installed video surveillance cameras in the Mail Center to help manage the center remotely. Additionally, a newly appointed Mail Center Manager is scheduled to begin mid-October. The Chief Fiscal and Administrative Officer is in the Mail Center daily to ensure that all operators have their assignment(s) for the day, policies and procedures are followed and work is processed timely.

Regular meetings are scheduled and future projects are discussed with the staff to ensure transparency and clear lines of communication between upper management and Mail Center staff.

Very truly yours,



Commissioner Frank Breslin, CPA  
Chief Collections Officer