

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

*Promoting honest, efficient, and fully accountable government*

### OFFICE OF SUPPORTIVE HOUSING

### FORENSIC INVESTIGATION OF THE RIVERVIEW RESIDENT FUND

SEPTEMBER 2013



City Controller  
**ALAN BUTKOVITZ**



# CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER  
1230 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102-1679  
(215) 686-6673 FAX (215) 686-3832

ALAN BUTKOVITZ  
City Controller

William Brown, CPA, CFE, CGFM  
Director, Fraud & Special Investigations

September 26, 2013

Ms. Dainette M. Mintz, Director  
Office of Supportive Housing  
1030 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Dear Ms. Mintz:

In connection with nearly a \$13,000 shortage identified in the Riverview Resident Fund during an annual examination of the Office of Supportive Housing's financial affairs for the fiscal year ending June 30, 2011, my office performed a forensic investigation pursuant to Section 6-400 (c) of the Philadelphia Home Rule Charter.

My forensic auditors attributed most of the shortage to poor recordkeeping; however, some \$1,500 remained unaccounted for through the end of the investigation. We believe the remaining shortage was also most likely the result of bad accounting practices.

We discussed our findings and recommendations with you and your staff at an exit conference and included your written response to our comments as part of the report. If implemented by management, we believe that our recommendations will improve accounting over the Riverview Resident Fund, minimize the occurrence of mistakes and/thefts, and assist in their detection if they occur.

We would like to express our thanks to you and your staff for the outstanding courtesy and cooperation displayed during the conduct of our work.

Very truly yours,

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

ALAN BUTKOVITZ  
City Controller

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



# Office of Supportive Housing Forensic Investigation of the Riverview Home Resident Fund Executive Summary

---

## Why The Controller's Office Conducted The Investigation

Pursuant to Section 6-400 (c) of the Philadelphia Home Rule Charter, the City Controller's Office conducted a forensic investigation of the Office of Supportive Housing's (OSH) Riverview Resident Fund. This investigation occurred because we identified a \$12,970 shortage in the fund during our annual examination of the agency's financial affairs for the fiscal year ending June 30, 2011.

## What The Controller's Office Found

The OSH mismanaged and failed to provide adequate fiscal oversight over Riverview's resident funds, which on June 30, 2011 totaled \$65,135. Along with poor recordkeeping, and a number of procedural weaknesses, these conditions allowed for the inappropriate use of resident monies and gave way to a \$12,970 shortage of which \$1,545 still remained unaccounted for through the end of the investigation. It is essential that OSH take immediate corrective action to prevent any further shortages and/or improper use of monies. Some of the more significant conditions identified during the investigation included:

- Over a two year period, management directed over \$166,000 to be paid from the bank account of the Riverview Fund for items such as health insurance premiums, medical service providers, state fines, and certain personal needs allowances. In our opinion, these expenditures either should not have been paid from the fund, or should more appropriately have been paid through appropriations granted by City Council. By allowing the expenditures, management not only failed to remit revenue due the City of Philadelphia, but circumvented the city's purchasing and budgeting procedures.
- A former employee that had bookkeeping responsibilities for the Resident Fund incorrectly accounted for resident transactions using QuickBooks accounting software. The method used to initially record and subsequently account for resident transactions in the software, which Riverview first began using in December 2008, severely hampered the generation of useful and accurate reports about resident bank account activities. Moreover, it suggested that fiscal staff responsible for bookkeeping did not have the skill set to perform their job duties.
- Fiscal staff had developed an elaborate manual bank account reconciliation process that failed to properly account for the past differences between bank statements and accounting records. Consequently, the reconciliation process was time consuming and ineffective.
- After a key employee retired in fiscal year 2011, management failed to maintain adequate segregation of duties for handling resident account activity. Responsibility for receiving, depositing, withdrawing, and recording transactions involving the resident account all rested with one individual. This situation severely increased the risk of theft and misuse of resident funds.

## What The Controller's Office Recommends

The City Controller's Office has developed a number of recommendations to address these findings. The more significant recommendations include: (1) develop and implement a memorandum of understanding with Philadelphia's Finance Office defining allowable disbursements from resident funds; (2) train staff to correctly use Quick Books and reconcile the Resident Fund bank account; and (3) maintain adequate segregation of duties for handling resident funds.

# CONTENTS

---

	<u>Page</u>
<b>INTRODUCTION</b>	
Overview .....	1
Riverview Resident Fund .....	1
 <b>FINDINGS AND RECOMMENDATIONS</b>	
Mismanagement and Lack of Proper Fiscal Oversight Allowed Shortage in Riverview Resident Fund to Occur .....	
Management Directed Questionable and Improper Disbursements .....	3
Poor Recordkeeping for the Resident Fund .....	5
Proper Procedures for Handling Riverview Resident Funds were Lacking .....	7
Recommendations .....	7
 <b>APPENDICES</b>	
Appendix I: Standard Accounting Procedure 4.1.1.g - <i>Establishment of Agency Bank Accounts (Outside of the City Treasurer)</i> .....	9
Appendix II: Standard Accounting Procedure 7.1.3.a - <i>Fund Reconciliations for Petty Cash and Imprest Funds</i> .....	14
Appendix III: Standard Accounting Procedure 7.1.3.b - <i>Reconciliation of All Bank Accounts In All City Agencies</i> .....	19
 <b>AGENCY RESPONSE</b>	
Dainette M. Mintz, Director, Office of Supportive Housing .....	24

## **INTRODUCTION**

---

### **Overview**

Riverview Home (Riverview) serves adults, but especially the elderly, having a low income, and with physical or mental disabilities requiring assistance in daily living. The home is licensed by the Commonwealth of Pennsylvania, Department of Public Welfare under 55 Pa. Code Chapter 2600. Its goal is to assist residents in moving towards independent living and self sufficiency in safe and stable housing.

The City of Philadelphia's (City) Office of Supportive Housing (OSH) manages Riverview, which at July 2012 had 89 residents. Riverview residents are provided room and board, social activities, and healthcare services. Residents pay a monthly room and board charge based on their personal income.

### **Riverview Resident Fund**

Many of the residents at Riverview have personal income from pensions, social security and, in some instances wages earned from employment. Although most of the residents' income is collected to support Riverview's operations, the state requires each resident to retain at least \$85 a month as a personal needs allowance (PNA).<sup>1</sup> Under Commonwealth law, residents of a personal care facility are entitled to a PNA to purchase items or services for their personal needs.

To account for the monies received and disbursed on behalf of the Riverview residents, long ago management established the Riverview Resident Fund. This fund is fiduciary in nature, and at any point in time assets held in the fund should equal the total sum of amounts recorded as being held on behalf of each resident or due to the City of Philadelphia. In theory, the money collected should be disbursed as PNAs with the remaining balance of the funds remitted to the city's general operating fund to sustain appropriations supporting Riverview's operations.

To account for cash transactions within the fund, Riverview management opened an interest bearing checking account to deposit and disburse monies on behalf of its residents. Total bank deposits for the last three and a half (3 1/2) years have ranged from \$11,835 to \$137,115. In addition to the checking account, Riverview maintains an imprest fund cash box (cash box) that totals \$8,000. Weekly, residents are given a portion of their PNA funds from this cash box.

Riverview's accounting office (Fiscal Unit) is responsible for handling the Resident Fund and the related deposits and disbursement activities flowing through the fund. The Fiscal Unit prepares the bank deposits, disbursements, and bank account reconciliations; manages the cash box; prepares all related transaction postings; and prepares, as well as remits collected revenue amounts to the City's Department of Revenue.

A review of Riverview's accounting procedures for the fund (in particular, procedures for handling the checking account and cash box), conducted by the Office of the Controller

---

<sup>1</sup> Riverview's policy is to pay a PNA of \$100 each month to its residents.

(Controller's Office), identified a \$12,970 shortage between what the bank indicated was in the checking account of the Resident Fund and what Riverview reported as the balance of the checking account on its books for the fiscal year ending June 30, 2011. That unexplained shortage coupled with the vulnerability of Riverview's residents caused the Controller's Office to initiate a forensic investigation to determine if any funds had been stolen. We conducted our investigation from March 2013 through September 2013.

## **FINDINGS AND RECOMMENDATIONS**

### **MISMANAGEMENT AND LACK OF PROPER FISCAL OVERSIGHT ALLOWED SHORTAGE IN RIVERVIEW RESIDENT FUND TO OCCUR**

The OSH mismanaged and failed to provide adequate fiscal oversight over Riverview's resident funds, which on June 30, 2011 totaled \$65,135.<sup>2</sup> Along with poor recordkeeping, and a number of procedural weaknesses, these conditions allowed for the questionable and/or inappropriate use of resident monies and gave way to an undetected \$12,970 shortage of which \$1,545 still remained unaccounted for through the end of the investigation. It is essential to take immediate corrective action to prevent any further shortages and/or improper use of monies.

#### Management Directed Questionable and Improper Disbursements

Management routinely directed disbursements from the Riverview resident account for payments such as health insurance premiums, medical service providers, state fines, certain PNA, and various other disbursements, all of which in our opinion, either were questionable and should not have been paid at all, or should more appropriately have been paid through appropriations granted by City Council. As shown in Table 1, we observed over \$166,000 of questionable and inappropriate disbursements for the two fiscal years we reviewed (fiscal years 2011 and 2012).

**Table 1: Summary of Questionable and Improper Disbursements From Resident Account**

<b>Fiscal Year</b>	<b>Health Insurance Premiums</b>	<b>Medical Services</b>	<b>State Fines</b>	<b>Other</b>			<b>Totals</b>
				<b>PNA</b>	<b>Salaries</b>	<b>Equipment</b>	
2011	\$35,946	\$ 320	\$68,504	\$13,300	\$ 33	\$2,534	\$120,637
2012	31,067	4,441	-0-	8,700	1,080	464	45,752
<b>Totals</b>	<b>\$67,013</b>	<b>\$4,761</b>	<b>\$68,504</b>	<b>\$22,000</b>	<b>\$1,113</b>	<b>\$2,998</b>	<b>\$166,389</b>

Source: Prepared by the Office of the Controller based on analysis of Resident Fund records

One of the largest ongoing types of disbursements made from the resident bank account, which we questioned, involved payments for resident healthcare, including health insurance premiums and other medical services, such as doctor visits and ambulance service. For fiscal years 2011 and 2012 Riverview records show nearly \$72,000 had been paid for these two types of disbursements. The bulk of these disbursements, \$67,013 were for the payments of health insurance premiums. When residents are admitted with healthcare insurance, Riverview, without the approval of the City's Finance Office, continues to maintain that insurance coverage even at the expense of other residents that cannot afford such insurance. In effect, by paying for the premiums, Riverview shortchanges the dollars remitted and available to the City's general operating fund to sustain appropriations supporting Riverview's total operations, and therefore the population of all residents served. A similar case could be argued for Riverview's handling of various disbursements for other resident medical costs paid from the account.

<sup>2</sup> The reported balance of this fund at June 30, 2012 was \$24,805.

We also observed that during fiscal year 2011, management approved payments from the account of over \$68,000 in fines to the Pennsylvania Department of Public Welfare for regulatory violations. The fines were assessed for regulatory violations (55 Pa. Code Chapter 2600) as they relate to personal care homes. Riverview paid fines totaling \$50,000 for repeated violations of fire drill regulations and \$18,000 for recurring violations concerning incomplete medical records. These fines appeared to have occurred because of deficiencies in the management of Riverview and not as a direct result of any of its residents. Accordingly, we consider them improper and believe they should more appropriately have been charged against City general fund appropriations.

Other improper disbursements from the resident bank account involved certain PNA payments, resident salaries and the acquisition of general use medical equipment. During fiscal years 2011 and 2012, for example, management allowed PNA payments totaling \$22,000 to certain residents who, because of Riverview's designation as a "Public Emergency Shelter Care for the Homeless," (PESCH) lost their social security benefits three months out of every nine.<sup>3</sup> Throughout the six (6) months of SSI eligibility, the residents received \$100 of PNA monthly which was deducted from their SSI check. During the three (3) months of SSI ineligibility, however, these residents still received a PNA, which was paid from the SSI and pension payments collected from other residents. In effect, Riverview subsidized the PNA payments of residents who temporarily lose SSI benefits with income received by other residents and regularly shortchanged deposits to the City during a resident's three-month period of SSI ineligibility.<sup>4</sup>

We empathize with management's motive — it did not want any of the residents to go without a monthly needs allowance — however, we believe it is inappropriate to use the income of other Riverview residents to fund these PNA payments. Moreover, it shortchanges the City of funds needed to subsidize operations of the entire Riverview facility, which budget records indicate is over \$3 million annually before fringe benefit costs of approximately \$1 million. All of these costs are paid using general fund money. We observed no grant funded dollars.

Additionally, for fiscal years 2011 and 2012, Riverview's management chose to improperly purchase \$2,998 of general-use medical equipment (wheelchairs) with checks drawn from the resident bank account, thus, circumventing the City's purchasing procedures. Moreover, the improperly purchased wheelchairs were never properly tagged or added to the City's equipment inventory. The more appropriate way for Riverview to have purchased the equipment would have been to submit a purchase order request and pay for the equipment through appropriations granted by City Council. Our observations revealed that Riverview's budget detail did not contain a line item amount for medical equipment.

Finally, in fiscal years 2011 and 2012, Riverview improperly paid over \$1,000 in salaries to some of its residents. The salaries, paid in cash from proceeds collected on behalf of the Riverview clientele, were part of a treatment plan, but given the nature of the payments should

---

<sup>3</sup> In 1988, the Social Security Administration (SSA) designated Riverview as a PESCH and not a Public Institution. This ruling was the result of an appeal for supplemental security income (SSI) benefits by a resident of Riverview previously denied benefits because SSA had designated Riverview as a Public Institution. Residents of Public Institutions are not eligible for benefits according to the Code of Federal Regulation: Section 1611(e) (1) (A).

<sup>4</sup> Conversely, we were informed that seven other residents received no PNA allowance at all because they had no sources of income.

more appropriately have been paid from OSH's appropriation as they pertained directly to Riverview's facility operations.

Poor Recordkeeping for the Resident Fund

Our investigation revealed that in December 2008, a Riverview account clerk incorrectly used an accounting software package known as "QuickBooks" in recording the starting account balances for each Riverview resident. Although only one checking account existed, the clerk incorrectly created a cash in bank ledger account for each resident instead of one general ledger cash account with a corresponding set of offsetting liability accounts representing each resident's share of equity in the bank account. At any point in time, the sum total of these liability general ledger accounts should have equaled the total of the cash in bank ledger account. Subsequently and routinely, the account clerk incorrectly recorded transactions in the QuickBooks software. At July 2012, QuickBooks incorrectly showed 89 general ledger bank accounts for the 89 active Riverview residents.

Further complicating recordkeeping, the account clerk failed to appropriately establish in QuickBooks, an \$8,000 cash imprest fund that had been set up with monies taken from the checking account and used to dispense PNA to Riverview residents each month. The fund works much like a standard petty cash fund – cash from the imprest fund is used to pay residents their monthly PNA, and then the fund is increased back up to \$8,000 with a check drawn on the checking account. At any point in time, the balance of cash on hand in the fund plus receipt documents signed by each resident having received their PNA should total \$8,000. On the day we performed a surprise count of the fund, we did find the fund to be intact and fully accounted for.

Our investigation revealed that when the \$8,000 imprest fund was established, the clerk did not include it as a separate ledger account in the QuickBooks accounting system. Nor did she properly account for transactions. The account clerk's failure to capture the fund amount in the accounting system accounted for \$8,000 of the total \$12,970 shortage.

Making recordkeeping over the Resident Fund worse, the account clerk that set up the accounts using QuickBooks did not sync check numbers within the software to those numbers actually printed on the checks. The incorrect check numbers and the 89 cash in bank ledger accounts made it impossible to correctly use QuickBooks' automated bank account reconciliation process. Instead, fiscal staff had developed an elaborate tedious process that improperly reconciled the bank balance and led to an inaccurate portrayal of amounts held on behalf of each resident. Moreover, the improper use of the QuickBooks software severely hampered the generation of useful and accurate accounting reports such as a statement of assets and liabilities that might have more readily identified the existence of a shortage in the Resident Fund.

Our review of bank account reconciliations prepared for the Resident Fund from December 2008 through October 2011 disclosed they all had been prepared incorrectly. When prepared correctly, a bank reconciliation explains the difference between the bank balance shown on bank statement, and the corresponding amount shown on the accounting records (book balance) at a given point in time. We observed that Riverview's fiscal staff never used the correct book balance amount, but instead used an amount, which required an elaborate and labor-intensive method to compute a number they incorrectly referred to as the book balance. Moreover, the

staff failed to properly implement the Standard Accounting Procedures (SAP) established by the City's Finance Office for the preparation of bank reconciliation statements by incorrectly calculating the book balance. These SAPs include:

SAP 4.1.1.g: *Establishment of Agency Bank Accounts (Outside the City Treasurer)*;<sup>5</sup>

SAP 7.1.3.a: *Fund Reconciliation for Petty Cash and Imprest Funds*; and,<sup>6</sup>

SAP 7.1.3.b: *Reconciliation of All City Bank Accounts in All City Agencies*.<sup>7</sup>

In all, we found over 20 errors that had occurred in the reconciliations we reviewed. Two of the most significant – one in the amount of \$2,500 taking place in June 2009 and the other for \$925 occurring in October 2010 – accounted for another \$3,425 of the \$12,970 shortage. The \$2,500 error occurred because the account clerk failed to post to the accounting system check number 10729, dated June 30, 2009, written to pay for the pre-arranged funeral of a resident. The \$925 error was the result of the clerk incorrectly increasing the total bank balance on the books by \$458.50 when in fact it should have been decreased by \$458.50, thus compounding the error. According to available documentation and interviews of the current accounting staff, the clerk handling bookkeeping for Riverview's Resident Fund at the time incorrectly interpreted the instructions for correcting an error that occurred back in fiscal year 2006. Both of the above errors had the effect of showing more money on the accounting records than actually held by the bank.

In summary, we were able to identify \$11,425 of the \$12,970 shortage between what the bank reported as in the account at June 30, 2011 and what Riverview fiscal staff reported was available as recorded in the accounting records. The \$11,425 identified amount is summarized below:

\$ 8,000	Unrecorded cash imprest fund disbursed from the Resident Fund bank account, but never recorded in the accounting system
2,500	Unrecorded check number 10729 dated June 30, 2009
<u>925</u>	Erroneous accounting entry to correct a prior fiscal year error
<u>\$11,425</u>	Total shortage accounted for

The remaining amount of the shortage was \$1,545. Based on the findings described above, we believe the remaining amount of the shortage most likely occurred because of accounting mistakes, some having occurred several years ago. Our observations of Riverview's operations for handling resident funds during the investigation, as discussed below, suggest that procedures to ensure the prevention and detection of mistakes and/or theft of the funds were severely deficient.

<sup>5</sup> See Appendix I: SAP 4.1.1.g

<sup>6</sup> See Appendix II: SAP 7.1.3.a

<sup>7</sup> See Appendix III: SAP 7.1.3.b

Proper Procedures for Handling Riverview Resident Funds were Lacking

For the period of time covered within the scope of our investigation, we observed that Riverview management did not properly design and place into operation procedures that would prevent and detect accounting errors and/or irregularities involving the funds collected and disbursed on behalf of the residents. From June 10, 2011 until August 20, 2012, when one of the fiscal staff resigned, only one account clerk had responsibility for handling the checkbook, maintaining the accounting records, receiving and distributing imprest fund cash, and reconciling the bank account.

Adequate segregation of duties is a hallmark of good procedures to safeguard against accounting mistakes and misappropriation of money. The tasks of handling the assets, recording transactions in the books, and performing other accounting functions should never be completed by the same individual as it increases the likelihood that errors and/or irregularities may occur and not be timely detected. Given the vulnerability of Riverview's residents, we believe it is important to design and establish procedures that will not only ensure accuracy of the accounting information, but safeguard the assets of the residents for whom Riverview has a fiduciary responsibility.

Recommendations:

To improve accounting over the Riverview Resident Fund, we offer the following recommendations that management should implement immediately:

- Develop and implement a memorandum of understanding with the City's Finance Office defining the allowable disbursements from revenue collected from residents for the payment of room and board charges. In our opinion, only PNA amounts and payments to the City (the residual sum after PNA payments) should be disbursed. Disbursements for all other type of expenditures should be processed through the City's budgetary accounting system.
- Ensure that all Riverview equipment is properly tagged with City identification tags and accounted for in the City's centralized inventory of personal property. This should include any items of equipment that were previously procured using residents' funds and were for general use of all Riverview residents.
- Arrange for an accountant to properly establish the Resident Accounts in QuickBooks and then provide fiscal staff with the appropriate training in the use of QuickBooks, including use of its automated bank reconciliation feature.
- Follow all applicable Standard Accounting Procedures adopted by the City's Finance Office as they apply to the bank account of the Riverview Resident Fund. Specifically, these include SAP 4.1.1.g; 7.1.3.a; and 7.1.3.b.
- Evaluate existing fiscal staff duties for handling resident funds and ensure they are adequately segregated so that mistakes and/or irregularities can be detected within a

timely period by employees in the normal course of performing their assigned functions. One of the best steps management can take against the prevention of errors and fraud is to separate responsibilities of a fiscal process among several employees.

- Research and pursue other methods for subsidizing the PNA payments of residents who lose their SSI for three out of every nine months. Discuss with SSA officials other opportunities that may exist to enable these residents to continue collecting SSI year round. Also consider the need to pursue other sources of funding such as federal and or state grant dollars.

## APPENDIX I

<b>CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)</b>			
<u>S.A.P. #</u> 4.1.1.g	<u>Date Issued:</u> September 9, 1999	<u>Effective As of:</u> July 1, 1999	<u>Supersedes:</u> E-4511
<b>Major Classification:</b> Cash and Related Bank Accounts			
<b>Subject:</b> Establishment of Agency Bank Accounts (Outside of the City Treasurer)			

### **I. PURPOSE**

To provide rules and standard procedures for the establishment and operation of bank accounts under the control of agencies other than the City Treasurer.

Note: Section 6-300 of the Home Rule Charter designates the City Treasurer as the custodian of City funds. However, special circumstances such as fiduciary responsibilities and legal requirements may require that certain funds be held separately from other funds.

### **II. GENERAL INFORMATION AND REQUIREMENTS**

#### **A. GENERAL POLICY**

- Establishment of bank accounts outside of the Office of the City Treasurer must be required by law or governmental directive and have prior approval of the Office of the Director of Finance.
- Any funds maintained in undeposited cash or checks is unacceptable and shall be considered a violation of City policy. All monies should be deposited on a timely basis.

#### **B. AUTHORIZED SIGNERS**

- Two individual signatures are required for all disbursements. An alternate signer should be designated to cover absences and other emergencies.
- A deviation permitting use of only one signature (with an alternate) may be approved by the Office of the Director of Finance if valid justification exists, or the account is operated on an imprest basis and reimbursements are approved by two officials other than the authorized check signer (s).
- The City Treasurer must be made an alternate signer on all agency bank accounts and can intercede to withdraw and impound funds when ordered by the Director of Finance.

### **III. SUPERVISORY AND REVIEW RESPONSIBILITIES**

#### **A. AGENCY**

- Submission of Request for Bank Account Outside City Treasurer to the Office of the Director of Finance.
- Establishment and operation of the bank account at a banking institution that is a member of the FDIC. Deposits that exceed the FDIC maximum limit must be 100% collateralized.

**CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE  
STANDARD ACCOUNTING PROCEDURE (S.A.P.)**

<u>S.A.P. #</u> 4.1.1.g	<u>Date Issued:</u> September 9, 1999	<u>Effective As of:</u> July 1, 1999	<u>Supersedes:</u> E-4511
<b>Major Classification:</b> Cash and Related Bank Accounts			
<b>Subject:</b> Establishment of Agency Bank Accounts (Outside of the City Treasurer)			

- Maintaining proper accounting records and documentation to substantiate the records (Note: All manual or computerized accounting systems should be in accordance with Accounting Directive 1999-01).
- Monthly reconciliation of all bank accounts.
- Notification to the Office of the Director of Finance of fiscal year end account balances of cash and any related investments by type, including cost, market and par values.
- Notification to the Office of the Director of Finance of any changes to the existing account.

**B. OFFICE OF THE DIRECTOR OF FINANCE**

- Receipt and approval or disapproval of Request for Bank Accounts Outside of the City.
- Monitoring of bank account usage for compliance with all established rules and regulations.
- Monitor departments for submission of bank reconciliations on a timely basis.

**IV. ESTABLISHMENT OF ACCOUNT**

**A. SUBMISSION OF REQUEST TO THE FINANCE DIRECTOR**

The Agency Head or his/her designate will submit a Request For Agency Bank Account Outside of City Treasurer (exhibit A) to the Office of the Director of Finance listing the purpose of the account, the proposed banking institution and location, justification of legal requirements if applicable, names and titles of the proposed check signers, proposed investment policy if any, and all pertinent information for the custodian who will maintain the account.

**B. REVIEW AND APPROVAL BY THE OFFICE OF THE FINANCE DIRECTOR**

The Director of Finance will evaluate each request received and approve or reject the application (based on the information presented) and approve all authorized signers and custodians named by the agency head.

**1. Approval of Application**

The Director of Finance will approve the request and notify the agency to proceed with the establishment of the account by signing and returning one copy of the application to the agency head and forwarding one copy to the City Treasurer.

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u> 4.1.1.g	<u>Date Issued:</u> September 9, 1999	<u>Effective As of:</u> July 1, 1999	<u>Supersedes:</u> E-4511
<b>Major Classification:</b>	Cash and Related Bank Accounts		
<b>Subject:</b>	Establishment of Agency Bank Accounts (Outside of the City Treasurer)		

## 2. Rejection of Application

The Director of Finance will notify the agency head of the disapproval and give the reasons for the rejection.

## C. ESTABLISHMENT OF BANK ACCOUNT

After approval by the Office of the Director of Finance for the establishment of a bank account outside of the City Treasury, the department will establish the bank account as follows:

### 1. Request to the Bank

The agency head or designate will:

- Contact the bank in writing requesting that an account be opened.
- Furnish the bank with the necessary information i.e. the name of the department requesting the account, type and title of account, type of checks and the approximate monthly check usage.
- Request a signature card from the bank so that the names of the authorized signers can be registered with the bank as described in section II.B. above.

### 2. Signature Card

- All agency authorized signers should have their name, title and signature listed on the signature card and forwarded to the City Treasurer who will affix his/her name and signature and return the card to the department. It is the responsibility of the department to secure the signature of the City Treasurer. The department will then forward the signature card to the bank.
- The City Treasurer should not sign the signature card until they have received a copy of the approval request from the Finance Director.
- The Agency shall provide the bank with an updated signature card anytime there are changes in the status of authorized signers.

### 3. Custodian

The custodian will receive and deposit initial funds to the bank and begin operation of the account complying with all rules and procedures promulgated by the Director of Finance and the agency head.

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u> 4.1.1.g	<u>Date Issued:</u> September 9, 1999	<u>Effective As of:</u> July 1, 1999	<u>Supersedes:</u> E-4511
<b>Major Classification:</b> Cash and Related Bank Accounts			
<b>Subject:</b> Establishment of Agency Bank Accounts (Outside of the City Treasurer)			

**D. BANK RECONCILIATIONS**

Reconciliation of the bank balance to the book balance must be prepared and submitted monthly to the Accounting Verification Unit in accordance with Standard Accounting Procedure 7.1.3.b Reconciliation of all Bank Accounts in All City Agencies.

**1. Documentation**

Proper accounting records must be maintained to substantiate all receipts and disbursements. Records, canceled checks, and bank statements must be retained in accord with Records Department requirements and until cleared by an audit of the City Controller.

**2. Investment Activity**

Savings account balances, Certificates of Deposit, and All other investment activity shall be categorized, listed on a separate sheet of paper and attached to the reconciliation each month.

**V. REVIEW AND ANALYSIS**

The Office of the Director of Finance is to receive, review and maintain all bank reconciliations in accordance with Standard Accounting Procedure 7.1.3.b Reconciliation of All Bank Accounts in All City Agencies.

**A. SUBMISSION OF RECONCILIATIONS**

All bank reconciliations are to be forwarded on a monthly basis to the Office of the Director of Finance as follows:

- Imprest and Petty Cash reconciliations should be addressed to the Financial Editing and Verification Unit
- Custodial and Other reconciliations should be addressed to the Financial Recording and Reporting Unit

MEMORANDUM

TO: \_\_\_\_\_ DATE: \_\_\_\_\_  
 FROM: \_\_\_\_\_  
 SUBJECT: Request for Agency Bank Account (Outside of City Treasury)

1. Purpose of Account:

2. Proposed Banking Institution and Location:

Estimated Average Account Balance \_\_\_\_\_

3. Justification or Legal Requirement for Separate Account:

4. Names and Titles of Proposed Check Signers:

Name \_\_\_\_\_ Title \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

5. If deviation from two signatures is requested, state reasons for deviation, name and title of check signer's supervisor who will maintain supervision of the activity and the estimated average disbursement amount:

6. Records for Proposed Account will be maintained by:

Custodian Name & Title \_\_\_\_\_

Telephone Number \_\_\_\_\_ Employee Number \_\_\_\_\_

Work Location \_\_\_\_\_

7. Specify Proposed Investment Policy if Agency expects any investment activity within this account:

I hereby APPROVE / REJECT this request \_\_\_\_\_

Deputy Director Of Finance

Date

Note: Submit original and 3 copies of this memorandum which must be signed by Agency Head or authorized designate.

## APPENDIX II

<b>CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)</b>			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
<b>7.1.3.a</b>	<b>April 23, 1999</b>	<b>July 1, 1999</b>	<b>New</b>
<b>Major Classification:</b>	<b>Accounting Analysis and Verification</b>		
<b>Subject:</b>	<b>Fund Reconciliations for Petty Cash and Imprest Funds</b>		

### **I. PURPOSE**

To provide a standard procedure for preparing a fund reconciliation as required by SAP E-4401 Petty Cash Funds (to be renumbered as 4.1.1.d) and SAP 4.1.1.e Imprest Funds.

### **II. GENERAL INFORMATION AND REQUIREMENTS**

#### **A. AUTHORIZED AMOUNT OF A FUND**

All Petty Cash Funds and Imprest Funds have an authorized amount which is recorded in the accounting system (FAMIS). The authorized amount is equal to the amount disbursed to establish the Fund plus any subsequent increases or less any decreases.

#### **B. NEED FOR PREPARING A RECONCILIATION**

Both S.A.P. 4.1.1.d and S.A.P. 4.1.1.e require the head of the Agency to ensure that a fund reconciliation is performed monthly. The fund reconciliation is required to demonstrate that the custodian and the department are operating the fund in accordance with proper internal controls. These internal controls reduce the possibility that errors are made or that fraud is committed.

#### **C. FREQUENCY OF RECONCILIATION**

A reconciliation should be prepared each month. If reconciliations are not performed and submitted to the Finance Director on a timely basis, reimbursements to the fund may be suspended (as described in Standard Accounting Procedures 4.1.1.d and 4.1.1.e.).

### **III. SUPERVISORY AND REVIEW RESPONSIBILITIES**

#### **A. AGENCY ADMINISTRATION**

The Agency head (or someone designated by the Agency Head) is responsible for assigning separate personnel to perform the following tasks:

- a custodian for the fund
- a person other than the custodian to perform the Fund reconciliation and
- a third person to review and verify the fund reconciliation. This third person should also approve final action taken on long-standing shortages or overages. (see section V below)

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.a	April 23, 1999	July 1, 1999	New
<b>Major Classification:</b>		Accounting Analysis and Verification	
<b>Subject:</b>		Fund Reconciliations for Petty Cash and Imprest Funds	

**B. OFFICE OF THE DIRECTOR OF FINANCE**

The Financial Verification Unit reviews the fund reconciliations submitted and maintain a file of properly completed reconciliations.

**IV. FUND RECONCILIATIONS**

**A. AMOUNTS INCLUDED IN A RECONCILIATION**

The custodian must be able to account for the authorized amount of the fund at all times. The total amounts of the following fund reconciliation elements should equal the authorized amount. *(Note that only the total for each element is required on the reconciliation. However, any schedules or other documentation showing the detail for each total should be kept on file by the agency at least until the City Controller's Office has completed the audit of that fiscal year's activity.)*

**1. Cash Balance**

- Cash (currency and/or coins) on hand at the department.
- The corrected check book balance for any bank accounts taken from Line # 10 of the Bank Reconciliation, Form 71-77.
- Undeposited or uncashed reimbursement checks. The detailed list should include the check number and amount.

**2. Reimbursement Vouchers In Transit**

The total amount of vouchers which the department has sent to Finance and for which no reimbursement check has been received yet. The detailed list should include the voucher number and amount.

**3. Bills To Be Vouchered**

- Approved disbursements made by the custodian represented by receipts, invoices or some other form of documentation showing that an employee or vendor has received payment from the Fund. The detailed list should include the type of document and document number (if any), the check number and amount and the purpose of the disbursement.
- Miscellaneous banking fees that have reduced the bank balance and need to be reimbursed.
- Long-standing, unexplained shortages approved by the department for reimbursement as described in Section V below.

**4. Temporary Receipts**

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.a	April 23, 1999	July 1, 1999	New
<b>Major Classification:</b>		Accounting Analysis and Verification	
<b>Subject:</b>		Fund Reconciliations for Petty Cash and Imprest Funds	

- Miscellaneous earnings, such as interest earned on a bank account, that are to be deposited with the Revenue Department.
- Long-standing, unexplained overages that are approved to be deposited with the Revenue Department as described in Section V below.

**5. Unexplained Discrepancies (Overage or Shortage)**

The total of all of the elements listed in 1 through 4 above is the amount that the custodian can account for. If this total is greater than the authorized amount, the fund has an overage. If this total is less than the authorized amount, the fund has a shortage. If there is an overage or shortage, follow the steps in section V below.

**B. PREPARING A FUND RECONCILIATION**

**1. Form to be Used**

The fund reconciliation should be prepared and submitted using Form 71-S-193 (see exhibit A) or a spreadsheet prepared by the department that contains the same line items (including line numbers) as Form 71-S-193. *All* lines should be included on forms developed by individual agencies even if the amount to be entered on that line is zero. A copy of this reconciliation should also be kept on file by the agency. *A copy of both Form 71-S-193 and Form 71-71 may be printed from the Office of the Director of Finance site on the City's Intranet.*

**2. Date of the Reconciliation**

If there is a bank account used for the fund, the bank reconciliation and the fund reconciliation should both be prepared as of the date of the bank statement ending date. Therefore, the custodian must determine in advance the date of the next bank statement and perform the procedures listed below at the end of the day on that date (or the last business day before that date). If the fund does *not* use a bank account, then the steps below can be performed on any date.

**3. Completing the Fund Reconciliation**

- Add up all
  - cash on hand
  - undeposited or uncashed reimbursement checks
  - reimbursement vouchers in transit
  - temporary receipts
  - bills to be vouchered
- Enter the above amounts on the appropriate lines of Form 71-S-193.
- Enter the authorized amount on Line # 6 of Form 71-S-193. This is the amount that all other amounts should total to.

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.a	April 23, 1999	July 1, 1999	New
<b>Major Classification:</b>		Accounting Analysis and Verification	
<b>Subject:</b>		Fund Reconciliations for Petty Cash and Imprest Funds	

- If applicable, when the bank statement arrives, prepare the bank reconciliation required by S.A.P. E-4501; enter the amount from Line # 10 (*Corrected Bank Balance for Period*), of the bank reconciliation Form 71-77 onto Line # 1b (*Reconciled Bank Balance*) of Form 71-S-193.
- Add the total of all elements accounting for funds and compare to the authorized amount. If the fund is over or short, enter that amount on Line # 5.a or 5.b respectively of Form 71-S-193 and follow the appropriate steps listed in Section V below.

### C. REVIEWING AND SUBMITTING THE FUND RECONCILIATION

#### 1. Review

The person assigned to review the Fund Reconciliation should:

- verify the mathematical accuracy of the reconciliation
- verify that the amounts presented have proper supporting documentation
- determine the proper treatment of any overages or shortages

#### 2. Submission

A copy of the completed fund reconciliation and any related bank reconciliation should be submitted together to :

OFFICE OF THE DIRECTOR OF FINANCE  
FINANCIAL VERIFICATION UNIT  
1330 MUNICIPAL SERVICES BUILDING

### D. REVIEW AND RECORD KEEPING BY THE FINANCIAL VERIFICATION UNIT

After receiving the fund reconciliation and any related bank reconciliation, the Financial Verification Unit shall:

- verify that the authorized amount shown on the fund reconciliation is accurate
- review the reconciliation for mathematical accuracy and agreement with the accompanying bank reconciliation (if one is required)
- If the fund reconciliation is not properly completed, notify the agency of what must be done to correct the deficiency (e.g. prepare another fund reconciliation with corrections or submit a related bank reconciliation)
- keep copies of all properly prepared fund reconciliations on file for the current and previous fiscal years
- maintain a current listing of the most recent fund and bank reconciliations prepared for each Petty Cash and Imprest Fund. Note that a Fund reconciliation is not complete without the related bank reconciliation (if any).

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.a	April 23, 1999	July 1, 1999	New
<b>Major Classification:</b>	Accounting Analysis and Verification		
<b>Subject:</b>	Fund Reconciliations for Petty Cash and Imprest Funds		

#### V. OVERAGES AND SHORTAGES

If the fund reconciliation has been prepared and an unexplained discrepancy (overage or shortage) occurs, the agency has two options:

- wait until the next fund reconciliation is prepared and see if the discrepancy can be resolved then  
or
- eliminate the discrepancy by
  - filing a Report of Loss as described by S.A.P. E-0951 (Reporting of Losses Due to Shortages, Thefts, Irregularities or Other Causes) and requesting approval from the Finance Director for a reimbursement of a shortage  
or
  - depositing an overage with the Revenue Department. Deposits should use either Revenue Source Code 5104 (Interest on Bank Deposits) or 5110 (Other Interest Earnings).

Eliminating the discrepancy is appropriate if the person reviewing the fund reconciliation has noticed that the fund is repeatedly over or short by same amount. The agency head (or other person designated by the agency head as responsible for the fund) should approve a reimbursement request for the amount of the shortage or a deposit of the amount of the overage.

## APPENDIX III

<b>CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)</b>			
<u>S.A.P. #</u> <b>7.1.3.b</b>	<u>Date Issued:</u> <b>April 19, 1999</b>	<u>Effective As of:</u> <b>July 1, 1999</b>	<u>Supersedes:</u> <b>E-4501 (Rev. 3)</b>
<b>Major Classification:</b> Accounting Analysis and Verification			
<b>Subject:</b> Reconciliation of All Bank Accounts In All City Agencies			

### **I. PURPOSE**

To establish a uniform procedure for the reconciliation of all bank accounts for all City Agencies. (See S.A.P. E-4511 Establishment of Agency Bank Accounts for general policies and rules concerning the establishment of bank accounts outside of the custody of the City Treasurer).

### **II. GENERAL INFORMATION AND REQUIREMENTS**

The balances maintained for the following types of City accounts should be reconciled to the Bank balance on a monthly basis.

- *City Treasurer Accounts* - Primary depositories for City cash and investment assets accounted for in a pooled environment with individual accounts assigned a specific Treasurer's Account Group number.
- *General Disbursement and Payroll Accounts* - Main checking accounts for City disbursements.
- *Petty Cash and Imprest Accounts* - Departmental bank accounts authorized by the Director of Finance.
- *Custodial Accounts* - Segregated bank accounts for the deposit of fiduciary funds held by various City agencies in their capacity as trustee, custodian or agent.

### **III. SUPERVISORY AND REVIEW RESPONSIBILITIES**

#### **A. DEPARTMENT ADMINISTRATOR**

1. **Assignments**
  - The departmental administrative authority should designate a custodian for the bank account and assign responsibility for monthly bank reconciliation to person other than custodian.
2. **Review Process**
  - The responsible administrative authority should review the completed reconciliation and all supporting documentation, paying particular attention to the aging schedule of outstanding checks and any other unusual items. When the review is completed the reconciliation form should be signed by the responsible official.
3. **Distribution**
  - The original reconciliation, bank statements and all supporting documentation should be maintained by the preparing department for reference and audit purposes.
  - Copies of the bank reconciliation should be sent to the following promptly each month:

<b>CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)</b>			
<u>S.A.P. #</u> <b>7.1.3.b</b>	<u>Date Issued:</u> <b>April 19, 1999</b>	<u>Effective As of:</u> <b>July 1, 1999</b>	<u>Supersedes:</u> <b>E-4501 (Rev. 3)</b>
<b>Major Classification:</b> Accounting Analysis and Verification			
<b>Subject:</b> Reconciliation of All Bank Accounts In All City Agencies			

Office of the Director of Finance	Office of the City Controller
General Accounting Division	Pre-Audit Verification Division
1380 Municipal Services Building	1300 Municipal Services Building

4. **Action on Outstanding Checks**
  - Semi-annually, as of June 30 and December 31, the account administrator should take action on old checks outstanding for over one year as required by the Unclaimed Monies Procedure (S.A.P. E-4351, to be reissued as S.A.P. 4.2.5.a). This includes placing a "stop payment" order with the bank and drawing a transfer check payable to the City of Philadelphia - Unclaimed Monies Fund for the sum of all checks outstanding for over one year.

**B. OFFICE OF THE DIRECTOR OF FINANCE**

1. **Receipt and Distribution**
  - Bank reconciliations for Petty Cash and Imprest accounts should be forwarded to the Financial Editing and Verification section for review and maintained for reimbursement status reference.
  - Bank reconciliations for Treasurer and Custodial accounts should be forwarded to the General Accounting section for review and analysis. Custodial account reconciliations should be maintained as source documents for the recording of account activity. Treasurer account reconciliation balances should be verified to FAMIS system balances in the Treasurer's Account Group and maintained as an aid in reconciling general ledger equity balances to treasury cash balances.
2. **Review**
  - Review each reconciliation and verify accuracy, consistency and congruence with previous month's submission.
3. **Custodial Account Activity**
  - Receipt and Disbursement activity for the current period should be recorded for accumulation and presentation on a fiscal year basis in the Fiduciary Fund section of the Comprehensive Annual Financial Report.

**IV. BANK RECONCILIATION PROCEDURES**

**A. RECONCILIATION FORM**

- The bank reconciliation should be prepared and submitted using form 71-77 (Exhibit A) or a computer generated form or spreadsheet prepared by the department that includes all the same elements (including corresponding line numbers) as the standard form. A Bank Reconciliation must be prepared and signed even if there was no activity in the account for the current month.

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.b	April 19, 1999	July 1, 1999	E-4501 (Rev. 3)
<b>Major Classification:</b> Accounting Analysis and Verification			
<b>Subject:</b> Reconciliation of All Bank Accounts In All City Agencies			

- All elements identifying the name of the account, the organization maintaining the account, the financial institution with account number and, for City Treasurer's accounts, the FAMIS Treasurer's Account Group number should also be included.
- Balances and activity reported for a specific account should include all checking, savings, certificates of deposit, money market funds or any other investments.
- A detailed schedule of any investments including name, type, cost, par value, market value and accrued interest should be submitted with the bank reconciliation at the end of the fiscal year.
- Custodial type account reconciliations must reflect the activity for the current period.

#### **B. CURRENT ACTIVITY**

- For reporting purposes, the bank reconciliations of Custodial accounts must include all increases and decreases to the book balance recorded within the current period. Completion of the current activity section, though it may be helpful in the reconciliation process, is optional for other types of accounts.
- The current activity should include all normal receipts and disbursements.
- The amounts of disbursement checks which were written in prior periods and are subsequently voided or canceled should reduce the current deductions.

**N.B. Before a Replacement check is issued, verify with the bank that the check is still outstanding and then issue a verbal and written stop payment order. The Replacement Check, with name, address and amount exactly as it appeared on the original check, should not be issued until stop payment confirmation is received from the bank.**

- Increases and decreases for legitimate bank adjustments unrecorded in prior periods should be included as current activity
- The resultant Ending Book Balance will be the starting point for the primary reconciliation to the Bank Balance.

#### **C. BANK STATEMENT REVIEW**

- Upon receipt of the Bank Statement, compare bank activity to recorded receipts and disbursements.
- Review bank statement and checks to ensure that each check was properly charged to the account.
- Note if any charges or credits were made without supporting documentation. Inquire with the bank whether these items may have been mistakes and request appropriate adjustments.

#### **D. ADJUSTMENTS TO ENDING BOOK BALANCE**

1. **Receipts Deposited but not Recorded**
  - Add any documented but unrecorded deposits to the ending book balance.
2. **Interest Earnings and Miscellaneous Credits**
  - Add previously unrecorded credits for interest or investment earnings to the ending book balance.

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.b	April 19, 1999	July 1, 1999	E-4501 (Rev. 3)
Major Classification: Accounting Analysis and Verification			
Subject: Reconciliation of All Bank Accounts In All City Agencies			

- Miscellaneous earnings credited to Petty Cash or Imprest type accounts are *not* legitimate receipts under terms of Standard Accounting Procedures 4.1.1.d and 4.1.1.e. They should be included in the adjusted cash balance used to reconcile to the approved fund limit (S.A.P. 7.1.3.a; Form 71-S-193); however, it will be necessary to offset this amount with a "Temporary Receipt" reconciling item. This item should be carried until transferred as a normal disbursement to the General Fund as revenue (Source sub-object 5110).

**3. Bank Fees, Charges and Miscellaneous Debits**

- Miscellaneous bank fees charged to Petty Cash or Imprest type accounts are should be included in the adjusted cash balance used to reconcile to the approved fund limit (S.A.P. 7.1.3.a; Form 71-S-193); however, it will be necessary to offset this amount as a "Bill to be Vouchered" reconciling item. This item should be carried until reimbursement is received.

**E. ADJUSTMENTS TO BANK BALANCE**

**1. Receipts Recorded but Not Deposited**

- After receiving the monthly bank statement, determine which deposits (if any) that were made and recorded in the checkbook balance were *not* recorded on the bank statement. List each such item on a separate sheet titled "Deposits In Transit". Add all items and record the total on the Bank Reconciliation (Form 71-77, line 12) and add to the Bank Balance

**2. Other Additions and Adjustments**

- Any other properly recorded receipts, such as Investment Maturities or Sales, not recorded on the bank statements should be added to the Bank Balance.

**3. Erroneous Bank Debits**

- Bank debits investigated and found to be errors should be added to the bank balance until the error is reversed.

**4. Cleared Checks and Outstanding Checks**

- Review the bank statement and the previous month's list of outstanding checks to verify that all canceled checks were properly charged to the account.
- Update the list of outstanding checks by:
  - ✓ Updating the aged listing of outstanding checks into categories of those O/S up to 60 days, those O/S 61-90 days, those O/S 90-365 and those O/S over one year.
  - ✓ Sort checks received with bank statement by check number
  - ✓ Review the listing of outstanding checks from the prior month.
  - ✓ Delete from the previous list any checks listed that were received this month.
  - ✓ Review the check register, check stubs or other listing of checks written to determine additional checks that are outstanding as of the end of the bank statement period.

**5. Other Deductions and Adjustments**

- Any other properly recorded disbursements, such as Investment Purchases, not recorded on the bank statements should be subtracted from the Bank Balance.

**6. Erroneous Bank Credits**

CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE STANDARD ACCOUNTING PROCEDURE (S.A.P.)			
<u>S.A.P. #</u>	<u>Date Issued:</u>	<u>Effective As of:</u>	<u>Supersedes:</u>
7.1.3.b	April 19, 1999	July 1, 1999	E-4501 (Rev. 3)
<b>Major Classification:</b>	Accounting Analysis and Verification		
<b>Subject:</b>	Reconciliation of All Bank Accounts In All City Agencies		

- Bank credits investigated and found to be errors should be subtracted from the bank balance until the error is reversed.

**F. COMPLETE THE BANK RECONCILIATION**

- Make all necessary entries and computations and verify that the corrected Book Balance (Form 71-77-line 10) equals the corrected Bank Balance (Form 71-77-line 18)



CITY OF PHILADELPHIA

**OFFICE OF SUPPORTIVE HOUSING  
RIVERVIEW HOME**  
7979 State Road  
Philadelphia, PA 19136  
Phone (215) 685-8317  
Fax (215) 333-7535

*Dainette M. Mintz*  
Director  
*Kevin Breazeale*  
Deputy Director

September 25, 2013

Alan Butkovitz, City Controller  
Office of the Controller  
1230 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Re: Forensic Investigation of the Riverview Home Resident Fund September 2013

Dear Mr. Butkovitz:

In response to our exit conference held on Tuesday, September 24, 2013 attached please find Riverview Home's final response to the audit report submitted to our office(s) on September 17, 2013.

If any additional information is needed you can contact Kevin Breazeale, Deputy Director for Riverview Home at 215-685-8316 or you can contact me directly at 215-686-7106.

Sincerely,

*Dainette M. Mintz*

Dainette M. Mintz, Director  
Office of Supportive Housing

cc: Kevin Breazeale, Deputy Director  
Rodney Cherry, OSH Budget Officer  
William Brown, Director of Fraud and Special Investigations.

Recommendation	Finding	OSH Response
<p>1. Develop and implement a memorandum of understanding with the City's Finance Office defining the allowable disbursements from revenue collected from residents for the payment of room and board charges. In our opinion, only PNA amounts and payments to the City (the residual sum after PNA payments) should be disbursed. Disbursements for all other type of expenditures should be processed through the City's budgetary accounting system.</p>	<p>When residents are admitted with healthcare insurance, Riverview, without the approval of the City's Finance Office, continues to maintain that insurance coverage even at the expense of other residents that cannot afford such insurance</p>	<p>Health insurance premiums (Medigap), which have been paid in the past from revenue, are specifically for residents over income for Medicaid eligibility or for residents who are not 65 years old and are not eligible for Medicare. OSH/Riverview will request approval for the payment of these premiums from the Office of the Director of Finance from the general fund through Procurement. We will create Departmental Purchase Authorizations to make such purchases. Riverview will consider the use of petty cash in instances where DPAs cannot satisfy the purchase.</p>
	<p>We also observed that during fiscal year 2011, management approved payments from the account of over \$68,000 in fines to the Pennsylvania Department of Public Welfare for regulatory violations. The fines were assessed for regulatory violations (55 Pa. Code Chapter 2600) as they relate to personal care homes. Riverview paid fines totaling \$50,000 for repeated violations of fire drill regulations and \$18,000 for recurring violations on concerning incomplete medical records</p>	<p>In the event fines are assessed for regulatory violations by the State's Personal Care Home licensing agency, Pennsylvania Department of Public Welfare, OSH/Riverview will seek the advisement of the Office of the Director of Finance for payment procedure.</p>
	<p>In fiscal years 2011 and 2012, Riverview improperly paid over \$1,000 in salaries to some of its residents. The salaries, paid in cash from proceeds collected on behalf of the Riverview clientele, were part of a treatment plan, but given the nature of the payments should more appropriately have been paid from OSH's appropriation as they pertained directly to Riverview's facility operations</p>	<p>OSH will consult with the Finance Department to determine an appropriate payment procedure for this operation.</p>
<p>2. Ensure that all Riverview equipment is properly tagged with City identification tags and accounted for in the City's centralized inventory of personal property. This should include any items of equipment that were previously procured using residents' funds and were for general use of all Riverview residents</p>	<p>For fiscal years 2011 and 2012, Riverview's management chose to improperly purchase \$2,998 of general-use medical equipment (wheelchairs) with checks drawn from the resident bank account, thus, circumventing the City's purchasing procedures. Moreover, the improperly purchased wheelchairs were never properly tagged or added to the City's equipment inventory.</p>	<p>The OSH Fiscal Officer will consult with the Office of the Director of Finance to establish an appropriate process for medical equipment purchases. Because the dollar amount of these purchases was less than \$500/each, the wheelchairs have been added to an OSH/Riverview internal wheelchair inventory. Tags with serial and inventory numbers will be attached to each chair. Three quotes were obtained prior to their purchase and the lowest bidder was selected.</p>

<p>3. Arrange for an accountant to properly establish the Resident Accounts in QuickBooks and then provide fiscal staff with the appropriate training in the use of QuickBooks, including use of its automated bank reconciliation feature.</p> <p>4. Follow all applicable Standard Accounting Procedures adopted by the City's Finance Office as they apply to the bank account of the Riverview Resident Fund. Specifically, these include SAP 4.1.1.g, 7.1.3.a; and 7.1.3.b.</p> <p>5. Evaluate existing fiscal staff duties for handling resident funds and ensure they are adequately segregated so that mistakes and/or irregularities can be detected within a timely period by employees in the normal course of performing their assigned functions. One of the best steps management can take against the prevention of errors and fraud is to separate responsibilities of a fiscal process among several employees</p>	<p>The OSH mismanaged and failed to provide adequate fiscal oversight over Riverview's resident funds, which on June 30, 2011 totaled \$65,135. Along with poor recordkeeping, and a number of procedural weaknesses, these conditions allowed for the questionable and/or inappropriate use of resident monies and gave way to an undetected \$12,970 shortage of which \$1,545 still remained unaccounted for through the end of the investigation. Theft of the monies, in the past, could not be ruled out. It is essential to take immediate corrective action to prevent any further shortages.</p>	<p>OSH/Riverview purchased the latest version of Quickbooks financial management software to maintain all resident accounts in June 2013. Staff involved in the management of resident accounts was trained in use of the software in July 2013. The OSH Fiscal Officer assisted in setting up the accounts in the software. The new software was fully implemented in August 2013.</p> <p>Riverview assigned staff responsibilities according to the SAP guidelines to insure the proper checks and balances with cash transactions, postings, disbursements and reconciliations. (See attached responsibilities chart.)</p> <p>OSH will submit a memorandum to the Director of Accounting requesting a Resident Fund reconciliation amounting to a one-time adjustment of \$1,545.00.</p>
<p>6. Research and pursue other methods for subsidizing the PNA payments of residents who lose their SSI for three out of every nine months. Discuss with SSA officials other opportunities that may exist to enable these residents to continue collecting SSI year round. Also consider the need to pursue other sources of funding such as federal and or state grant dollars</p>	<p>During fiscal years 2011 and 2012, for example, management allowed PNA payments totaling \$22,000 to certain residents who, because of Riverview's designation as a "Public Emergency Shelter Care for the Homeless," (PESCH) lost their social security benefits three months out of every nine. Throughout the six (6) months of SSI eligibility, the residents received \$100 of PNA monthly which was deducted from their SSI check. During the three (3) months of SSI ineligibility, however, these residents still received a PNA, which was paid from the SSI and pension payments collected from other residents.</p>	<p>OSH/Riverview Home will consult with the Finance Department to establish an appropriate procedure.</p>