

# Report On **Animal Care and Control Team Philly (ACCT)**



**City Controller  
Rebecca Rhynhart**



# CITY OF PHILADELPHIA

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REBECCA RHYNHART  
City Controller

Wednesday, January 9, 2019

Joanna Otero-Cruz, Deputy Managing Director for Community Services  
Managing Director's Office  
1401 John F. Kennedy Blvd.  
Suite 1430  
Philadelphia, PA 19102

Dear Ms. Otero-Cruz,

Attached is the Office of the City Controller's report reviewing Animal Care and Control Team Philly (ACCT).

In February 2018, our office received a tip alleging ACCT misused and mismanaged grant funds related to the building of a new adoption center. Based on the complaint, our office set out to determine if ACCT used a \$1 million Petco Foundation grant, specifically the portion specified for the adoption center (\$750,000), in a manner consistent with the restrictions stipulated in the grant conditions.


While we did not identify fraud related to the grant, we did find that ACCT deposited the entire grant into its operating account and inappropriately spent grant funds on operating expenses, including payroll. This is a clear violation of the terms of the grant, which restrict the use of adoption center funds for that express purpose. The findings related to the grant led us to expand our review of ACCT to look broadly at its policies, procedures and financial management. We found several serious and concerning issues related to these areas as well – mismanagement, waste, and non-existent or unfollowed policies and procedures that govern operations.



Our full report, including our findings and recommendations to improve the overall operation of ACCT are included. We want to acknowledge that, during interviews, ACCT staff indicated that they were in the process of reviewing current or implementing new policies and procedures. As they were not implemented prior to this review, they could not be included.

We thank the Managing Director's Office, ACCT and its Board of Director's for their assistance in this process.

Sincerely,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Terri Domsky  
Deputy Controller of Investigations  
Office of the City Controller  
Hon. Rebecca Rhynhart, Controller

# OFFICE OF THE CITY CONTROLLER INVESTIGATIONS UNIT



## Report On **Animal Care and Control Team Philly (ACCT)**

In February 2018, the Office of the City Controller's Investigations Unit received a tip about possible fraud, waste and abuse by Animal Care and Control Team Philly (ACCT). Specifically, the tip alleged that the agency was using restricted funds for the building of a new adoption center from a Petco Foundation grant for operational expenses, including payroll.

After assessing the tip, the Office of the City Controller's investigations unit began a review of ACCT's use of the adoption center portion of the Petco Foundation grant. Controller's Office investigators interviewed ACCT employees, staff who support the work of ACCT from the Managing Director's Office (MDO), and members of the Board of Directors, as well as reviewed bank records, tested a broad range of samples and more, with the support of audit staff. The following report details the review, provides findings and recommendations for improving ACCT's management and oversight.

### Background

Animal Care Control Team Philly's (ACCT) mission is to "...provide shelter, care and life-saving efforts for homeless, abandoned, and abused animals and to protect the health, safety, and welfare of the citizens of Philadelphia, providing a benefit to all of the citizens of the City regardless of race or economic status."

ACCT was established a city-related nonprofit corporation and took over the day-to-day management and operation of the city's animal shelter facility in North Philadelphia and a broad range of regular services for the protection, support and care of animals in Philadelphia, including wildlife and raccoon complaints, animal ordinance complaints, dog bites, found pets, dog licensing, spade and neutering services and more. According to its by-laws from 2013, "The Corporation was organized and operated exclusively for the benefit of the City of Philadelphia for the express purpose of lessening the burdens of the City of Philadelphia...The [Board of] Directors shall manage the affairs of the Corporation and have the power and duty to set policies, to make rules and regulations for its governance and for the governance of committees, and to make rules and regulations for the conduct of the business of the Corporation."

ACCT's Board is comprised of 12 seats, which often has several vacancies. The Board of Directors appoints ACCT's Executive Director, who manages the day-to-day operations of ACCT. However, oversight of ACCT's operations and leadership of the Board falls to the Managing Director's Office (MDO). As such, MDO's representative to the Board serves as its chair. Although it is not delineated in the contract, MDO and the Executive Director of ACCT meet periodically to discuss general operational matters.

ACCT's budget is funded principally by the City of Philadelphia (City) through a Professional Services Contract detailing the work they provide to the public on behalf of the City. The contract advances payment to ACCT on a fiscal year quarterly basis to fund its operations. For Fiscal Year 2019, ACCT's total compensation from the City is \$4,269,942. The remaining funding for ACCT is generated through grant funding and donations. ACCT employs approximately 125 individuals. It

relies heavily on volunteers to meet the demands of its operations. In 2017, volunteers contributed nearly 10,000 hours of service.

ACCT currently has one credit card and three checking accounts: an operating account; a payroll account; and a reserve account. ACCT recently opened a line of credit with its bank also. All of ACCT's funding flows into its operating account, then transferred into other accounts. For example, money is transferred from the operating account into the payroll account to cover payroll expenses. The reserve account, which ACCT stated is for restricted-use grant dollars, was being used by ACCT as a savings account.

#### Petco Foundation Grant

In 2015, ACCT was awarded a \$1 million grant from the Petco Foundation. The grant, which was disbursed over three installments from March 2015 through April 2017, allocated \$250,000 to support ACCT's adoption program and \$750,000 for a new adoption facility. In regards to the \$250,000 of the grant for the adoption program, we would like to note the following: ACCT claims this funding was spent appropriately, and while we agree that it was spent, our review did not verify its uses. The grant terms stipulated that the funds for the adoption center (\$750,000) were restricted use funds, and as such they should be kept separate from the general funds of the organization and used only for the purposes specified by the grant.

Based on the complaint our office received, the Controller's Office set out to determine if ACCT used the grant, specifically the portion specified for the adoption center, in a manner consistent with the restrictions stipulated in the grant conditions. To accomplish this task, the Controller reviewed ACCT's bank records from fiscal year 2015 through April 2018.

We found that ACCT violated the terms of the Petco grant, depositing the full \$1 million of funds received into its operating account. ACCT not only comingled restricted grant dollars with operating dollars, but also mismanaged and misused the grant funds, using the funds to pay for operating expenses, including payroll.

While ACCT did make semi-regular deposits into the reserve account, it also "borrowed" funds from the reserve account. As recently as October 2017, ACCT used funds from the reserve account for operating expenses.

While the total balance in the reserve account as of April 2018 can cover the adoption center portion of the grant value (\$750,000), ACCT transferred only a net amount of \$398,000 into the reserve account, considering the money ACCT borrowed from the reserve account over the three year period. The remaining money in the reserve account was there prior to receiving the first grant disbursement in 2015.

To help illustrate the movement of grant funds, a timeline of important dates/events and transactions are detailed as follows.

**February 2015** – ACCT has \$360,510.49 in its reserve bank account.

**March 2015** – ACCT announces that it has been selected for a \$1 million grant from the Petco Foundation. ACCT receives its first disbursement, totaling \$600,000, from the grant. \$500,000 of the disbursement was to be used for the adoption center and \$100,000 for the support of its adoption program. Full disbursement is deposited into ACCT's operating account. ACCT transfers \$17,000 to the reserve account. ACCT's Executive Director Susan Cosby-Jennings departs organization; an interim-Executive Director is appointed.

**April 2015** – ACCT transfers \$17,000 into the reserve account.

**May 2015** – ACCT transfers \$17,000 into the reserve account.

**August 2015** – ACCT transfers \$34,000 into the reserve account.

**September 2015** - ACCT transfers \$17,000 into the reserve account.

**October 2015** - ACCT transfers \$17,000 into the reserve account.

**November 2015** – Vincent Medley is selected as ACCT's new Executive Director. ACCT transfers \$17,000 into the reserve account.

**January 2016** - ACCT transfers \$34,000 into the reserve account.

**February 2016** - ACCT transfers \$17,000 into the reserve account.

**April 2016** - ACCT transfers \$34,000 into the reserve account. Of the \$500,000 in grant funds for the adoption center provided to ACCT, only \$221,000 has been transferred into the reserve account to-date.

**May 2016** – ACCT receives the second disbursement from the Petco Foundation grant. The \$325,000 was to be split with \$250,000 for the adoption center and \$75,000 allocated to support the adoption program. Again, the full disbursement is deposited into ACCT's operating account. ACCT transfers \$17,000 into the reserve account.

**August 2016** - ACCT transfers \$51,000 into the reserve account.

**October 2016** - ACCT transfers \$51,000 into the reserve account.

**November 2016** - ACCT transfers \$17,000 into the reserve account.

**December 2016** - ACCT transfers \$17,000 into the reserve account.

**January 2017** - ACCT transfers \$34,000 into the reserve account.

**February 2017** - ACCT transfers \$17,000 into the reserve account.

**March 2017** - ACCT transfers \$17,000 into the reserve account. ACCT transfers \$26,000 from the reserve account to the operating account on 3/28/17. This month's net deposit is -\$9,000. Of the full \$750,000 in grant funds for the adoption center provided to ACCT, only \$416,000 has been transferred into and remains the reserve account to-date.

**April 2017** – ACCT receives the final \$75,000 disbursement from the Petco Foundation grant, all of which is allocated to support the adoption program. The full disbursement is deposited into ACCT's operating account.

**July 2017** – On July 12, ACCT transferred \$198,000 from the reserve account to the operating account, noting that the funds were “borrowed pending city check.” ACCT hires an Administrative Specialist to support human resources and financial management work.

**August 2017** - ACCT transfers \$180,000 into the reserve account with a memo stating the transfer was to “return restricted funds.” It is important to note that the funds returned were \$18,000 less than the funds “borrowed” in July.

**October 2017** – On October 17, ACCT transfers \$50,000 from the reserve account to the operating account, noting the money is for “payroll.” On October 30, ACCT transfers \$105,000 from the reserve account to the operating account, again noting that the transfer is for payroll.

**November 2017** - ACCT transfers \$155,000 into the reserve account, noting that the transfer is “to reimburse for payroll/expenses.” This is the last transfer noted on the banks records we reviewed up to April 2018.

**January 2018** – ACCT promotes the Administrative Specialist hired in July 2017 to Business Operations Manager.

**February 2018** – The Controller's Office receives a tip alleging mismanagement of the Petco Foundation grant by ACCT.

**April 2018** – On April 3, Controller's Office makes first request for documentation from ACCT. Vincent Medley resigns as ACCT Executive Director on April 13. Audra Haughton is named interim Executive Director. The balance of reserve account is \$761,478.51. The net balance of transferred funds to the reserve account from March 2015 to April 2018 is only \$398,000 of the restricted use portion of the grant (\$750,000).

It is important to note that we did not track every dollar received by ACCT from the Petco Foundation grant through its use. We determined that by not appropriately transferring the grant funds into the separate accounts and by looking at the operating account balances, ACCT was spending the grant funds on operating purposes. As indicated in the timeline, there were two



instances in which ACCT documented the inappropriate use of grant funding for operational expenses. Additionally, during interviews, ACCT staff stated that they used the grant funds for operating costs.

In its June 18, 2018 grant follow up form submitted to the Petco Foundation, ACCT stated that construction had not begun on the adoption center because it was still working with the architect on the design and because of a large HVAC renovation. The HVAC renovation was completed in 2016, which is also when the architect was selected, according to the grant follow up. Renderings were also submitted as part of the grant follow up, stating construction was scheduled to begin in fall 2018. To-date and to our knowledge, construction still has not begun. Payments to the selected architect totaled \$31,171.00 from March 2017 to March 2018. However, these payments were paid from ACCT's operating account, not the reserve account that was supposed to hold the restricted grant dollars.

*Recommendation: The Controller's Office recommends that all ACCT revenue be handled utilizing four bank accounts to ensure proper tracking and spending and to prevent co-mingling of funds. These accounts, an operating account, a payroll account, donation account and restricted fund account, should have clear policies and procedures for use documented.*

During conversations with ACCT, members of its board and the Managing Director's Office, it was revealed that the MDO, which is charged with oversight of ACCT under contract, knew about the misuse and mismanagement of the grant funds. Both the MDO and ACCT implied that ACCT had an operational shortfall that required ACCT to violate the terms of the grant and use the funding for operational costs, including payroll. This justification led the Controller's Office to expand the focus of its review to include ACCT's money management more broadly.

### Other Findings

Overall during our review, we found that ACCT lacks formal policies governing its operations, often engaged in wasteful spending and mismanaging funds and had weak internal controls over financial management. Additionally, ACCT appears to be providing financial documentation and invoices inappropriately or incompletely to MDO, thereby making ACCT out of compliance with its contract with the City. Lastly, we found the oversight provided by MDO does not serve ACCT well.

As part of our review, we attempted to identify what policies and procedures ACCT has in place for its operations. We requested all of ACCT's policies and procedures and its employee handbook. We were given the employee handbook and told that no policy or procedure manuals were available. While the employee handbook addressed some policies regarding employees behavior, many of the policies have been defined as problematic elsewhere in this report. In other instances, no policies or procedures existed, were not formally documented or were not followed. Similarly, these instances are also documented in the report. We would like to note that, in August 2018, ACCT provided the Controller's Office with a draft of new policies and

procedures for its operation, but the policies and procedures outlined in the draft manual have not yet been implemented, to our knowledge.

*Recommendation: The Controller's Office recommends that ACCT revise and implement changes to its policies and procedures manual and its employee handbook.*

ACCT does not have a hiring policy or does not follow its hiring policy. In January 2017, ACCT posted a job for a Marketing and Development Director, a new senior level position. The day after the job was posted, then-executive director Vincent Medley emailed a woman from Texas whom he appeared to know, about the job, attaching the summary and job posting to the email. The email, which was sent on January 8, 2017, mentions that he previously spoke to the woman about the position as well. For the sake of clarity, we will refer to her as candidate A moving forward.

In total, ACCT received 29 applications for the position, including candidate A's application. We were able to contact 12 of the 29 applicants, and of the 12 applicants, only one reported discussing the job with anyone from ACCT, and that discussion was over the phone. The job was offered to candidate A on March 10, 2017. However, on March 20, 2017, Medley emailed staff stating that a hiring freeze and other cost cutting measures would need to be implemented because of an impending \$200,000 budget shortfall. The hiring freeze and cost-cutting measures were also shared with the Board of Directors at this time, however the hiring of a new, senior level position was not.

On April 5, 2017, candidate A traveled to Philadelphia and met with Medley and the MDO. At this time, Medley authorized moving expenses, totaling \$4,000, for candidate A to relocate to Philadelphia from Texas with MDO's knowledge. When questioned about the expenses in the course of this review, a representative from the MDO stated that they did not believe that \$4,000 was such a large expense. It is not clear whether the Board was ever made aware of candidate A's hiring or the moving expenses. Candidate A and Medley signed a Letter of Agreement in which she agreed to return the moving expenses if she were unable to take the job for any unforeseen reason. At that time, Medley provided her with a check for \$4,000.

Candidate A's start date for the position was April 17, 2017. However, she never reported for work and never returned the moving expenses to ACCT. MDO was aware that candidate A never reported for work, too. It's important to note that after candidate A did not report for work and made no attempt to repay the money, ACCT never tried to recoup the money either. ACCT did not attempt to seek reimbursement until after the Controller's Office began inquiring into its operations. ACCT sent a letter to candidate A requesting return of the \$4,000 in May 2018, more than a full year after her supposed start date. As of this review, none of the moving expenses have been recovered from candidate A. While the lost money is concerning, the non-transparent hiring process is even more problematic.

*Recommendation: The Controller's Office recommends that ACCT develop a hiring process that is transparent, fair and inclusive. The hiring policy should also detail at which points*

*the MDO and the Board will be notified of new hires. While we were told that hiring decisions at this level are at the discretion of the Executive Director, we believe that MDO and the Board should be made aware of senior staff hiring decisions before hiring decisions are made.*

In total, ACCT has spent \$14,500 on moving expenses since 2016, including \$7,000 for former executive director Vincent Medley's relocation. As detailed above, candidate A received \$4,000 to cover moving expenses, but never reported for work. The Board also recently approved an additional \$5,000 in moving expenses, which will be reimbursed based on receipts for expenses, for ACCT's newest executive director; this amount is not included in the \$14,500 already paid. Different practices were followed for different hires, including varying moving expense amounts and expenses being paid up front in one instance and via reimbursement in another, without any clear overarching policy.

*Recommendation: The Controller's Office recommends that ACCT develop comprehensive policy and procedures regarding moving expenses, including placing a cap on moving expenses and reimbursing approved moving expenses, rather than paying a determined flat-rate amount in advance for moving costs. The Board of Directors and the Managing Director's Office should approve all moving expenses, in addition to the Executive Director.*

ACCT has no policy or procedure in place governing petty cash. ACCT staff told the Controller's Office that it does not use petty cash. We were informed that ACCT's internal audit did not test petty cash procedures because petty cash does not exist. During her interview, the Business Operations Manager stated ACCT doesn't use petty cash because they go to the bank when they need money. While ACCT does not have a petty cash account or procedures, our office identified more than \$9,300 in checks written to "petty cash" out of the operating account from March 2014 to August 2017. We should note that we also found instances of bank withdrawals in line with the Business Operation Manager's statement. In addition to the checks written to petty cash, proper documentation was not provided for the petty cash uses. In one example, the former Executive Director Vincent Medley wrote a petty cash check for \$500, but only provided receipts totaling \$290 verifying the expenses.

*Recommendation: The Controller's Office recommends that ACCT either develop a comprehensive policy, putting in place controls over petty cash use, or eliminate all use of petty cash.*

ACCT does not have a policy in place regarding large purchases, instead leaving them up to the discretion of the Executive Director. Prior to Vincent Medley's departure from ACCT in 2018, he purchased a billboard for advertising purposes. The billboard, which was located near the stadiums in South Philadelphia, was intended to raise awareness about ACCT and adoptions. The purchase of the billboard was not approved by the Board or by the MDO prior to its purchase. We received conflicting information about the cost of the billboard; ACCT staff stated the billboard cost was \$6,000, however members of the Board of Directors stated the cost was closer to \$15,000. During our review, we could not verify the total amount paid for the billboard. While

the staff of ACCT believed that the billboard was a good use of funds, the Board member we spoke to did not agree. ACCT did not appear to track engagement as a result of the billboard.

*Recommendation: The Controller's Office recommends that a policy for large purchases be developed, including seeking pre-approval for the purchase prior to any money being spent from the MDO and the Board.*

Despite regular financial shortfalls and limited resources, ACCT staff stated that it was "commonplace" for employees to request and receive pay advances. ACCT told us that, moving forward, they would not issue pay advances. However, as of our last review, ACCT's draft employee handbook still says that pay advances may be given in the case of emergency.

*Recommendation: The Controller's Office strongly recommends that ACCT eliminate the practice of pay advances entirely.*

In addition to providing pay advances to employees, we noted two instances in which the person receiving the pay advance was also the person approving her own pay advance.

*Recommendation: ACCT should develop policies and procedures that segregate approval duties related to payroll.*

Similar to pay advances, ACCT paid employees' tickets (traffic violations/parking) incurred during work and allowed those employees to repay ACCT for the ticket cost over time in installments. In at least two instances, employees never repaid the ticket cost to our knowledge. ACCT had no written policy outlining ticket repayment.

*Recommendation: The Controller's Office recommends that ACCT create a written policy for ticket payment, including ACCT not paying for tickets under any circumstance.*

ACCT did not pay off its credit card balance in full or in a timely manner. As a result, ACCT's credit card account accrued interest and fees, totaling nearly \$1,000 from July 2014 to April 2018.

*Recommendation: The Controller's Office recommends that ACCT pay credit card balances off, in full, each month to reduce interest costs and late fees.*

ACCT had no process or procedure in place for purchasing supplies. In reviewing randomly selected samples, we saw supply purchases made without pre-approval, sign-off, requests, or justification. Employees not only could order supplies, or be reimbursed for purchasing supplies without prior approval, employees also had free access to supplies at the facility. The financial impact of these practices were not determined as part of this review.

*Recommendation: The Controller's Office recommends that ACCT implement a comprehensive policy for ordering and accessing office supplies. As of the close of this*



*review, ACCT staff has indicated that open access to office supplies has been greatly reduced.*

In addition to above practices, ACCT also inappropriately reimbursed employees for a variety of expenses.

**Meals:** ACCT told investigators that food expenses are not allowable for reimbursements and that meals are only provided to employees and volunteers during the “Clear the Shelter” event. However, upon reviewing bank records, we saw many charges to GrubHub and other restaurants. In three instances of six randomly selected samples, we found that the meals were listed as manager lunches.

**Mileage:** The off-site adoption manager was reimbursed for inaccurate and unallowable mileage while traveling in his personal vehicle to various locations. From December 2016 through January 2018 this employee was reimbursed roughly \$3,000 for mileage. An analysis of his mileage revealed regular reimbursement for the unallowable commute portion, as well as inaccurate overreporting of mileage. It is important to note that the employee had access to a company vehicle, but did not use it.

**Expenses without documentation:** We found multiple reimbursements supported by no or only partial documentation. The receipts did not add up to the total reimbursement amount and there were no management level signature on the reimbursement forms.

*Recommendation: For each of the reimbursement issues highlighted above, a lack of formal policy governing the practices is a key problem. The Controller’s Office recommends that ACCT establish a comprehensive policy for employee reimbursements, eliminating reimbursements for meals, setting a mileage rate, denying reimbursements without proper supporting documentation for expenses, etc.*

These weaknesses in policies and procedures also extends to money management and internal controls. Over the course of our review, we noted several serious issues with ACCT’s handling of cash donations and cash donation transactions.

First, there is no policy governing when and how cash should be deposited into the bank. We noted several large deposits, including cash and checks, totaling as much as \$10,000 to \$15,000 at a time, by ACCT into the bank. More regular deposits ranged between \$2,000 and \$3,000. The current practice for cash deposits is as such: the business manager takes the cash to the bank when she has time. There are no protections – like double counting cash prior to deposit or signing-off on the cash amounts prior to deposit – in place to prevent wrongdoing.

When a cash donation is received, the customer service representative is supposed to log it into the Petpoint system, a financial management system for tracking donations, and deposit the cash into the office safe. Often, cash donations are not logged into the system or logged appropriately into the system. We reviewed documentation for selected samples of large deposits and found

that it was impossible to track the cash deposits to the entries recorded in the Petpoint system accurately. As a result, we cannot definitively say that all money donated to ACCT was deposited into its bank account.

Additionally, ACCT staff indicated that money from cash deposits had been removed from the safe and used to pay expenses in a few instances. These uses were not documented and therefore the true amount of donations received and/or used cannot be known.

During our interviews with ACCT staff, we were informed that the credit card sits in the office safe, of which several staffers have access, and is used when needed. It is important to note that there does not appear to be a written policy outlining appropriate use of the credit card.

*Recommendation: The Controller's Office recommends that stronger, multi-point internal control procedures be implemented.*

In addition to its money management and policy and procedure issues, ACCT appears to be out of compliance with the terms of its contract with the City of Philadelphia. Under its contract, ACCT is required to provide a timely and clear breakdown of how the City's monies are being used. The contract also mandates that the City reconcile the invoices documenting ACCT's actual expenditures. The relevant portions are as follows:

"Payment shall be made after Provider's timely submission of invoices to the Responsible Official...

...payment will be made on a quarterly advance payment cycle... funds are payable in advance of the following quarter upon the submission of invoices documenting actual expenditures to the responsible Official of approval...

The Provider will be required to submit three (3) types of invoices. The *Initial Invoice* shall document Provider's contemplated expenditures for the first Additional Term of the contract... The *Interim Invoice* shall document the first sixty (60) days of actual expenditures... The *Consolidated Invoice* shall document the entire first Additional Term, inclusive of the first sixty (60) days previously invoiced...

Invoices documenting actual expenditures will be reconciled by the City. The City may exercise its rights under this Contract if the Responsible Official asserts that a discrepancy exists in any invoice or Provider fails to satisfactorily perform the terms of the Contract, as determined solely by the City."

The Contract Audit Unit in the Controller's Office reviewed several voluminous, disorganized binders of documents provided by ACCT to MDO at different points of the contracted period, including recently. The Controller's Office determined that ACCT has not provided the City of Philadelphia with the properly prepared invoices and other documentation that the provider

agreement requires for advance payment. Specifically, the Controller's Office found that documents submitted did not include the following:

- The required Consolidated Invoice that documents 90 days of actual expenditures for the prior period, to which advance Initial Invoice estimates may be compared;
- Invoice line items for the particular expenses that are specified in the Provider Agreement, such as Personnel Services (which include Staff wages and Fringe Benefits), Consultant/Contract program services, Supplies, Equipment and Travel;
- Adequate detail on certain invoice items (i.e. Vehicle Expense, Cleaning and Disposal) that would distinguish them from the following unallowable expenses, per the Provider Agreement: Truck provision for carcass removal, trash removal, carcass disposal, and cleaning services at the main facility; and
- A supporting schedule that would link the invoice line items to the back-up documents.

Furthermore, the supporting schedule should demonstrate the method of computation and provide a clear explanation for each invoice item, especially for actual expenditures. The backup documents should be divided into sections according to those subtotals.

This failure to provide the correct documentation in a manner that allows the reviewer, in this case the MDO, to test for accuracy and consistency affects the ability to monitor whether ACCT's use of city funds is properly allocated and within budget. The Controller's Office notified MDO of this issue with ACCT's documentation submissions in 2015. However, ACCT stated that it had not received any feedback from the MDO on its quarterly documentation submission. During our meeting with the MDO, Controller's Office investigators noted the submitted ACCT binders stacked into a pile at the MDO. Later, MDO staff confirmed that ACCT's invoices weren't reviewed.

*Recommendation: ACCT should meet the standards outlined in its contract and the MDO should regularly review quarterly submissions for the proper documentation and reconciliation of expenditures, providing feedback as needed. Controller's Office staff was notified that ACCT will begin submitting its documentation to the MDO electronically to save both time and money. The Controller's Office supports this idea, so long as the documentation is properly reviewed by MDO.*

The Managing Director's Office is the oversight function for ACCT and the services it provides on behalf of the City of Philadelphia. It also serves as the Board Chair for ACCT's Board of Directors. The Board of Directors serves in a management capacity for ACCT, including the authority to appoint its Executive Director. Throughout this review, and as we have mentioned in this report, the MDO has fallen short in its operational management and oversight duties. By its own admissions, the MDO has not reviewed ACCT's quarterly statements, was aware of ACCT's misuse of restricted funds, knew about ACCT's lack of processes and procedures, approved new hires without determining if a fair hiring process had occurred, knew information from its oversight role that it did not disclose to the entire Board, and more.

*Recommendation: The Controller's Office recommends that the MDO representative not serve as the Chair of the Board of Directors. We also recommend that the role of the MDO in relation to ACCT be reassessed, including better defining its role and responsibility. Lastly, we recommend that the MDO properly review quarterly financial documentation for contract compliance and to advise ACCT about its financial responsibilities.*

Lastly it's worth noting that, in speaking with MDO and ACCT, they both stated that the current funding structure is responsible, at least in part, for ACCT'S continued financial difficulties and funding shortfalls. During an interview, MDO staff said that unless an agency has four months of revenue saved, it can't function in the 1<sup>st</sup> quarter of the fiscal year. The 1<sup>st</sup> quarter disbursement from the City to ACCT is typically delayed by about two months and ACCT lacks significant savings, making it difficult for ACCT to meet its financial obligations.

*Recommendation: The MDO should re-examine its contract process with ACCT and begin the contract process earlier to ensure payments to ACCT are expedited quickly in the 1<sup>st</sup> quarter of the fiscal year.*

### Summary

In conclusion, ACCT Philly violated the grant terms for the Petco Foundation grant and misused restricted grant dollars. Systemic changes to its grant management processes and procedures need to occur. ACCT lacks appropriate policies and procedures, as well as internal controls, for its day-to-day operations. Its financial documentation is poor and its preparation of quarterly reports prevents appropriate oversight from the MDO. ACCT's current organizational structure needs reassessed and the roles of employees reviewed. We recommend adding a Chief Financial Officer, Development Director and grant management position in addition to redefining the roles and responsibilities of current staff. We also recommend that the role of the Board of Directors be redefined, clearly outlining its role in hiring, large financial decisions, spending priorities and operational practices. The Board's role should also be expanded to support fundraising efforts.