



City of Philadelphia  
Office of the City Controller

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## **Controller's Office Releases Departmental Audit; Urges Departments and Finance Director to Address Findings**

*Major findings identified include sick leave policy enforcement and overtime approval/authorization.*

**Philadelphia, PA** – The Office of the City Controller released findings from its Departmental Audit, a review of the financial affairs of all City departments as part of the audit of the City's basic financial statements. This report determines whether management has suitably designed and placed in operation internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities.

"Our Departmental Audit shows that there are serious issues with overtime and sick leave usage controls across multiple departments. Some of these findings have continued for many years without being fixed," said City Controller Rebecca Rynhart. "The lack of controls around overtime usage and sick leave wastes taxpayer dollars and needs to be reined in. It is important that these department heads and the director of finance, both of whom share the responsibility, address these problems with urgency."

Key findings from the fiscal year 2018 (FY18) audit include:

- **Sick Leave Policy Enforcement:** 12 departments did not enforce the City's sick leave policy properly, including seven departments – Aviation, Behavioral Health, DHS, Parks and Recreation, Prisons, Public Health and Streets - that have had this finding for more than three years in a row. The lack of sick leave policy enforcement resulted in the City paying employees about \$320,000 in sick benefits for which they weren't eligible to be paid. For example, employees in the Department of Prisons were paid nearly \$112,000 for sick time use in violation of the sick leave policy. In addition to the direct costs of not enforcing the sick leave policy, excessive sick leave usage can also drive up overtime, especially in departments with mandatory staffing levels;
- **Sick Leave Policy Enforcement – Exempt Employees:** Six departments did not have or enforce sick leave policies for exempt employees; and
- **Improper Overtime Authorization:** Eight departments did not follow the City's overtime authorization procedures, which require management to approve the number of hours and reason supporting the overtime request before it is incurred. Allowing employees to work overtime without proper approvals may result in unnecessary payroll expenses by the city. Five departments – Aviation, Library, Streets, Water, and the DA's Office – have had this finding for at least three years. Key findings include overtime paid to Police employees without proper approvals in 20% of the instances tested; overtime paid to

Division of Aviation employees without management approving hours of or the reason for overtime in 39% of instances tested; and overtime paid to Water employees without proper documentation in 43% of instances tested. Five employees in Aviation who were tested earned more than \$345,000 in overtime during the fiscal year, including four employees who more than doubled their annual salaries.

Additionally, the Departmental Audit identified a first-time finding in the Department of Licenses and Inspections. L&I did not reconcile housing inspection license renewal revenue, which totaled \$15 million for fiscal year 2018, to the City's accounting system daily as required. Failure to reconcile cash receipts to the city's accounting system daily increases the risk of misstatement of revenues and creates an opportunity for misappropriation of funds. In its response, L&I indicated that it would remedy this finding in FY19.

A number of departments took corrective action on some prior year findings. Noteworthy are the Office of Homeless Services and the Fire Department which implemented seven and five recommendations, respectively.

Findings and recommendations from the Controller's Office, as well as responses from departments, are detailed in the full report [here](#). As a complement to the report, the Controller's Office released an [interactive dashboard](#) to showcase certain departmental findings.

Lastly, the Controller's Office assessed departmental diversity for exempt employees in FY18, including new hires in FY18, new hires with salaries greater than \$90,000, all exempt employees with salaries greater than \$90,000 and all exempt employees. The data breaks down exempt employees by department and race/ethnicity and the department's representation compared to the city's demographic breakdown according to Census data. This information will serve as a baseline for next year's diversity review as part of the departmental audit in which the Controller's Office will examine whether departments follow the City's diverse hiring practices for exempt employees. View the interactive diversity review [here](#).