

# City of Philadelphia Departmental Audit FY2018

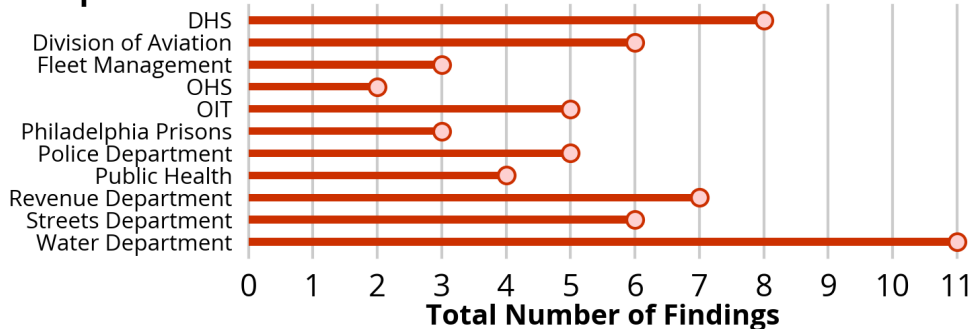
## OFFICE OF THE CITY CONTROLLER

Each year, the Office of the City Controller examines the financial affairs of city departments as part of the audit of the city's basic financial statements in accordance with the Philadelphia Home Rule Charter. The focus of the examination is to determine if management of each department 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. This review, called the Departmental Audit, includes findings about operational deficiencies that need to be addressed with department heads by the Finance Director, as well as recommendations from the Controller's Office and responses from departments regarding the findings.

### Number of Findings by Department

For the fiscal year 2018 (FY18) departmental audit, the Controller's Office conducted testing on a tiered system. Tiers are based on whether a department's revenue or expenditure amounts or their processes may significantly impact the City's financial statements. Tier 1 and Tier 2 departments present the largest potential for impact, and as such, their findings are shown below. Tier 3 results are not shown.

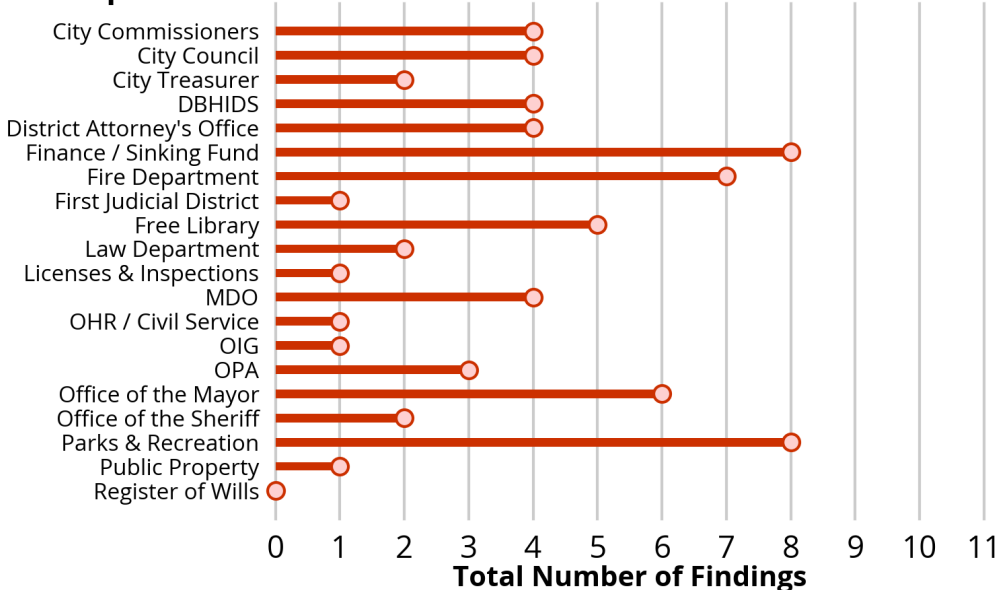
#### Tier 1 Departments



#### FINDINGS INCLUDE:

- Personal service issues, including sick leave policy enforcement and proper authorization of overtime;
- Improper, inadequate or inaccurate petty cash procedures;
- Revenue and receipts issues, including reconciliation;
- Personal property issues, including inventory tracking and procedures not being followed; and
- Other expenditure issues.

#### Tier 2 Departments



The Office of the City Controller's mission is to promote the effective and efficient operation of Philadelphia government by identifying cost savings, recommending best practices and modernization, and exposing fraud and mismanagement. Learn more on [controller.phila.gov](http://controller.phila.gov).

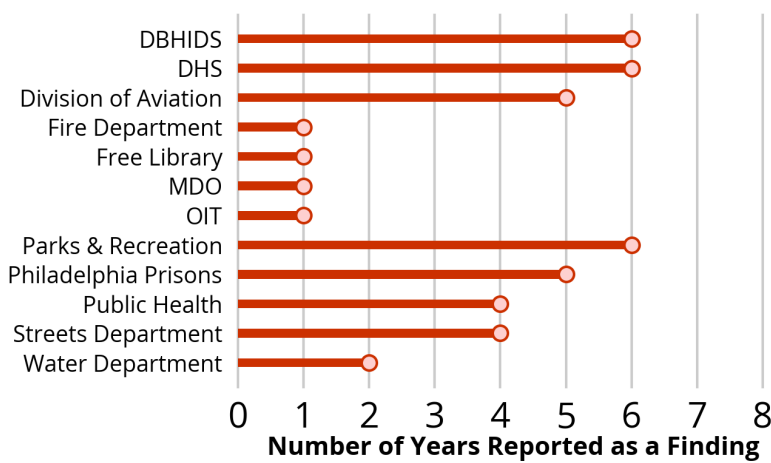
# FY2018 Key Findings

The Controller's Office identified significant control issues over sick leave policy enforcement and proper overtime authorization and approval, among other findings.

## SICK LEAVE

The City of Philadelphia's sick leave policy, which addresses civil service employees, aims to reduce unnecessary use of sick leave. Under the policy, employees who miss 8 days of work due to illness in a given year without documentation should not be paid for additional sick days taken. The Controller's Office found that 12 departments didn't enforce the sick leave policy properly, resulting in the City paying employees about \$320,000 for sick time of which they weren't eligible to be paid. The use of sick time may increase departmental overtime in departments or functions with mandatory staffing levels. Additionally, several departments do not follow or enforce a sick leave policy for exempt employees. Without a policy for them, exempt employees may not be penalized for excessive use of sick leave.

### Finding: Sick Leave Policy Not Enforced



Note: Findings for FY13 and FY14 were reported in a single Departmental Audit covering both years.

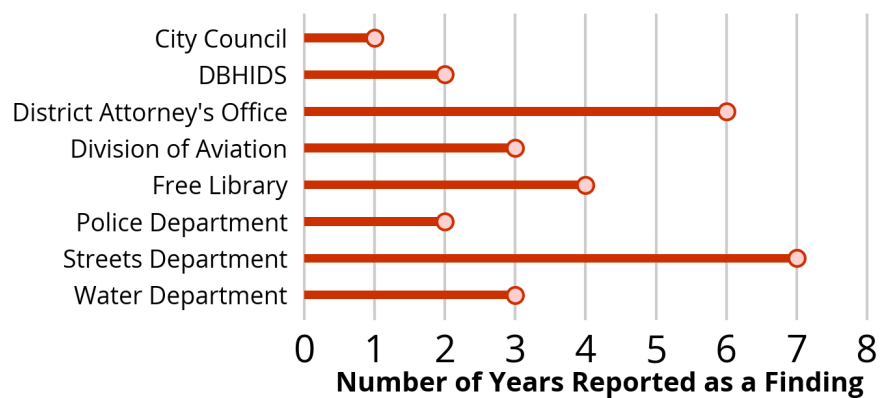
- Seven departments - Aviation, Behavioral Health and Intellectual Disability Services, DHS, Parks and Recreation, Prisons, Public Health and Streets - have had this finding for more than three years in a row.
- In three departments - Water, Aviation, and Behavioral Health - the sick leave policy was not properly enforced for any of the employees tested.
- Employees in the Philadelphia Prisons were paid nearly \$112,000 for sick time use in violation of the sick leave policy.

## OVERTIME

Proper approval and authorization for overtime requests is an important internal control to ensure overtime is required and appropriate. Allowing employees to work overtime on a discretionary basis or without following proper authorization practices may result in unnecessary payroll expenses by the City.

- Eight departments did not follow the City's overtime authorization procedures.
- Five departments - Aviation, Library, Streets, Water and the DA's Office - have had this finding for at least three years.
- Five Aviation employees who were tested earned more than \$345,000 in overtime, including four employees who more than doubled their annual salaries.

### Finding: Employee Overtime Not Authorized



Note: Findings for FY13 and FY14 were reported in a single Departmental Audit covering both years.

## ANOTHER SIGNIFICANT FINDING - L&I

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 account 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.