



**City of Philadelphia
Office of the City Controller**

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Controller's Office Releases Single Audit Findings on Grant Compliance

Philadelphia, PA – The Office of the City Controller released its report on compliance for federal grant programs and review of internal controls over compliance for fiscal year 2018 (FY18). The report, which must be completed annually, was transmitted to the Kenney Administration and for submission to the Federal Audit Clearinghouse, as required. The report details seven instances of non-compliance for the City's major federal programs, including one material weakness and six significant deficiencies.

"The review of compliance with federal grant programs serves as a critical check on internal control over grant administration and management and helps ensure the City stays in good standing with its grant compliance," said City Controller Rebecca Rhynhart. "This year's audit shows some improvement overall, however it remains clear that there are still areas of grant compliance that the City must focus on and improve."

According to the Government Finance Officers Association (GFOA), inappropriate grant administration can result in a failure to meet grant requirements, which can lead to some or all of the grant resources needing to be returned to the grantor.

Report findings are as follows:

- **Material Weakness & Noncompliance Over Reporting** – The Streets department failed to detect that nearly \$4 million in expenditures for the Highway Planning and Construction grant program were incorrectly coded as FY18 expenditures. These expenditures should have been coded as FY19 expenditures. The Grants Accounting and Administration Unit (GAAU) of the Finance Department also incorrectly included the amount in the preliminary Schedule of Expenditures of Federal Awards (SEFA), until detected by the Controller's Office. The payments were incorrectly coded and internal controls were insufficient to detect the errors. Failure to detect incorrect coding of expenditures could result in overstatement of reported expenditures.
- **Significant Deficiency & Noncompliance Over Reporting** – The Office of Emergency Management and Division of Aviation could not provide adequate documentation to support \$121,361 in material costs charged for snow removal projects under the Disaster Grants – Public Assistance program. Because the City is reimbursed at 75 percent of the expenditures claimed, the unsupported material costs led the City to receive an additional \$90,020 in grant funds. These additional grant funds are considered questioned costs. Also, the SEFA is overstated by the additional grant funding amount.
- **Significant Deficiency & Noncompliance Over Reporting** – The Office of Emergency Management, on behalf of the Division of Aviation, applied the incorrect overtime fringe rate to payroll expenditures. The rate included the cost of worker's compensation, legal fees, employee disability, life insurance, and

medical insurance, which are not applicable to overtime. This led to an overstatement of expenditures by \$52,791 and caused the City to receive an additional \$39,593 in grant funds. As such, the SEFA is overstated by the additional grant funding amount. The Office of Emergency Management did not identify this error in its review of submitted expenditures.

- **Significant Deficiency & Noncompliance Over Reporting** – The GAAU within the Finance Department did not accurately disclose the total payments to subrecipients in the preliminary SEFA. The Office of the Controller’s review of records indicated that subrecipient expenditures for major programs, including Community Development Block Grants/Entitlement Grants and National Urban Search and Rescue Response System, were overstated by \$10.2 million. Failure to completely and accurately report subrecipient expenditures can result in noncompliance with terms and conditions of federal awards. The GAAU agreed with our findings and corrected the amounts reported for subrecipient expenditures.
- **Significant Deficiency & Noncompliance Over Subrecipient Monitoring** – The Department of Behavioral Health and Intellectual Disability Services (DBHIDS) failed to provide documentation evidencing program monitoring of its subrecipient agencies during FY18. DBHIDS is responsible for oversight of the operations of its subrecipients. The lack of monitoring may result in service providers failing to comply with program requirements or meet performance goals without being detected. DBHIDS did, however, perform pre-award monitoring activities and verified that subrecipient agencies were audited as required.
- **Significant Deficiency & Noncompliance Over Reporting** - The Philadelphia Fire Department submitted inaccurate quarterly Federal Financial Reports (SF-425s) for federal awards received under the National Urban Search and Rescue Response System – Readiness Cooperative Agreement. The amounts reported for “cash disbursements”, “Federal share of expenditures”, and “Federal share of unliquidated expenditures” were understated. Additionally, the “Federal share of expenditures” totals were also incorrect on two 2018 Semi-Annual Performance Reports. Failure to properly report the accurate information on SF-425 reports leads to noncompliance with reporting requirements. Additionally, federal grantors may not have complete and accurate information to make final decisions on future federal awards.
- **Significant Deficiency & Noncompliance Over Reporting** – The Department of Public Health did not file the annual SF-425 Federal Financial Report (SF-425), which serves as documentation of the financial status of grants according to the official accounting records of the recipient, for the Immunization and Vaccines for Children Program during FY18. Failure to file the SF-425s results in noncompliance with reporting requirements.

The full report, including responses from the Kenney Administration, is available [here](#).