OnePhilly System Review
Fiscal Year 2019

City Controller
Rebecca Rhynhart
June 24, 2020

Wednesday, June 24, 2020

Honorable James F. Kenney, Mayor
City of Philadelphia
City Hall, Room 215
Philadelphia, PA 19107

Dear Mayor Kenney,

As part of the Office of the City Controller's annual audit of the city's basic financial statements for Fiscal Year 2019 (FY19), the Controller's Office engaged EisnerAmper to conduct an IT General Controls and Application Controls Review of the OnePhilly system. Due in part to the findings of this review, and in part because of reports of errors in employees' pay, we further engaged Eisner Amper to conduct additional testing to identify error types and quantify the frequency and magnitude of errors in employees' pay. As such, the attached report is a compilation of the IT General Controls and Application Controls Review and the Errors Investigation and Analysis Report. All testing was completed in accordance with applicable professional standards, including the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).

EisnerAmper identified one material weakness and four significant deficiencies, as well as other control deficiencies that did not rise to the level of significant deficiency or material weakness, during the review of the OnePhilly system. These findings, which will be considered with our broader IT General Controls Review, will be featured in our FY19 Report on Internal Control and On Compliance and Other Matters. The additional testing conducted provided deeper insight into the findings of the IT General Controls and Application Controls Report, as well as a better understanding of shortcomings of the OnePhilly system overall.

Specifically, the report demonstrates that breakdowns in the OnePhilly system have led to errors in employees' timekeeping and/or payroll. While these errors are not material to the city's financial statements, they are material to employees experiencing overpayments, underpayments, inaccuracies in hours, including overtime, and miscalculated leave time. By OnePhilly's own admission, more than 3,000 employees had inaccurate leave accruals as of November 2019. However, the full scale of underpaid and overpaid employees to-date cannot be determined

because there is no formal tracking of errors or resolutions. Moreover, the OnePhilly team does not formally and proactively apply one error type to the entire universe of employees to determine if others were affected. These errors are more than just glitches in the system – they have a real impact on hardworking city employees.

According to the OnePhilly project director in September 2018, OnePhilly was supposed to replace a number of legacy systems and increase efficiency through the reduction of instances where employees enter the same information in multiple applications. The Streets Department, Police Department and Courts have continued to use parallel systems for time entry and there seems to be no concerted effort to integrate these departments into OnePhilly. For example, hours for approximately 1,200 Streets Department employees (sanitation workers) are tracked in the field by clerks using paper timesheets that are entered into the Streets system, ISIS. Payroll clerks then print those timesheets from ISIS and manually re-enter the data into OnePhilly daily – a time consuming and redundant process with the potential for human error. Departments reported needing to use overtime or hire additional staff to handle the additional work required because of the OnePhilly system.

The system does not appear to be meeting its intended purposes and requires considerable attention. The report includes a number of recommendations for your consideration. But, I want to make a very direct request – pause the FAMIS replacement project until the OnePhilly system is fully stabilized, including identifying all errors that occurred in employees' time, attendance and pay since the system was implemented and the City has made all employees whole and recouped all money owed to the City. My office agrees that a replacement for FAMIS is needed, however, it should not be undertaken until after the City addresses all of the issues we identified in this review and develops implementation and governance plans rooted in best practices, including a pre-implementation assessment, for the new system. Otherwise, the City is bound to repeat the same kinds of mistakes with the new FAMIS replacement as it did with OnePhilly. Employees and taxpayers deserve no less than a payroll system that works and a better process for large scale IT projects in the future.

We would like to express our thanks to the Office of the Finance Director, the OnePhilly team and the city departments involved in this review.

Sincerely,

Rebecca Rhynhart
City Controller

CC:	Brian Abernathy, Managing Director
	Rob Dubow, Finance Director
	James Engler, Chief of Staff
	Stephanie Tipton, Chief Administrative Officer

CITY OF PHILADELPHIA

ONEPHILLY SYSTEM REVIEW

EXECUTIVE SUMMARY

As part of the Office of the City Controller's annual audit of the city's basic financial statements for Fiscal Year 2019 (FY19), the Controller's Office engaged EisnerAmper to conduct an IT General Controls and Application Controls Review of the OnePhilly system. The assessment was limited to internal controls in place and designed as of the close of FY19 (June 30, 2019). Testing was limited to the design and implementation of the IT general controls and application controls. In order to test for operating effectiveness, controls must be designed and implemented effectively. Based on the severity of the issues identified, auditors were unable to perform further testing on the operating effectiveness of the controls.

Given the IT general controls and application controls evaluation, EisnerAmper conducted additional testing of the city's payroll to identify error types and quantify the frequency and magnitude of errors in employees' pay on behalf of the Controller's Office. This testing, which focused on eight departments that represent approximately 75 percent of the city's payroll expense, was limited to the launch of the Payroll and Time and Attendance modules of the OnePhilly system through the fiscal year end (March 18, 2019 to June 30, 2019). The findings from this additional testing are detailed in the Error Identification and Analysis Report.

Report Findings

Based on its potential impact in the city's Comprehensive Annual Financial Report (CAFR), each IT general controls and application controls finding were assigned a rating of material weakness or significant deficiencies. In total, one material weakness and four significant deficiencies were identified, as well as other control deficiencies. The additional testing of the city's payroll provided deeper insight into the impact of the IT general controls and application controls findings.

Multiple breakdowns were identified in the functionality and application controls of the OnePhilly system. As a result of these breakdowns, the Payroll expense and other related liability accounts could be materially misstated in the City's Comprehensive Annual Financial Report, constituting a material weakness. Additionally, individual employee's pay may be inaccurate or unauthorized.

For example, the OnePhilly system assumes employees work their full minimum scheduled hours in a pay period by generating "assumed time" to fill in hours not documented on a timesheet. This generated assumed time is not reviewed for accuracy or authorization. Additional testing showed that OnePhilly's use of assumed time has the potential to cause underpayments, overpayments or other errors, including but not limited to incorrect leave balances. Of the period under review,

approximately 300,000 hours totaling $8.4 million of assumed time remained unedited in the system. Of note, the OnePhilly system did not accurately calculate all employee leave accruals during and after the testing period. According to the OnePhilly team, approximately 3,000 employees' vacation and sick balances were not accurately reflected in the OnePhilly system as of November 4, 2019. As a result, city departments were asked to verify their employees' balances outside of the system.

Other breakdowns noted in the report include: changes are made to employee timecards by the OnePhilly or Central Payroll Teams without documented authorization or approval; the OnePhilly team runs a process that automatically changes employee timecards from unapproved to approved status; employees who enter their time via Manager Self-Service were able to authorize their own timecards instead of submitting it to his/her direct supervisor for approval; and an overpaid/underpaid report generated to identify employees who may have been overpaid or underpaid had known inaccuracies according to OnePhilly and required a manual review of more than 3,000 lines for each payroll period.

Additional testing demonstrated that payroll and leave-related errors have largely been identified through self-reporting at the employee and department level. OnePhilly had no formal process for reporting, tracking and resolving errors. No audit trail to identify all reported payroll errors and corresponding resolutions has been kept by OnePhilly. Moreover, there was no evidence that the OnePhilly team systematically considers the universe of potential employees historically impacted by any one instance or type of reported error(s). Importantly, approximately one in five payroll payments appears to have required some form of retroactive or miscellaneous adjustment to time and/or pay since go-live.

Many of the issues identified appear to have existed from the time the OnePhilly system went live and, therefore, may have occurred prior to the launch of OnePhilly. Without formal documentation of approvals or sign-offs by the OnePhilly steering committee to authorize go-live for the system - a significant deficiency noted in the report - there is no evidence that known risks, open tasks to be completed, and the completion of testing scenarios occurred and were agreed to by all Steering Committee members.

Other key findings include:

- The implementation of OnePhilly failed to reduce certain inefficiencies and redundancies related to time entry and payroll processing and, in some instances, resulted in increased workloads and risk associated with errors in time and pay. For example, four departments stated that they have incurred additional overtime and/or a need to hire new staff as a result of the additional time needed to process payroll under the new system; departments performed manual calculations of rate differentials for overtime, out-of-class time and shift time after issues were identified with OnePhilly's calculations of these time types; and Prisons stated it takes the department three times longer to process payroll since go-live.
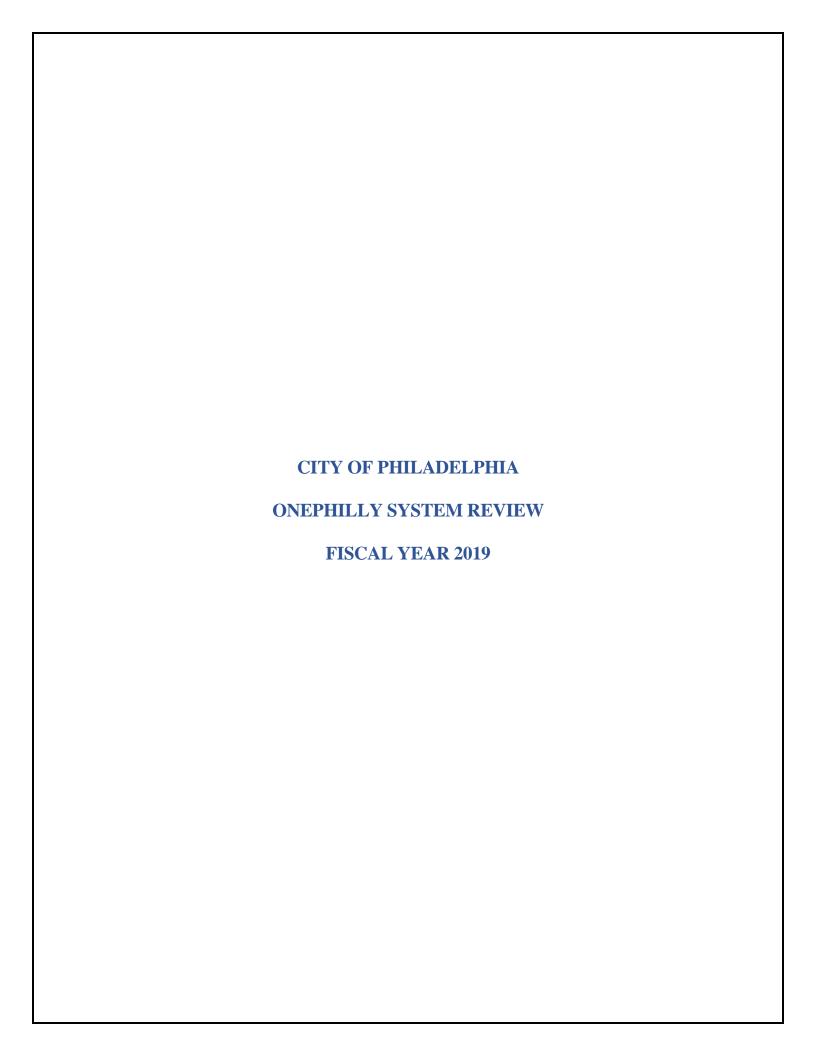
- Several departments are not utilizing the timecard and payroll approval processes and functionality within the OnePhilly system. Police, Streets and Courts continue to use their own time entry systems that operate independently from OnePhilly, for time entry and human resources. Only one department, Aviation, is now fully integrated into the OnePhilly system. Additionally, there does not appear to be a concerted effort to integrate these systems into OnePhilly and eliminate the use of these independent legacy systems. For example, the OnePhilly team planned to train Streets department clerks in the field to enter time directly into OnePhilly, however the training was unsuccessful, and no further attempts have been made. As such, approximately 1,200 sanitation workers continue to use paper timesheets that are manually entered into its internal timekeeping system, called ISIS. Clerks print reports of these employees' time then manually enter the data from those reports into OnePhilly, daily.

- Since go-live, neither OnePhilly nor the departments have sufficiently tracked or enforced the City's sick abuse policy. Potential overpayments to employees who received pay for Uncertified Sick Time while they were either on the Sick Abuse list, or incorrectly omitted from the Sick Abuse list, was identified totaling approximately $180,000. Payments to employees who were paid while out on unpaid leave were also identified totaling $120,000. Additionally, approximately $220,000 of payments to individuals no longer employed by the city were identified.

- Monitoring of the third parties that significantly support the OnePhilly system was not formal or documented, a significant deficiency. The primary third party, Ciber Global LLC, is embedded and working closely with OnePhilly for the development and support of the OnePhilly system. There is no evidence of formal monitoring of the Service Level Agreement between OnePhilly and Ciber. There is no evidence of formal review and evaluation by the OnePhilly team of critical reports provided by Ciber and its subsidiaries. Additionally, there is an increased risk of unauthorized access and exposure of confidential employee data.

- Incompatible roles, responsibilities, and permissions were not formally and comprehensively identified, a significant deficiency. User access provisioning was not formally documented and did not consider segregation duties. Periodic user access reviews have not been performed. As a result, there may be users with access not commensurate with their job responsibilities and users may potentially be able to bypass system controls.

- Passwords were not configured to meet City requirements, including complexity, minimum length, and expiration after 90 days, a significant deficiency. Inadequate password configurations significantly increase the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.

What the Controller's Office Recommends

The Controller's Office has presented a number of recommendations to address the findings in this report. Some of the more significant recommendations are noted below.

The Controller's Office recommends that the city should evaluate the resources dedicated to identifying, prioritizing, testing and implementing corrections to the OnePhilly system and develop a formal framework for an identification and remediation process for system issues. OnePhilly should also formally document and track all issues from identification to resolution. The OnePhilly team should work to proactively identify and resolve all errors in employee pay, leave balances, accruals, etc., and conduct a comprehensive, system wide analysis to proactively identify all potential over- and underpayments to employees, including total amounts owed by or due to the city. The OnePhilly team should establish and document routine monitoring of performance of third parties, including against established Service Level Agreements and evaluation of all relevant reports. The OnePhilly team should work directly with departments to develop and implement a plan for fully integrating all independent legacy systems into OnePhilly.

Additional recommendations can be found in the body of this report.

CITY OF PHILADELPHIA

ONEPHILLY SYSTEM REVIEW

FISCAL YEAR 2019

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Assessment and Evaluation of OnePhilly's IT General Controls and Application Controls

Hon. Rebecca Rhynhart, City Controller
City of Philadelphia - Office of the Controller
1401 JFK Boulevard, 12th Floor
Philadelphia, PA 19102

We have concluded our engagement to perform an evaluation of the general and application controls of information technology functions of the City's Oracle eBusiness Suite/PeopleSoft Workforce Management System (the OnePhilly system). This engagement was agreed to by the City of Philadelphia – Office of the Controller (the Controller's Office) and was performed solely to assist in evaluating the IT general controls and application controls for the OnePhilly system in connection with the Controller's Office audit of the City of Philadelphia's (the city's) fiscal year 2019 Comprehensive Annual Financial Report (CAFR).

Management of the city is responsible for the operations of, and internal controls, over the OnePhilly system. The sufficiency of the scope and procedures of our engagement is solely the responsibility of the management of the Controller's Office. Consequently, we make no representations regarding the sufficiency of the scope and procedures described in the attached document either for the purpose for which this report has been requested or for any other purpose.

The Engagement was performed in accordance with applicable professional standards, including the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). EisnerAmper did not perform an audit, review, or compilation in accordance with Generally Accepted Government Auditing Standards or with attest standards established by the AICPA.

The procedures performed were limited to those described herein based on the documents provided, interviews and process walkthroughs with the city and OnePhilly staff, and other information obtained including whether internal controls were placed in operation and adequately designed as of the June 30, 2019. Testing of controls and testing procedures can only be performed, and within scope, if controls exist. Information obtained subsequent to the date of this report may affect this analysis. The procedures were performed solely with respect to the above referenced engagement. This report is not to be reproduced, distributed, disclosed or used for any other purpose.

We have attached observations and recommendations regarding IT general controls and application controls resulting from the consulting engagement for the consideration of the Controller's Office. We assessed application controls, and IT general controls over security management, access controls, segregation of duties, configuration management, and contingency planning. The results of our procedures for the application controls identified a potential Material Weakness. In addition, four of the five IT general control domains had potential Significant Deficiencies.

The procedures performed and related observations and recommendations are described in the attached document. We performed our procedures during the months of August 2019 through November 2019.

EISNERAMPER LLP

Philadelphia, Pennsylvania
May 12, 2020

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Assessment and Evaluation of the City of Philadelphia's OnePhilly System
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EXECUTIVE SUMMARY

The Controller's Office engaged EisnerAmper, LLP (EisnerAmper), with the assistance of Horsey, Buckner & Heffler, LLP (HBH), to perform an assessment of information technology (IT) general controls and application controls related to the city's OnePhilly system.

We conducted this engagement in accordance with Statements on Standards for Consulting Services issued by the AICPA. The scope of the assessment was limited to internal controls in place and designed as of June 30, 2019. Our procedures during the months of August 2019 through November 2019 were limited to testing the design and implementation of the IT general controls and application controls. Based upon the results of these procedures, we were unable to perform testing of the operating effectiveness of the controls. Controls must be effectively designed and implemented in order to be tested for operating effectiveness for the period.

A summary of observations and potential impact are noted below. We believe the observations noted in the report warrant the attention of management.

SUMMARY OF OBJECTIVE, SCOPE AND METHODOLOGY

The objective of the EisnerAmper consulting engagement was to evaluate the IT general controls and application controls designed and implemented for the city's OnePhilly system in support of the Controller's Office audit of the city's Comprehensive Annual Financial Report (CAFR). The scope of the assessment included the internal controls in place as of June 30, 2019.

Our assessment over the application controls as requested by the Controller's Office was focused on the completeness, accuracy and validity of processing data, as well as the confidentiality and availability of data as it applies to the following One Philly functions: Human Resources, Benefits, Time & Attendance, and Payroll. In addition, our engagement was structured to address the following five (5) areas for the IT general controls as requested by the Controller's Office:

1. *Security Management* - the controls designed and placed into operation to provide reasonable assurance that security management is effective.

2. *Access Controls* - the controls designed and placed into operation to provide reasonable assurance that access to computer resources (data, equipment, and facilities) is reasonable and restricted to authorized individuals.

3. *Configuration Management* - the controls designed and placed into operation to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended.

4. *Segregation of Duties* - the controls designed and placed into operation to provide reasonable assurance that incompatible duties are effectively segregated.

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5. *Contingency Planning* - the controls designed and placed into operation to provide reasonable assurance that contingency planning (1) protects information resources and minimizes the risk of unplanned interruptions and (2) provides for recovery of critical operations should interruptions occur.

SUMMARY OF OBSERVATIONS

Below we are providing a summary of our key observations noted through the procedures performed for this engagement. Based upon its potential impact on the city's CAFR, each key finding listed below was assigned a rating of either Material Weakness or Significant Deficiency.[1] Additional details for these key observations as well as other observations with low impact (rated as Deficiency) are provided in the detailed section of our report.

Area	Findings	Potential Impact
Application Controls	There were multiple breakdowns noted in the functionality and application controls of the OnePhilly system.	Material Weakness
Security Management	There is no formal, documented monitoring of the third parties which significantly support the OnePhilly system.	Significant Deficiency
Access Controls and Segregation of Duties	Incompatible roles, responsibilities, and permissions are not formally and comprehensively identified. User access provisioning is not formally documented and does not consider segregation of duties. Periodic user access reviews have not been performed.	Significant Deficiency
	Passwords were not configured to meet city requirements, including complexity, minimum length, and expiration after 90 days.	Significant Deficiency
Configuration Management	Go-Live approvals were not formally documented and maintained.	Significant Deficiency
Contingency Planning	Control deficiencies were noted for this area, but none were deemed to be a material weakness or significant deficiency.	Control Deficiencies

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[1] The AICPA's *Professional Standards (Clarified)* AU-C Section 265.07 states that a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. AU-C Section 265.07 provides the following definitions:
Material Weakness – This is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
Significant Deficiency – This is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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Our procedures were limited to testing the design and implementation of the IT general controls and application controls. Based upon the results of these procedures, we were unable to perform testing of the operating effectiveness of the controls.

DETAILED SCOPING AREAS

For the application controls, we focused on several control elements as follows:

Completeness Checks	Controls ensure records processing from initiation to completion.
Validity Checks	Controls ensure only valid date is input or processed.
Identification	Controls ensure unique, irrefutable identification of all users.
Authentication	Controls provide an application system authentication mechanism.
Authorization	Controls ensure access to the application system by approved business users only.
Input Controls	Controls ensure data integrity feeds into the application system from upstream sources.
Forensic Controls	Controls ensure scientifically and mathematically correct data, based on inputs and outputs.

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Our engagement was structured to address the five (5) areas for IT general controls. Within each area, we focused on several control elements as follows:

Security Management	• Periodic assessments and validation of risk • Security control policies and procedures • Security awareness training and other security related personnel issues • Periodic testing and evaluation of the effectiveness of information security policies, procedures, and practices • Remediation of information security weaknesses • Security over activities performed by external third parties
Access Controls	• Protection of information system boundaries • Identification and authentication mechanisms • Authorization controls • Protection of sensitive system resources • Audit and monitoring capability, including incident handling • Physical security controls
Configuration Management	• Configuration management policies, plans, and procedures • Current configuration identification information • Proper authorization, testing, approval, and tracking of all configuration changes • Routine monitoring of the configuration • Updating software on a timely basis to protect against known vulnerabilities • Documentation and approval of emergency changes to the configuration
Segregation of Duties	• Segregation of incompatible duties and responsibilities and related policies • Control of personnel activities through formal operating procedures, supervision, and review
Contingency Planning	• Protection of information resources and minimizing the risk of unplanned interruptions • Provision for recovery of critical operations should interruptions occur, including effective: - Assessment of the criticality and sensitivity of computerized operations and identification of supporting resources; - Steps taken to prevent and minimize potential damage and interruption; - Comprehensive contingency plan; and - Periodic testing of the contingency plan, with appropriate adjustments to the plan based on testing.

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BACKGROUND INFORMATION ON THE ONEPHILLY SYSTEM

The OnePhilly system is a modernization initiative created by the Office of the Director of Finance (Finance Department). The system replaced the legacy Human Resources (HR), Benefits, Payroll, and Time & Attendance systems. It is also planned to replace the legacy Pension system, but the OnePhilly Pension module has not yet been implemented. The Finance Department oversees the OnePhilly Team, whose role is to manage the OnePhilly system project.

Timeline and Implementation

The OnePhilly project has been a multiyear effort which began in June 2014. In December 2018, the HR and Benefits modules went live. The next rollout was in March of 2019 with the Payroll, and Time & Attendance modules.

System Architecture

The core platform for OnePhilly is Oracle E-Business Suite (Oracle EBS), and Oracle Time and Labor (OTL). The application is hosted on Linux servers at a data center in Sterling, VA. OnePhilly is a customized solution to meet the requirements of the city.

Third Parties

The city engaged Ciber, an HTC Global Company, (Ciber) to customize and implement the system. In addition, Ciber Oracle Managed Services (COMS) has been contracted to perform the managed services of the day-to-day operations of the system. Ciber hosts the OnePhilly system with CenturyLink, a network services and managed services company.

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RESULTS

Observations

Below is our summary of key observations noted through the procedures performed for this engagement. Our observations include the detail of the condition, the criteria, the potential cause, the effect, and our recommendation.

Application Controls

1. System Functionality and Lack of Application Controls

    Potential Impact: **Material Weakness**

    Condition: During our assessment, there were multiple breakdowns noted in the functionality and application controls of the OnePhilly system. Specifically, we noted the following:

    -   Assumed time is automatically recorded by the OnePhilly system if an employee's timecard is short of time in comparison to the employee's scheduled time. Assumed time is a concept where the OnePhilly system assumes that the employee works their minimum scheduled hours in a given week or pay period, regardless of what has been entered into Oracle Time & Labor (OTL). The addition of this time is not reviewed for accuracy or authorization.
    -   Changes are made to employee timecards by the OnePhilly or Central Payroll Teams without documented authorization or approval.
    -   Employees or Timekeepers are able to enter time to hour types that may not be authorized for the department. When time is entered, an hour type is to be selected from a drop down menu. Examples include regular time, leave time, on call time, etc. Hour types are not restricted by department.
    -   The OnePhilly team runs a process which automatically changes employee timecards that are unapproved to approved status.
    -   Employees who entered their time via Manager Self-Service were able to authorize their own timecards instead of being submitted to his/her direct supervisor for approval.
    -   The OnePhilly system was not accurately calculating all employee leave accruals as multiple defects were self-identified during and after the testing period. According to the OnePhilly team, as of 11/4/19, approximately 3,000 employees' vacation and sick balances were not accurately reflected in the OnePhilly system. The city Departments were instructed to verify their employees' balances outside of the system.
    -   A defect was self-identified by the OnePhilly team with the code that was written to transfer the time from Timelink to the OnePhilly system which resulted in an incomplete time entry transfer. Timelink is the software for departments and employees which use a timeclock to record start and end times.
    -   During the recalculation of one employee's pay, a difference of $.06 in the hourly rate was identified; however, the OnePhilly team did not provide an explanation for this

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difference.

- The Timecard Status Summary Dashboard (including the Missing Timecard Report) is not restricted by Department. The Super Timekeepers are able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard does not reflect the total population of timecards as the missing timecards are not included. During our walkthrough, the missing timecards listing did not accurately update when different departments were selected.
- The Overpaid / Underpaid report had known inaccuracies according to the OnePhilly team and required a full review each week. The report was created for each payroll cycle to identify employees which may have been overpaid or underpaid based upon employee type, scheduled hours, and hours entered. The report had over 3,000 lines requiring individual review.
- The controls for monitoring the completeness and accuracy of outbound interface files is inconsistent between the various outbound interfaces. There are customized outputs which are sent to various third parties, including Unions for city employees. Certain third parties have requested specific formats which include checks on the completeness and accuracy of the produced files. However, for those groups which have not requested the similar level of detail, there are no formalized monitoring controls in place over the completeness and accuracy of the output files.
- OnePhilly OTL is not available on Mondays and portions of Tuesdays for self-service and timekeeper time entry.
- While the city departments' supervisory and executive-level approvals of the bi-weekly payroll transactions were electronic signoffs in the city's previous payroll system, since the OnePhilly Go-Live, departmental approvals of payroll are no longer electronic. Instead, departments are now required to have the supervisory and executive-level approvers physically sign a paper report, which is then scanned and sent to the OnePhilly and Central Payroll teams.

Criteria: Based upon our walkthroughs of the processes and assessment of the limited end to end process documentation available, we identified gaps or inconsistencies in the processes.

Potential Cause: The scope of our engagement was to assess the application controls in place when the OnePhilly system was in production, supporting the city's HR, Benefits, Payroll, and Time & Attendance processes. As many of these conditions appeared to be in existence from the time of OnePhilly system Go-Live, the potential cause may have occurred before Go-Live. Assessment of the OnePhilly system prior to it being in production was not included in the scope of our assessment.

Effect: There is the potential for the Payroll expense and other related liability accounts as reported in the city's CAFR to be materially misstated due to the controls breakdown. In addition, individual employee pay may be inaccurate or unauthorized.

Recommendation: The city should evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing corrections to the OnePhilly system. A formalized framework should be established and leveraged for identifying, prioritizing and resolving system issues. Where applicable, this should include resolving the issue

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prospectively, as well any necessary retrospective corrections. Finally, the identification and tracking to resolution of the issues should be communicated on a periodic basis to applicable stakeholders or departments.

Security Management

2. Monitoring of Third Parties

   Potential Impact: **Significant Deficiency**

   Condition: There is no formal, documented monitoring of the third parties which significantly support the OnePhilly system. Specifically, we noted the following:

   - There is no evidence of a formal review and evaluation by the OnePhilly team of the Ciber Oracle Managed Services (COMS) Service Organization Control (SOC) 2 report, and the CenturyLink Managed Network and Hosting Services SOC 2 report.
   - The 2018 COMS SOC 2 report (the most recently available report) is performed by an accounting firm that does not have offices in the US, and is not noted to be part of a network of firms with a US presence.
   - Within the CenturyLink SOC 2 report, physical access and environmental controls at the Sterling, VA data center where the city's data is housed were not part of the scope of that control evaluation. Also, the OnePhilly team has not evaluated the sufficiency or effectiveness of these controls.
   - There is no evidence of formal monitoring of the Service Level Agreement (SLA) between OnePhilly and Ciber.

   Criteria: Reliance on third parties to support key processes requires formalized monitoring controls by the OnePhilly team to ensure that services are being provided as contractually required. SLAs are established with third parties to define minimal acceptable services, including system availability, response times, and other performance metrics. SOC reports are AICPA defined reports which are performed by Public Accounting firms to evaluate and report on the controls at a third party service provider. SOC reports allow management and auditors to gain comfort over controls at a third party service provider without the need to perform their own audit procedures.

   Potential Cause: The primary third party, Ciber, is embedded and working closely with the OnePhilly team for the development and support of the OnePhilly system. This can seem to cause a breakdown in the boundaries between the OnePhilly team and the third party.

   Effect: Formal review of third parties, including ongoing monitoring, is not documented. In addition, there is an increased risk of unauthorized access, and exposure of confidential employee data.

   Recommendation: The OnePhilly team should establish and document routine monitoring of performance of third parties, including against established SLAs, evaluation of relevant SOC reports, and other applicable reports.

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3. <u>External Penetration Test Findings Remediation</u>

    Potential Impact: **Deficiency**

    Condition: The External Penetration Test Report dated 12/13/2018, performed by Cyber Security Solutions (CBI) on behalf of the city identified seven medium risk findings. Five of the findings are still open, and a remediation plan has not been formally documented to address the findings.

    Criteria: A penetration test is an authorized simulated cyberattack on a computer system, performed to evaluate the security of the system. The resulting report identifies vulnerabilities which could be exploited to obtain unauthorized access to the system. According to COMS policy section 3.13.3.3 *How to Address the Results of the Penetration Test*, all findings in the External Penetration Test Report are to be remediated within one month of the report being issued.

    Potential Cause: The results of the External Penetration Test may have been determined to be a moderate or low priority to the operational issues impacting the OnePhilly system.

    Effect: There is a potential exposure for the OnePhilly to external vulnerabilities.

    Recommendation: The OnePhilly team should develop remediation plans to address the open findings, and monitor progress against the remediation plans.

Access Controls and Segregation of Duties

4. <u>Authorizing and Reviewing Elevated Access, including Segregation of Duties</u>

    Potential Impact: **Significant Deficiency**

    Condition: Authorization of OnePhilly elevated access, which allows for the ability to perform transactions beyond employee self-service, for new users and transferred users was not performed using a formal, documented format. User provisioning/de-provisioning access requests, including both employees and contractors, were made via email or verbal request. In addition, periodic user reviews had not been performed. Finally, a formally documented Segregation of Duties (SoD) policy, including identification of incompatible roles, responsibilities, and permissions, has not been established.

    Criteria: When elevated access is requested, the request should be performed in a formal manner, indicating the specific access (roles and/or permissions) required, capturing the appropriate approval, and maintaining such in an easily accessible format. In addition, in accordance with the city's Office of Innovation and Technology's (OIT's) Information Security Access Control Policy V8 – section 7.1, periodic reviews are required to be performed quarterly at a minimum. Incompatible roles, responsibilities, and permissions should be established to enforce SoD in both the provisioning and the periodic reviewing of user access.

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Potential Cause: Initial elevated access was required only within the OnePhilly team, which used informal requests to obtain and grant access to new team members. As the system went live, a formalized process to provision and review users was not established.

Effect: There may be users with access not commensurate with their job responsibilities. In addition, users may have access across incompatible roles, responsibilities and permissions within the system, thereby potentially allowing a user to bypass system controls.

Recommendation: The OnePhilly team should develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions. A formal process should be established to request and approve user access, which specifies the access required, considering the documented SoD requirements. Finally, a quarterly review of user access should be performed, with any identified SoD breakdowns removed, or acknowledged with identification of monitoring controls in place.

5. Password Configurations

Potential Impact: **Significant Deficiency**

Condition: The OnePhilly system was configured at go-live with a password requirement of case sensitivity and, for user accounts created after go-live, a password expiration of 90 days. Additionally, passwords for user accounts converted from the legacy system do not expire and thus do not meet the minimum expiration requirements.

Criteria: The OnePhilly system password settings did not meet the minimum requirements as outlined in the OIT's Information Security Access Control Policy V8 – section 6.5.2. This policy requires passwords to have a minimum length of eight characters; be composed of alphabetic, numeric and special characters; not be the same as the User ID; and not contain proper names or words taken from the dictionary.

Potential Cause: The OnePhilly system password settings were not configured in consideration of the OIT Information Security Access Control Policy requirements.

Effect: Inadequate password configurations significantly increases the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.

Recommendation: The OnePhilly password settings should be updated to meet OIT password requirements.

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Configuration Management

6. Go-Live Approval Documentation

    Potential Impact: **Significant Deficiency**

    Condition: Documented formal approvals or sign-offs by the OnePhilly steering committee, authorizing the Go-Live of the system in December 2018 (Human Resources (HR) and Benefits) and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports / presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained.

    Criteria: The Go-Live approval sets the baseline of the new system in production. For a large, multiyear project, supporting significant processes, and a Steering Committee representing multiple stakeholders, having documented approvals or sign-offs by each Steering Committee person is a critical control element.

    Potential Cause: The scope of our engagement was to review the IT general controls in place when the OnePhilly system was in production, supporting the city's HR, Benefits, Payroll, and Time & Attendance processes. As the Go-Live approval is the final step in the implementation project, the potential cause may have occurred before Go-Live, during the project. Assessment of the OnePhilly system prior to it being in production was not included in the scope of our review.

    Effect: Without documented approval of the Go-Live by the Steering Committee, there is no evidence that full consideration and review was performed of known risks, open tasks to be completed, completion of testing scenarios and agreement of all Steering Committee members.

    Recommendation: The OnePhilly team should maintain formal agendas and meeting minutes of the Steering Committee meetings, including capturing the results of any voting decisions by Steering Committee members. For any future module implementation, formal Go-Live approval by the Steering Committee should be obtained and documented prior to Go-Live.

7. Documentation of Impacted Accounts

    Potential Impact: **Deficiency**

    Condition: When system issues were identified, documentation to determine all impacted city employee accounts was not maintained.

    Criteria: As part of the process for evaluating incidents or system issues which are identified, a determination of the extent of impact is performed. The results of the process identifying the impacted accounts should be formally documented in order to capture that the full impact of the issue was known and appropriately addressed.

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Potential Cause: The number of issues identified post Go-Live required the team to quickly address, without formal documentation of each step maintained.

Effect: Without having formal documentation for the analysis of potentially impacted accounts, there is an increased risk that there are accounts which were impacted and not corrected.

Recommendation: The OnePhilly Team should maintain formal documentation of the accounts which are included as being impacted when system issues are identified.

8. Application and System Patching

   Potential Impact: **Deficiency**

   Condition: From Go-Live through June 30th 2019, Operating System (OS) patches have not been applied to production Linux servers, and Oracle patches have not been applied to the production instance of the OnePhilly application.

   Criteria: Patches released by software vendors should be evaluated and applied in a timely manner. Software vendors routinely identify operational defects, and potential security vulnerabilities within their products. To address these issues, system patches are routinely released which are recommended by the vendor to be applied to the system.

   Potential Cause: The operational issues with the OnePhilly system have prevented routine, system patches to be applied to the system.

   Effect: Without routine patches applied, there is an increased risk of not addressing vendor known system vulnerabilities, which could be exploited by unauthorized users.

   Recommendation: The OnePhilly team should evaluate and, where appropriate, apply outstanding system patches. In addition, the OnePhilly team should adhere to a recommended schedule of evaluating and applying patches in a timely manner.

9. Backlog of Change Tickets

   Potential Impact: **Deficiency**

   Condition: For the PMRx change tickets, the web-based project control and repository workspace developed by Ciber, as of September 17, 2019 there were 403 open tickets as provided by the OnePhilly team. Over 70% (287), had been open for more than 90 days. There were 43 tickets open for over 180 days, including 16 Emergency (P1) and High (P2) tickets.

   Criteria: As part of the change management process for the OnePhilly system, PMRx change tickets are opened to manage the process of addressing system issues. A ticket is opened / created when an issue is identified, and closed once a developed and tested fix or change has been applied to production. Identified issues requiring system changes should be evaluated,

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prioritized, and implemented in a timely manner.

Potential Cause: With a backlog of open change tickets, there may not be a sufficient number of resources to address and resolve open tickets in a timely manner.

Effect: System issues vary in impact to the city based on the nature of the issue; however, the longer issues are left unresolved, the greater the potential impact to the city. This can create operational and financial reporting issues if workarounds are not identified.

Recommendation: The OnePhilly team should evaluate and prioritize the open change tickets, including identifying the amount of resources needed to address the backlog of tickets. In addition, periodic reporting of the status of open change tickets should be provided to the Steering Committee and applicable stakeholders.

Contingency Planning

10. Disaster Recovery Testing

   Potential Impact: **Deficiency**

   Condition: A full Disaster Recovery (DR) test has not been performed against the DR plan established for OnePhilly.

   Criteria: A full Disaster Recovery test is to be performed on an annual basis, as defined in the Fourth Amendment Agreement between the city and Ciber, sections 2.1.6.6 and 2.1.6.7. The OnePhilly team has developed a DR plan which would be executed in the event of a disaster or other major system event which prevented the accessibility of the primary production system. DR plans should be routinely tested, evaluated, and updated to ensure that the plans and supporting personnel are ready in the event of a true incident.

   Potential Cause: The operational issues with the OnePhilly system have prevented a full DR test to be performed.

   Effect: The DR plan may not work as anticipated when faced with an unplanned outage, and could have a significant impact to the continued operation of the OnePhilly system.

   Recommendation: The OnePhilly DR plan should be tested and the results documented in writing.

Error Identification and Analysis

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Hon. Rebecca Rhynhart, City Controller
City of Philadelphia - Office of the Controller
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Re: Error Identification and Analysis Report

In connection with our evaluation of the general and application controls of information technology functions of the OnePhilly system (OnePhilly IT Control Assessment), the City of Philadelphia – Office of the Controller (the Controller's Office) has requested that we perform additional testing of the City's payroll to identify potential instances of underpayments and/or overpayments to City employees (error types). When possible, the Controller's Office has also requested that we quantify the frequency and magnitude of these potential errors in connection with the Controller's Office audit of the City of Philadelphia's (the City's) FY2019 Comprehensive Annual Financial Report (CAFR).

EXECUTIVE SUMMARY

The Controller's Office engaged EisnerAmper, LLP (EisnerAmper), with the assistance of Horsey, Buckner & Heffler, LLP (HBH), to investigate potential payroll error types in connection with our assessment of information technology (IT) general controls and application controls related to the City's OnePhilly system. A summary of the engagement objective, scope, methodology and observations are noted below. We believe the observations noted in the report warrant the attention of the City's management.

ENGAGEMENT OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our engagement was to identify error types and quantify the frequency and magnitude of errors where possible. The objective also included summarizing our observations related to the payroll process and OnePhilly system, to the extent those observations could be relevant to the FY2019 CAFR opinion, as well as future audits. Our objective did not include identifying the root cause of the error types summarized in this report.

The scope of our engagement begins at Go-Live of the OnePhilly system for Payroll and Time & Attendance, with the first effective pay period beginning on March 18, 2019, through fiscal year ended June 30, 2019 (Scope Period).[1] While our quantification of certain error types' frequency and magnitude is limited to payroll and HR data during the Scope Period and for the departments referenced below, several potential errors and other observations summarized below continue to exist subsequent to fiscal year ended June 30, 2019.

Working with the Controller's Office audit personnel to identify and analyze error types, we conducted a series of interviews with payroll and HR professionals from the following eight departments, which represents approximately 75 percent of the City's payroll expense during the Scope Period:

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[1] For Per Diem employees, the final pay period in fiscal year 2019 ended on July 7, 2019.

- Police (PPD)
- Fire (PFD)
- First Judicial District (FJD or Courts)
- Water (PWD)
- Prisons (PPS)
- Aviation/Commerce (COM)
- Department of Human Services (DHS)
- Streets (STS)

In addition to the above departments, we also held discussions with the OnePhilly Team, the Finance Department and Pre-Audit Division within the Controller's Office, all with the purpose of identifying error types. Through our interviews, and in consideration of the OnePhilly IT Control Assessment, we requested and obtained various payroll and HR data and reports necessary to investigate error types.[2]

SUMMARY OF KEY OBSERVATIONS

Below we are providing a summary of our key observations noted through the procedures performed for this engagement. Additional details for these key observations, as well as other relevant observations, are provided in the detailed section of our report.

- Payroll and leave-related errors have largely been identified through self-reporting at the employee and departmental levels, and there is no uniform process for reporting, tracking and resolving errors.

- The implementation of OnePhilly has failed to reduce certain inefficiencies and redundancies related to time entry and payroll processing, and in some instances resulted in increased workloads and increased risk associated with erroneous time entry and payroll.

- Since Go-Live, approximately one in five payroll payments appears to have required some form of retroactive or miscellaneous adjustment to time and/or pay.

- Several departments are not utilizing the timecard and payroll approval processes and functionality within OnePhilly.

- OnePhilly's use of Assumed Time has potential to cause underpayments, overpayments and other errors, including but not limited to, incorrect leave balances. The total amount of unedited Assumed Time in scope is approximately 300,000 hours and $8.4 million.

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[2] Our analysis considers documentation received as of the date of this report; and to the extent that documentation is incomplete, contains errors, and/or conflicts with other data we have received, our findings may be affected. The documentation we have received consists primarily of information we have requested from and been provided by OnePhilly, the Finance Department, and the selected departments. In certain instances, we have been told that the documentation we requested was unavailable. We reserve the right to update our analysis and modify our findings to the extent we receive clarification regarding the documentation we relied upon and/or the methodologies we employed to analyze that documentation, as well as in the event that we are provided new or updated information. The Controller's Office Audit Division also provided reports generated from the OnePhilly system, to the extent they were able.

- The inconsistent application of a 7.5 hour or 8 hour Work Day for purposes of calculating hourly rates and determining the Standard Hours work week have resulted in potential underpayment or overpayment errors.

- We identified potential overpayments to employees who were paid while on unpaid leave, totaling approximately $120,000.

- Since Go-Live, neither OnePhilly nor the departments have sufficiently tracked or enforced the City's sick abuse policy. We identified potential overpayments to employees who received pay for Uncertified Sick time while they were either on the Sick Abuse list, or incorrectly omitted from the Sick Abuse list, totaling approximately $180,000.

- We identified potential overpayments to employees who were no longer employed by the City, totaling approximately $220,000.

The observations detailed in this report have been shared with management for their consideration. We recommend that the methods and processes developed to identify and analyze these error types to be considered for periods subsequent to fiscal year ended June 30, 2019.

DETAILED OBSERVATIONS

1. OnePhilly Error Identification and Correction

Observation: To date, we are informed that payroll and leave-related errors have largely been identified through self-reporting at the employee and departmental levels and there is no uniform process for reporting, tracking and resolving errors.

The OnePhilly Team and Central Payroll Division in the Finance Department (Central Payroll) have indicated that certain reports are created for each payroll run, strictly for the purpose of identifying certain types of errors that might have occurred during that pay period. The following reports appear to be performed only at a high-level, outside of the OnePhilly system, and analyzed on a piecemeal basis:

- The "Over Maximum Report" identifies a population of employees who would receive in excess of $4,000 in Net Pay; irregularities are investigated.

- The "OBIEE Report" is used to compare the current payroll run to that of the immediately preceding pay period.

- The "Over Under Report" identifies employees with greater than or less than 75 hours in the pay period; irregularities are investigated. One version of this report contained over 3,000 lines that required individual review in each pay period.
- The "CUC E Report" identifies exempt employees for the purpose of confirming they are not receiving overtime pay unless covered by the Fair Labor Standards Act (FLSA).

Additionally, the OnePhilly Team and Central Payroll:

- were unable to state whether each of these reports were utilized from the outset (i.e., from Go-Live);

- indicated that certain of these reports have evolved over time; and
- indicated that responsibility for analyzing the reports has changed hands at times.

For example, the OnePhilly Team and Central Payroll stated that the Over Under Report has been expanded to consider additional issues; and, while the OnePhilly Team previously analyzed the CUC E Reports, Central Payroll has since assumed that responsibility.

Outside of the aforementioned reports, we are not aware of any ongoing process whereby the OnePhilly Team systematically considered the universe of potential employees historically impacted by any one instance or type of reported error. Rather, each of their analyses appears to have been responsive to errors and issues that were reported by the departments, and does not appear to take into consideration the possibility of similar or related issues that may affect other employees and/or departments.

Additionally, there does not appear to be a uniform process for reporting, tracking and resolving errors. The OnePhilly Team and/or Central Payroll is often involved in the process; however, which group is involved appears to vary. As such, the OnePhilly Team has not maintained a comprehensive audit trail with which to identify all reported payroll errors and the corresponding resolution and, if applicable, adjustment to employees' time and/or pay. The lack of such a record is one reason our error-related findings are classified as "potential," as, in many cases, we are unable to distinguish whether a potential error has already been subject to review and/or adjustment. We would expect proper audit trail documentation to include the following:

- The nature of and reason for the change;
- Who and what department(s) approved the change;
- The period affected;
- When the change was implemented; and
- What time and/or payroll elements were impacted.

Without this information, it can be difficult or impossible to identify if a payroll error was reported, how and when that error was adjudicated, and the result of any corresponding adjustment. Additionally, if a comprehensive audit trail did exist, it would provide the OnePhilly Team and Central Payroll with the ability to more easily recognize types of errors and adjustments that appear to be common, and to then design tests with which to proactively identify additional, similar, unreported errors across a broader population of employees.

OnePhilly's timekeeping system, Oracle Time and Labor (OTL), contains an audit trail feature, which allows OnePhilly to produce reports referred to as OTL Timecard Audit Trail Reports;[3] however, for various reasons, these documents are not sufficient to identify changes to employees' pay or the basis therefor. For example:

- We were informed by the OnePhilly Team that it is not possible to perform a reconciliation between the OTL Audit Trail Reports and the Statement of Earnings Reports.[4] We have confirmed that this is in fact

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[3] OTL Timecard Audit Trail Reports (OTL Audit Trail Reports) are reports generated by OnePhilly which show, for each employee, the employee's time that was entered in the OTL. These reports also identify the name of the individual who made the entry in the OTL, and when they made that entry. In addition to original time entry data, the OTL Audit Trail Reports identify any changes that were made to that employee's time records. In many instances, changes are made to employees' time after payroll has already closed for that pay period. In those instances, if the change impacts the employee's pay, that change might appear as a retroactive adjustment in the following pay period's Statement of Earnings Report for that employee.

[4] Statement of Earnings Reports contain, for each employee, the various hours and amounts attributable to the various pay elements (e.g., Regular Hours, Overtime, Vacation, etc.). Statements of Earnings Reports are generated from OnePhilly and are based on the

the case in numerous instances through comparison of employees' time entries in the OTL Audit Trail Reports to the employees' Statement of Earnings Reports. In some cases, the discrepancy is the result of retroactive adjustments to employees' time (identifiable through use of the OTL Audit Trail Reports' "Action Date" data); however, in many cases that does not appear to be the cause. In certain instances, the discrepancy can be explained by the fact that the OnePhilly Team and Central Payroll have the ability to make adjustments to employees' pay without making corresponding adjustments to those employees' timecards. Without the ability to reconcile the OTL Audit Trail to the Statement of Earnings Reports, it can be difficult or impossible to identify how a change recorded in the OTL Audit Trail is reflected in the employee's pay (or leave balances, if applicable), if at all.

The format of, and data contained within, the OTL Audit Trail Reports is such that analysis of individual time entries and the changes thereto is difficult, and in some cases potentially not possible. For example, the OTL Audit Trail contains "Actions" titled Saved, Submitted, Approved, Error, and Deleted Timecard, which are not readily attributable or allocable to individual time entry line items. The OTL Audit Trail Reports lack the functionality that is otherwise necessary to determine whether certain time entry line items were in fact saved, submitted, approved, or removed altogether through some form of error or deletion. For example, we identified 2,569 instances of "Deleted Timecard", and 37,416 instances of "ERROR." OnePhilly informed us that "ERROR" does not refer to any specific entry; but rather, the status of the timecard when the user attempted to Save or Submit the timecard.

Changes to HR data (HR Transactions) can have a variety of impacts on employees' status and the pay they received (e.g., promotions, salary changes, department transfers, placement on leave, etc.). As of the date of this report, OnePhilly has not been able to provide a record of every HR Transaction that took place and the corresponding date on which that transaction was effectuated.

For example, we were provided a list of approximately 80,000 HR transactions, and we were informed that "Creation Date" refers to when the HR Transaction was first created, and "Last Update Date" refers to when the HR transaction was last updated. However, within the file, approximately 56,000 of the HR Transactions shared one Creation Date (December 2018) and one Last Update Date (November 2019). If, for example, the OnePhilly Team wanted to identify situations where there was a delay between when an individual's promotion should have become effective and when the promotion was actually entered into the HR system, that might not be possible in certain instances.

2. OnePhilly's Failure to Reduce Inefficiencies and Redundancies for Time and Pay

Observation: After OnePhilly Go-Live, time entry and payroll processes continue to rely heavily on clerical tasks, and in some cases, OnePhilly has created more clerical work for payroll departments. We note that additional

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parameters set by the individual generating the report. These parameters include Department and time periods. For example, we were provided with a single Statement of Earnings Report for each department and each pay period from Go-Live through FY 2019. These Statement of Earnings Reports, referred to throughout this report, identify for each normal, two-week pay period, the final, paid hours and amounts for each employee in the respective department. In many cases, an employee's Statement of Earnings Report for a given pay period also includes adjustments to time and pay amounts for prior periods (e.g., a Statement of Earnings Report for Pay Period 10 can include "Retroactive" or "Miscellaneous" Adjustments which impact the employee's pay they received in Pay Period 10, but which are included specifically to increase, decrease, or otherwise adjust the time and/or pay reported and/or received by the employee in a Pay Period 9). We are informed that the Statement of Earnings Reports are the most reliable source with which to identify the amounts paid to employees.

manual work in the form of human data entry, with limited time to perform quality control, can create an environment potentially susceptible to error, fraud, waste, and abuse. Further, OnePhilly has failed to replace separate time entry systems utilized by certain departments. As a result, the time entry and payroll processes post-Go-Live have resulted in increased workloads and increased risk associated with erroneous time entry and payroll.

OnePhilly was intended to provide integration and modernization with respect to workforce management, human resources, time and attendance, and payroll processes.[5] It was viewed as a "unified platform" that would replace "outdated and separated systems handling a number of vital internal tasks, including payroll, human resources, pensions, benefits and timekeeping."[6]

In September 2018, OnePhilly's project director stated that OnePhilly would replace "a number of legacy systems and technologies."[7] He indicated that OnePhilly would increase efficiency through the reduction of instances where employees would enter the same information in multiple applications.[8] In practice, however, several of the Legacy systems have not been integrated, and OnePhilly has created new inefficiencies in how employees report and are paid for time worked.

For example, we identified the following with respect to the increased amount of manual work required of the departments:

- Due to OnePhilly's lack of functionality from Go-Live, departments were forced to implement, or were unable to forego, numerous manual processes (e.g., leave balance and sick abuse tracking), many of which the departments considered to remain standard procedure for the foreseeable future at the time of our meetings.

- Prisons has asserted that it takes the department three times longer to process payroll post-Go-Live.

- Four departments[9] informed us that they have incurred additional overtime and/or needed to hire or transfer clerical staff as a result of the additional time needed to process payroll under OnePhilly.

- Six departments[10] informed us of difficulties and delays associated with OnePhilly's process for dealing with employees who transferred between departments; and, as a result of these issues (which include payroll errors due to an employee's pay cycle changing, promotions, and union transfers), the departments have had to perform more manual work to proactively avoid payroll errors.

- Issues were identified with respect to OnePhilly's calculations as they relate to overtime, out of class time, and shift, which have caused certain departments to attempt to avoid these issues by performing manual calculations of rate differentials.

Regarding the use of multiple time entry systems, of the eight departments we have analyzed, it appears only Aviation's time entry[11] is fully integrated into OnePhilly (Prisons is currently in the beta testing stage). Most

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[5] City of Philadelphia Five-Year Financial and Strategic Plan for Fiscal Years 2016-2020.
[6] "Philadelphia Nears 'One Philly' Finish Line, Govtech.com, September 11, 2018.
[7] "Philadelphia Nears 'One Philly' Finish Line, Govtech.com, September 11, 2018.
[8] "Philadelphia Nears 'One Philly' Finish Line, Govtech.com, September 11, 2018.
[9] Streets, Fire, DHS, and Aviation.
[10] Police, Fire, Water, FJD, Streets, and DHS.
[11] Aviation utilizes a Kronos biometric interface for time entry.

departments continue to use paper timesheets, which are then entered into OTL and processed by OnePhilly. With respect to Streets, Police, and Courts, after Go-Live, these departments have continued to utilize separate parallel systems for time entry and HR, which effectively act as intermediaries between employees' paper timesheets and OnePhilly. Currently, there does not appear to be any concerted effort to further integrate and/or eliminate certain legacy systems in these departments. The failure to integrate and/or eliminate these systems reduces the system functionality and controls utilized by these departments and relied upon in the payroll process (e.g., timecard approvals, positive time entry posting, automated premium pay calculations, etc.).

For example, Police continues to utilize the Daily Attendance Report (DAR) system to track employees' time, among other things. Certain employees' time is uploaded directly from DAR into OnePhilly, while other employees' time is exported from DAR and then subsequently entered into OnePhilly. Police payroll clerks also regularly utilize text files and handwritten index cards to record overtime and "exceptions," respectively, and these documents are then transferred to OnePhilly to be considered when entering employees' time. Police, which represents approximately one third of the City's payroll, is not fully utilizing OnePhilly's functionality and continues to post time on an exception basis.

With respect to Streets, approximately 1,200 sanitation employees' paper timesheets are inputted into its Integrated Sanitation Information System (ISIS) by clerks in the field. Payroll clerks then print reports from ISIS and manually reenter the data from those reports into OnePhilly each day. This is a very time-consuming process which OnePhilly did not plan for. The OnePhilly Team initially planned to train clerks in the field to enter time directly into OnePhilly (which would have eliminated the use of ISIS for time entry); however, that training was unsuccessful, and ISIS continues to be utilized.

To test this process, Streets provided an output from its ISIS system which shows, for each applicable employee, the types and amounts of time they inputted into ISIS for each pay period from Go-Live through July 7, 2019. This report includes both paid and unpaid time reported, as well as various types of leave, overtime, regular hours, sick time, and vacation time, among others. We compared the ISIS report to the Statement of Earnings reports generated by OnePhilly, with the understanding that the Statement of Earnings reports reflect the various types and amounts of time for which an employee was paid (i.e., their final time).

When comparing what Streets employees actually entered as their time (the ISIS data, posted from paper timesheets) to what time those employees were ultimately paid for (the Statement of Earnings reports), we identified irregularities, disconnects, and what appear to be potential errors in employees' pay. These findings, noted below, can result in both overpayments and underpayments:

- There is a fundamental disconnect between how employees enter their time in ISIS, and how that time is actually paid. Despite the fact that all or nearly all of the approximately 1,200 Streets Sanitation employees are coded in OnePhilly has 7.5-hour-per-day employees, the majority of these employees enter 8-hour days in ISIS.

  For example, in the data we received, there are approximately 145,000 individual time entries in the ISIS data for pay periods 7 through 14. Within those entries, there are approximately 1,700 and 84,000 entries of 7.5 hours and 8.00 hours, respectively.

  Conversely, upon analysis of the Statement of Earnings reports, it is evident that someone, likely at the time hours are entered into OnePhilly, "converts" these employees' hours to reflect 7.5-hour days, rather than the 8-hour days they originally recorded. It is unclear at this time how that conversion is performed,

![EISNERAMPER]

or who by, as it would seemingly require an extensive set of rules with regard to calculating overtime, shift time, etc. The result, however, is to make it very difficult or impossible to reconcile the ISIS time entry data to either the OTL or the Statement of Earnings Reports; and therefore, potentially challenging for OnePhilly to identify populations of potential over and underpayments.

- With respect to the conversion that appears to take place between ISIS time entry and the number of hours that are ultimately paid, we identified certain instances where an employee coded as a 7.5 hour per day employee enters 8.0 hour days in ISIS, and is paid for 8.0 hour days in the Statement of Earnings Reports. We confirmed that these individuals were paid hourly rates calculated based on a 7.5-hour work day. It is possible that these instances are explained by the employees having approval to work 8-hour days. If these employees do not have the approvals to work 8-hour days, and there was simply an error in the conversion of these employees' time, these examples would represent overpayments.

- There are discrepancies between the types of time recorded by employees in ISIS, and the types of time for which those employees were ultimately paid. Some of these instances appear to be, in part, due to the fact that the employee's Assumed Time was not edited to reflect their actual time.

  For example, we identified instances where, according to their ISIS time entry, an employee took vacation, but the SOE does not reflect that vacation pay, and instead reflects payment for Assumed Time.

- There are discrepancies between the amount of paid time recorded in ISIS, and the amount of time for which the employee was actually paid according to the Statement of Earnings Report. For example, an employee recorded 8 hours and 48 hours of administrative leave and unpaid time, respectively, in ISIS for one pay period. According to the Statement of Earnings Reports, that employee was paid for 75 hours of Time Entry Wages in that pay period, with no identifiable retroactive adjustment to reduce that payment. The Statement of Earnings also did not include time for administrative leave.

- There are instances where, according to ISIS, an employee should not be paid for a given pay period, because their only time in that pay period was unpaid time (e.g., Inactive time), but where analysis of the Statement of Earnings reports indicates that that the employee was paid using Assumed Time. In some instances, this is corrected with a retroactive adjustment; however, in other instances it is not corrected, and the employee appears to have been overpaid.

3. Retroactive Adjustments to Time and Pay

Observation: Since Go-Live, approximately one in five payroll payments appears to have required some form of retroactive or miscellaneous adjustment to time and/or pay. These adjustments can be made by the OnePhilly Team, Central Payroll, and/or the departments themselves, and no comprehensive audit trail exists with which to analyze how or why these adjustments were made, or whether they were made correctly.

When changes are made to an employee's time and/or pay, those changes can result in "Retro" adjustments to that employee's time and/or pay. These Retro adjustments can appear in either the pay period being adjusted, or in a subsequent pay period. These adjustments may also not be implemented as Retro adjustments to specific time elements, but instead in the form of a "Miscellaneous" adjustment that reflects simply a dollar amount, with no identifiable allocation to the date or time being adjusted. It is evident that in many instances, employees' time entries are being adjusted after the close of the pay period being adjusted (i.e., after the employee has been paid

based on their initial time entry). There are various reasons for Retro adjustments, including, but not limited to, the following:

- Time was not entered or submitted prior to the close of the pay period. For example, this is common with certain departments' overtime reporting.

- Time was changed to reflect information that was not previously known at the close of the pay period (for instance, an employee who was paid for an Uncertified Sick day later presents a doctor's note for that day, triggering a Retro to replace the Uncertified Sick hours with Certified Sick hours).
- Assumed Time was changed to reflect actual time entry.

- OnePhilly is unable to process certain types of payments, which the departments must then push through as miscellaneous adjustments.[12]

- Time or pay amounts were changed after the close of the pay period, but not as the result of an error.

- Time or pay amounts were changed after the close of the pay period to correct an error.

The Statement of Earnings Reports we were provided contain at least 58 different time elements (and 58 "amount" elements) related to Retro adjustments (e.g., Retro Vacation, Retro Excused Time, etc.). Over the period from Go-Live through FY 2019, the Statements of Earnings Reports we analyzed contained data for approximately 159,000 employee pay periods.[13]

- Within these pay periods, we identified Retro adjustments in approximately 22 percent, and Retro adjustments specifically for Assumed Time in approximately 6 percent.
- Ignoring employee pay periods that had Retro adjustments related to Assumed Time, for each pay period from late April through FY2019,[14] approximately 20 percent of employee pay periods had identifiable Retro adjustments.

  At Go-Live, the OnePhilly Team and Central Payroll had not instituted a process with which to make Retro adjustments to employees' time; rather, they only utilized Miscellaneous Adjustments to adjust employees' pay. As such, pay periods between Go-Live and late April 2019 had far fewer identifiable Retro adjustments, averaging approximately 3 percent.

- Ignoring employee pay periods that had Retro adjustments related to Assumed Time, for pay periods in late April through FY2019,[15] the percentage of employee pay periods which contained an identifiable Retro adjustment varied by department. See Table 1.

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[12] E.g., FJD informed us that OnePhilly is unable to process Salary Supplements.

[13] We were provided with a single Statement of Earnings Report for each department and each regular, two-week pay period from Go-Live through FY 2019. The departments we analyzed comprised approximately 22,600 employees. Depending on an employee's Payroll Type (Per Diem, Salary, or Uniform), the employee had up to eight pay periods from Go-Live through FY 2019. If an employee had time and/or pay information within each of the Statement of Earnings Reports from Go-Live through FY 2019, we would classify that employee as having either seven (Salary or Uniform employee) or eight (Per Diem employee) pay periods for the purpose of our analysis.

[14] Pay periods 10 through 14 in the Statement of Earnings Reports.

[15] Pay periods 10 through 14 in the Statement of Earnings Reports.

TABLE 1: FOR PAY PERIODS IN LATE APRIL THROUGH FY2019, PERCENTAGE OF EMPLOYEE PAY PERIODS THAT CONTAINED AN IDENTIFIABLE RETRO ADJUSTMENT[16]

Department	Percentage
Fire	56%
Streets	45%
Aviation	45%
Prisons	37%
DHS	25%
Water	16%
FJD	6%
Police	2%

In many cases, analysis of the Statement of Earnings Reports is not sufficient to identify to which pay a Retro adjustment relates, which type(s) of time entry and/or payment is being adjusted, and the reason for the Retro adjustment.

During our meetings with the departments, we were informed that errors have been identified in Retro adjustments. For example, Fire indicated that step increases have been calculated inconsistently in Retro adjustments. We were also informed that employee pay stubs do not contain sufficient detail (i.e., they are not sufficiently itemized) with regard to Retro adjustments, such that employees are not able to decipher how the Retro amounts were calculated or what time they relate to. For example, a pay stub reflecting Retro overtime pay might not identify the location or date on which the overtime was earned. Fire stated that in these instances, this lack of itemization causes the pay stubs to be out of compliance with the requirements of certain union contracts.

Further consideration is recommended for the above scenarios, as well as whether "Retro" adjustments appropriately account for the impact that adjustments could have on other time entries in the same period. For example, a "Retro" to reduce an employee's Regular Hours could impact other time entries in that same period (e.g., overtime), which had previously been calculated based on the pre-edited Regular Hours.

4. OnePhilly Time and Pay Approvals

Observation: Several departments are not utilizing the timecard and payroll approval processes and functionality within OnePhilly, which creates an environment susceptible to fraud, waste and abuse of time and attendance.

OnePhilly changed employees' time entry from "exception based" (utilized in the Legacy System) to "positive pay", meaning OnePhilly intended that time would be required to be entered in OTL for every employee in order to generate paychecks.

In the OnePhilly system, supervisors are responsible to review employees' time entries each day, add exception time as-needed (e.g., vacation or leave time), and approve and submit the timecards. Supervisors were instructed that they needed to perform these actions every morning, otherwise timekeepers would not be able to post the

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[16] The percentages shown do not take into consideration pay periods that had retroactive adjustments which impacted Assumed Time.

employees' time into the payroll system.[17] Once a supervisor submitted an employee's timecard, that supervisor would no longer have the ability to edit that timecard, and would need to contact the Timekeeper to request that a change be implemented.[18]

We observed that several departments are not utilizing the timecard and payroll approval processes and functionality within OnePhilly. Specifically, we observed that:

- Timecards for many departments are still approved based on the physical timesheets. These paper timesheets are then inputted into OTL, but there does not appear to be any process in place whereby the information entered into OTL is verified for accuracy or completeness. Rather, once the information is entered into OTL, in most instances, a single payroll supervisor within the department or someone in the OnePhilly Team is batch-approving timecards before the payroll period closes.

  The individuals batch-approving time information in the OTL likely have little or no understanding of what any individual employee's time should be (e.g., whether they had approval to work overtime), rendering the OTL approval process unreliable.

- Changes are made to employee timecards by the OnePhilly or Central Payroll Teams without documented authorization or approval.

- The OnePhilly Team runs a process which automatically changes employee timecards that are unapproved to approved status.

- Employees who entered their time via OTL Manager Self-Service were able to authorize their own timecards instead of being submitted to his/her direct supervisor for approval.

To test the above observations, we analyzed the timecard approvals contained in the OTL Audit Trail data. Based on our analysis, at least 30 percent of the approvals in the OTL Audit Trail appear to have been executed by OnePhilly Team personnel; and approximately 95 percent of the OnePhilly approvals appear to have been executed by one individual.

5. Assumed Time

Observation: The use of Assumed Time has the potential to cause underpayments, overpayments and other errors, including, but not limited to, incorrect leave balances. The total amount of unedited Assumed Time in scope (excluding PPD) is approximately 300,000 hours and $8.4 million (approximately 4,000 employees).

OnePhilly defines Assumed Time as, "An Hours Type used for early payroll closings or if there is uncertainty about an employee's status."[19] Timekeepers have the option of posting Assumed Time in OTL. The Assumed Time option assumes that an employee was present that day and worked regular hours at a regular rate. In addition to the Timekeeper's ability to post Assumed Time in OTL, the OnePhilly Team has developed an "Assumed Time Program" that automatically populates an employee with Assumed Time under certain scenarios. Further, for

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[17] OTL User Guide.
[18] OTL User Guide.
[19] OnePhilly Navigating Your Pay Stub User Guide.

Police, Uniform employees receive Assumed Time using the Assumed Time Program, which effectively creates a modified exception based system for these employees.

The Assumed Time process evaluates whether an employee's timecard is short of time in comparison to their scheduled time; and, if the timecard is short, OnePhilly automatically records "Assumed Time." There are no processes in place to review the Assumed Time for accuracy or authorization.

       A. Unchanged Assumed Time

In instances where an employee's Assumed Time is not later removed and replaced with actual time entries, the remaining (unedited) Assumed Time may include potential underpayments or overpayments. We have calculated the amount of unchanged Assumed Time using two methods:

- Assumed Time in the OTL (time entry) that appears to be final, submitted, and approved time[20]
- Total Assumed Time in the Statement of Earnings Report, including consideration of any retroactive adjustments made.

In total, there appear to be approximately 3.9 million hours of unchanged Assumed Time. Ignoring Police, there appear to be approximately 300,000 hours of unchanged Assumed Time. See Table 2.

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[20] Based on "Action Date" in the OTL files, it appears the files we analyzed were last updated October 21, 2019; however, based on the volume of actions in the files, it appears the OTL files may largely only be updated through July 2019.

TABLE 2: ANALYSIS OF TOTAL POTENTIAL UNCHANGED ASSUMED TIME - HOURS

OTL Time Entry - Final, Approved, Submitted Hours										
PP	COM	DHS	FJD	PFD	PPS	PWD	STS	Subtotal	PPD	Total
7	-	-	-	-	-	1,286	4,352	5,719	-	5,719
8	1,667	1,516	80	1,459	122,822	440	2,275	130,258	509,262	639,520
9	1,318	3,210	265	618	70,247	256	381	76,294	538,063	614,357
10	1,319	641	160	173	31,554	84	56	33,985	540,618	574,603
11	495	218	160	62	29,082	41	68	30,124	505,876	536,000
12	218	123	160	0	10,965	101	122	11,688	502,803	514,491
13	362	233	168	0	5,008	17	123	5,910	503,003	508,913
14	594	369	160	0	6,902	38	30	8,093	526,405	534,497
Total	**5,973**	**6,308**	**1,233**	**2,311**	**276,579**	**2,261**	**7,406**	**302,071**	**3,626,029**	**3,928,100**

Statement of Earnings Reports - Net Hours Paid										
PP	COM	DHS	FJD	PFD	PPS	PWD	STS	Subtotal	PPD	Total
7	-	-	80	-	-	15,929	19,547	35,556	-	35,556
8	9,187	22,075	80	2,547	161,230	22,647	14,162	231,927	527,657	759,584
9	10,739	20,986	160	304	85,567	(13,569)	(11,223)	92,963	545,796	638,759
10	(3,899)	(10,121)	160	40	33,616	(16,284)	(8,345)	(4,834)	534,685	529,852
11	(6,880)	(15,371)	160	(74)	8,566	545	(5,125)	(18,178)	490,837	472,659
12	(750)	(196)	160	(47)	2,665	(4,803)	295	(2,676)	499,989	497,312
13	(377)	24	160	(38)	(353)	(1,106)	92	(1,599)	502,032	500,433
14	1,638	1,657	168	174	4,473	(12)	(37)	8,061	528,778	536,839
Total	**9,657**	**19,054**	**1,128**	**2,906**	**295,763**	**3,347**	**9,365**	**341,220**	**3,629,773**	**3,970,993**

In terms of dollars paid to employees, based on the Statement of Earnings Report, unchanged Assumed Time hours account for approximately $8.4 million in payments made to employees, not including Police. See Table 3.

TABLE 3: ANALYSIS OF TOTAL POTENTIAL UNCHANGED ASSUMED TIME – DOLLAR AMOUNT

PP	COM	DHS	FJD	PFD	PPS	PWD	STS	Total
7	$-	$-	$1,850	$-	$-	$414,063	$417,475	$833,388
8	216,193	615,239	1,850	57,824	3,957,588	602,140	305,246	5,756,079
9	256,918	596,501	3,666	6,721	2,043,546	(392,088)	(252,945)	2,262,317
10	(76,246)	(299,264)	3,666	929	788,661	(374,892)	(180,749)	(137,895)
11	(145,422)	(422,210)	3,666	(3,496)	248,765	4,418	(101,399)	(415,678)
12	(14,448)	(4,474)	3,666	(204)	65,818	(125,660)	8,058	(67,243)
13	(9,607)	261	3,666	(1,287)	5,526	(35,662)	1,074	(36,029)
14	51,905	37,666	3,887	(2,023)	140,381	(422)	(741)	230,653
Total	**$279,292**	**$523,719**	**$25,917**	**$58,463**	**$7,250,284**	**$91,898**	**$196,020**	**$8,425,593**

To evaluate the potential impact of unchanged Assumed Time, we analyzed the instances where Assumed Time was edited in the OTL, or was subject to some retroactive adjustment identifiable in the Statement of Earnings Reports (i.e., for periods where Assumed Time is retroactively removed, we are able to identify corresponding retroactive increases in hours for other time elements).

While in many instances, Assumed Time was changed to reflect regular time entry wage hours worked by the employee, other Assumed Time was changed to some combination of:

- Certified or Uncertified Sick time;
- Vacation, leave, or comp time;
- Some form of hours that result in a higher hourly rate, such as overtime; or
- Some form of hours that result in a lower hourly rate, such as IOD 75;[21] among others.

We also identified instances where Assumed Time was changed to reflect unpaid time[22] (or reduced or removed entirely),[23] or, when Assumed Time changed, it resulted in additional hours being paid (e.g., 7.5 hours of Assumed Time was replaced with 8 hours of Time Entry Wages). All of the above instances would indicate that unchanged Assumed Time has and continues to result in overpayments, underpayments, and other errors. For example:

- In instances where Assumed Time remains unchanged, but should have been replaced with some form of time entry that would be paid at a lower rate than the employee's standard hourly rate (e.g., unpaid leave, IOD 75%, sick time when the employee was already on Sick Abuse, etc.), the employee has been overpaid.

- In instances where Assumed Time remains unchanged, but should have been replaced with some form of time entry that would be paid at a higher rate than the employee's standard hourly rate (e.g., overtime, shift, out-of-class, etc.), the employee has been underpaid.

- In instances where Assumed Time remains unchanged, but should have been replaced with some number of hours that is greater than the Assumed Time hours, the employee may have been underpaid.

- In instances where Assumed Time remains unchanged, but should have been replaced with some number of hours that is less than the Assumed Time hours, the employee may have been overpaid.

- In instances where Assumed Time remains unchanged, but it should have been replaced with leave time (e.g., vacation), the employee's leave balance would be overstated.

- In instances where Assumed Time remains unchanged, but it should have been replaced with Sick time, the employee may be overpaid. If the Assumed Time should have been replaced with Uncertified Sick time, the employee's Sick Abuse status would be misstated.

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[21] Injured on Duty.
[22] Based on the OTL.
[23] Based on the Statement of Earnings Reports and the OTL.

B. Non-Assumed Time that was Changed to Assumed Time

Through analysis of the OTL, we identified instances where an employee's time was initially entered as some form of regular time (e.g., regular time entry hours, sick time, etc.), but subsequently changed to Assumed Time. It is unclear why these instances would have occurred. For example, we identified instances where time was entered as Uncertified Sick hours, but later replaced with Assumed Time. In at least one instance, a "Comments" field in the OTL clearly states that the employee was sick without a doctor's note for a given day, but that day's uncertified sick time was later adjusted to Assumed Time. We have identified instances of the following types of time entry being replaced with Assumed Time:

- Regular time entry hours;
- Vacation, leave, and comp used hours; and
- IOD.

We have also identified instances where an employee entered regular time of a certain number of hours, and where that time was subsequently changed to a higher number of Assumed Time hours. In the event that appropriate time entry is being replaced with Assumed Time, and the reason for that change is not readily identifiable in the time entry system, there exists the possibility that the individuals entering, submitting, and/or approving time have made intentional or unintentional misstatements within employee timecards. With regard to the impacts on employee pay as a result of replacing detailed time entry hours with Assumed Time hours, all of the potential effects of unchanged Assumed Time are applicable.

6. Regular Work Day and Standard Hours

Observation: The inconsistent application of a 7.5 hour or 8 hour Work Day for purposes of calculating hourly rates and determining the Standard Hours work week have resulted in potential underpayment or overpayment errors.

Under the Legacy System, employees were paid based on daily rates, calculated based on their salary and the number of days they are presumed to work in a normal year. OnePhilly utilizes an hourly rate, to be applied to the hours the employee enters (e.g., works) in a given pay period. This calculation is determined based on an employee's HR record, which identifies their "Work Day" and "Standard Hours."[24] Most employees within OnePhilly appear to be coded as working 7.5 hour or 8 hour days, and 37.5 hours or 40 hours per week, respectively.

An employee with a Work Day of 7.5 and Standard Hours of 37.5 would be presumed to work 7.5 hours per day, 37.5 hours per week. To calculate the employee's hourly rate, OnePhilly would divide their salary by 260 days,[25] and then divide again by 7.5. Conversely, an employee with the same salary as the example above, but who is coded with a Work Day of 8 and Standard Hours of 40 would have a lower hourly rate, calculated as salary divided by 260 days, then divided again by 8.

We analyzed the documentation available to determine whether issues may have occurred that could potentially result in underpayments and overpayments to employees, including, but not limited to, the following:

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[24] We have also seen this referred to as "Normal Hours."
[25] Effective in July 2019, the calculation now utilizes a 262 day year in the hourly rate calculation.

- OnePhilly pays an employee an hourly rate that is calculated inconsistent with how that employee is coded in the system (i.e., their Work Day and Standard Hours)

- An employee's actual time entry practice does not align with how they are coded in the system, such that their actual work hours differ from their standard work hours.

Regarding OnePhilly's calculation of employees' hourly rates, we compared the HR information available to the Statement of Earnings Reports in order to determine whether OnePhilly applied hourly rate calculations in a manner consistent with the employees' HR classifications. To perform this analysis, we were provided with the following three different forms of HR information (collectively referred to herein as "HR Data"), all of which were generated from the OnePhilly system.

- "HR Extracts" – These documents show data as of month-end for March, April, May, and June 2019, and contain certain employee information, such as start date, job, longevity date, and salary. These documents do not include Work Day or Standard Hours.

- "ATI Reports" – These documents show data as of month-end for March and June 2019. These reports contain similar information to the HR Extracts; but, they also include Work Day and Normal Hours information. The salary information in the ATI Reports differs from that of the HR Extracts; this appears to be the result of the ATI Reports only being able to show salary, and potentially other information, as of the date on which the report was generated (i.e., not as of March or June 2019, the period of time the reports were generated to show).

- "OnePhilly-Provided Extract" – When we notified OnePhilly that the HR Extracts appeared to be incomplete, OnePhilly provided this additional file. The One-Philly Provided Extract includes Work Day and Standard Hours data, but does not include salary information.

We found that all of these documents omit employees and/or data for certain employees, and none of these documents alone is sufficient to calculate an employee's standard hourly rate in FY 2019. Additionally, we identified several discrepancies among these documents at the employee level (e.g., differences in an employee's salary, department, standard hours, etc.). These discrepancies may be the result of OnePhilly's inability to generate certain employee data as of a certain point in time (i.e., it is only capable of generating current data).

We utilized the HR Data to calculate employees' standard hourly rates, and compared those rates to the rates utilized in the respective employees' Statement of Earnings Reports. The results were as follows:

- In total, we have been able to confirm that, for approximately 20,300 employees in Statement of Earnings Reports, the hourly rates being applied in their pay calculations agree or nearly agree with the HR Data we have received (i.e., their applied hourly salary appears to be calculated in accordance with the salary, Work Day, and/or standard hours identifiable in the HR Data).

- For approximately 1,500 employees in the Statement of Earnings Reports, we have been unable to identify salary information in the HR Data, and are therefore unable to analyze whether the employees are being paid in accordance with their HR classifications.

- For approximately 750 employees in the Statement of Earnings Reports, we have been unable to confirm that the hourly rates being applied in their pay calculations agree or nearly agree with the HR Data we

have received. For any given employee, our inability to confirm these hourly rates was the result of one or more of the following issues:

- o Conflicting data within the various HR information provided;

- o Inability to identify with certainty paid time in the Statement of Earnings reports that would be paid at the employee's standard hourly rate;

- o Certain classes of employees for which we do not have enough information with which to correctly calculate their hourly rate.

Additionally, within the group of 750 employees for which we were provided HR Data, but that we have not been able to confirm their hourly rate calculations, we identified the following potential issues:

- A group of Aviation employees is coded in the HR Data as 37.5 hour week employees, and their hourly rates are calculated based on a 75 hour pay period; however, the HR Data also indicates these employees have a 10-hour work day, four days per week, which would translate to an 80 hour pay period. The Statement of Earnings Reports reflect that these employees are indeed regularly paid for 80 hours of work in a pay period, but based on the hourly rate derived assuming a 37.5 hour work week. If this finding is correct, these employees have been overpaid.

- Certain employees are coded in the HR Data as 37.5 hour week employees, with 7.5 hour work days; however, based on the Statement of Earnings reports, while these employees are regularly being paid for 75-hour work weeks, they are being paid at an hourly rate that appears to be derived based on an 80-hour work week. If this finding is correct, these employees have been underpaid.

- Certain employees are coded in the HR Data as 37.5 hour week employees, with 7.5 hour work days; however, based on the Statement of Earnings reports, while these employees are regularly being paid for 80-hour work weeks, they are also being paid at an hourly rate that appears to be derived based on an 80-hour work week. If the reason for this discrepancy is simply that the HR Data is incorrect, this would not necessarily result in an over or underpayment.

Regarding how an employee's actual time entry practice compares with how they are coded in the system, in practice, employees have not consistently reported the same number of daily hours as their HR Data would indicate. In instances where employees' total paid time deviated from how HR classified them, these employees may have been over or underpaid. For example, while many Aviation and Water employees are coded in the HR Data as 7.5 hour employees, some of these employees regularly enter and are paid for 8 hours of time per day. Because their hourly rates are pre-calculated by OnePhilly, and based on a 7.5 hour work day, these employees are effectively overpaid by 0.5 hours for each day of work. This could also have the effect of accelerating an employee's ability to earn overtime pay, depending on their HR coding (e.g., their earning policy).

Based on our analysis, specifically regarding employees who were coded as – and paid hourly rates based on – having a 37.5 hour workweek, it appears that:

- Hundreds of employees had multiple pay periods where their Statement of Earnings Reports include Time Entry Wages equal to 80 hours. These instances would constitute potential overpayments.

- Approximately 1,000 employees had 30 or more days where their final time submission was 8 hours for one of Regular hours, Assumed Time hours, Sick hours, or Vacation hours.[26] These instances would constitute potential overpayments.

- Certain employees had pay periods in their Statement of Earnings Reports that included Assumed Time of 80 hours. These instances would constitute potential overpayments.

Regarding employees who were coded as – and paid hourly rates based on having – a 40 hour workweek, we identified few instances where employees were paid based on 7.5 hour days, which would otherwise constitute a potential underpayment. Certain employees, however, did appear to receive Assumed Time pay based on a 75 hour workweek in at least one pay period.

7.   Leave Balances

Observation: For various reasons, from Go-Live through early November 2019, OnePhilly was unable to maintain accurate leave balances for employees. This issue forced the Departments to accept responsibility for leave balance tracking, creating additional work and an increased potential for errors.

This issue also appears to have resulted in a greater number of employees posting negative leave balances, which is evident upon review of the November 2019 corrected leave balances. Additionally, because leave balances were incorrect, employees may have been paid for various types of leave when they were otherwise not entitled to payment.

A.   Status of Leave Balances in OnePhilly

From Go-Live through at least November 2019, many of the leave accrual balances in OnePhilly were incorrect and unreliable. Based on discussions with the OnePhilly Team, this issue is at least in part due to errors made when porting employee leave balances from the Legacy system into OnePhilly prior to Go-Live. We were told that one issue encountered during the porting process was that employees' negative accrual balances did not transfer into OnePhilly. Based on our analysis, as of Go-Live, the Legacy system showed that approximately 500 employees had one or more negative balances with respect to Vacation, Comp Time, Holiday Comp Time, Sick, and Administrative Leave.[27]

At some point in 2019, the accrual balances in OnePhilly were deemed unusable, and departments were instructed to assume the responsibility of tracking their employees' accruals outside of the system. The departments noted that this process was arduous and time consuming. Streets, for example, manually tracked leave balances using paper documents. In November 2019, OnePhilly notified the departments via email that, with the exception of approximately 3,000 employees, Vacation and Sick Leave balances had been updated in Oracle.[28] Departments were instructed to "verify the accuracy of Sick and Vacation leave balances and monthly accruals for a few of [their] employees," and report any errors that they identified. With the update to Oracle, HR managers were instructed that going forward, the system would no longer auto-populate Sick Accrual and Vacation Accrual Plan

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[26] Based on analysis of the OTL Audit Trail. Because the Statement of Earnings report cannot be reconciled to the OTL Audit Trail, it is unclear to what extent these employees were paid for these hours.

[27] We identified approximately 240 of these employees in the Statement of Earnings Reports we were provided.

[28] There were also adjustments made with respect to Flex employees.

fields for new employees, transfers, rehires, or promotions; and instead, the HR manager would be required to populate this information themselves in each instance.

The OnePhilly Team noted that the remaining 3,000 employees, whose Vacation and Sick Leave balances were not corrected, require(d) additional verification due to the fact that "manual adjustments applied to the employee records [for various reasons] within the last 6 months were not deleted." Subsequent to the Oracle update, certain departments continue to track accrual balances outside of the system for fear of OnePhilly potentially failing to maintain correct balances.

In addition, Fire informed us that, because of OnePhilly's inability to track and enforce leave balances after Go-Live, more employees have "gone negative." Fire's comments are consistent with the documentation we have been provided, which identifies employees who had negative leave balances prior to Go-Live, as of June 30, 2019, and as of November 2019. See Table 4.

TABLE 4: NUMBER OF EMPLOYEES WITH NEGATIVE ACCRUAL BALANCES

Report Date	Accrual Types Shown in Report	Unique Employees in Report	Unique Employees with at Least One Negative Balance in Report
Legacy (March 2019)	Sick, Vacation, Comp, Holiday Comp, AL	30,857	518
June 2019[29]	Vacation, Comp, Holiday Comp	30,110	1,215
November 2019	Sick	1,111	1,111
November 2019	Vacation	1,091	1,091
Subtotal[30]	Sick, Vacation	1,985	1,985

B. Potential Issues Resulting from Incorrect Leave Balances

Based on our analysis and meetings we have held with the OnePhilly Team and the departments, with respect to OnePhilly's tracking and enforcement of leave balances, the following issues should be investigated and/or appear to still exist:

- In instances where an employee did not have a leave balance sufficient to receive pay for leave they reported – but where an incorrect leave balance caused them to be paid – these employees may have been overpaid.

- In instances where an employee did not have a leave balance sufficient to receive pay for leave they reported – where the employee was paid despite OnePhilly correctly reporting a negative leave balance at that time – these employees may have been overpaid.

- Leave balances potentially remain overstated due to unchanged Assumed Time.

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[29] In February 2020, OnePhilly created a report which identified, as of June 30, 2019, corrected balances for Vacation, Comp, and Holiday Comp accruals.

[30] This subtotal shows the number of unique employees who had a negative Sick balance, negative Vacation balance, or both.

- In our meetings with the departments, we were informed that OnePhilly's inability to track and maintain leave balances after Go-Live has caused terminal leave audits to be more difficult and time consuming, which can result in delayed HR transactions and corresponding delays in issuing terminal leave payments to separated employees. Delayed HR transactions to finalize employee separations could potentially be a cause for incorrect payments being made to employees who have separated.

- In our meetings with the departments, we were informed that in certain cases, employees who were eligible to "sell" their vacation did so, were paid, and did not have their vacation balances correspondingly reduced. OnePhilly personnel stated that they have since fixed this issue; however, we have not been able to confirm this to be true.

- Fire informed us that, unlike the Legacy system, OnePhilly currently lacks the functionality necessary to warn or notify a clerk who enters leave time for an employee whose leave balances are exhausted or negative. With respect to vacation balances, such functionality should also consider an employee's ability to earn additional vacation time over the remaining part of the year. This would be consistent with Civil Service Regulations, which prohibit an employee's balances from extending into the negative beyond what they could possibly earn in the current year.[31]

C. Analysis of Payments Made to Employees on Unpaid Leave

In meetings with the departments, we were informed that certain employees had received regular payroll payments during periods when they should have been on unpaid leave. Some of the departments stated that they believed this issue may have been caused by OnePhilly failing to transition and maintain employee leave balances.

The OnePhilly Team is aware of this issue; and in our meetings, they indicated that they are currently in the process of trying to identify employees who received payments for leave at times when they had zero or negative leave balances.

Because we have not received accurate leave balance data for each of the pay periods from Go-Live through FY 2019, we have not been able to analyze instances where employees were paid for leave when their corresponding leave balances were zero or negative. We performed an alternative form of analysis, where we utilized the HR Data to identify employees who were placed on forms of unpaid leave, and then analyzed the payroll payments issued to those employees.

Within the departments we analyzed, we identified approximately 600 employees who were on some form of unpaid leave on one or more days between Go-Live and the fiscal year ended June 30, 2019. Of these employees, approximately 60 received some form of regular payroll payments while they appear to have been placed on unpaid leave, totaling approximately $120,000. These instances include payments to employees who appear to have been on unpaid suspension. Assumed Time accounted for approximately $60,000 of these amounts, approximately $25,000 of which was paid to employees on unpaid suspension. Other payments include amounts related to Time Entry Wages, Overtime, Uncertified Sick, Longevity, Fire Premium, and Stress, among others.

Note that as of the date of this report, we are not able to identify with certainty specific dates for which employees received payments; rather, our analysis is limited to the overall pay periods outlined in the Statement of Earnings Reports. Therefore, we only considered payments received by employees to the extent that the pay period was

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[31] While Vacation can be borrowed, regulations prohibit employees from borrowing future sick leave.

entirely subsumed within the period of time an employee was on unpaid leave. To the extent an employee received pay after their effective date of separation, but also within the same pay period as their separation, the overpayments identified above would be understated. For example, if the HR Data identified a Uniform employee as being on suspension from April 16 through May 10, and they received regular pay in pay periods 9 (April 8 – April 21) and 10 (April 22 – May 5), our analysis only considered payments related to Pay Period 10.

8. Sick Abuse

Observation: Since Go-Live, neither OnePhilly nor the departments have sufficiently tracked or enforced the City's sick abuse policy.

The City's Sick Abuse policy states the following:

- "An employee, who in a calendar year uses a total of 8 sick days in full or partial day occurrences without a medical certificate will be placed on the 'Excessive Use of Sick Leave List,'"

- "An employee will remain on the list until 12 months have elapsed from the date of placement on the list if, provided that no additional violation of the policy have occurred," and

- "Further violations of the policy will cause the reckoning date for the removal of an employee from the Sick Abuse List to extend 12 months from the date of the violation."

Placement on the Sick Abuse list results in penalties, including no pay for Uncertified Sick time, less pay for Certified Sick time, and subsequent violations can result in suspensions of varying lengths, counseling, and potential discharge.

A. Sick Abuse at Go-Live

For employees who were on the Sick Abuse list as of Go-Live, OnePhilly may have failed to consider the employee's Sick Abuse status when calculating amounts payable with respect to Certified and Uncertified Sick time. In addition to potentially overpaying employees for sick time, OnePhilly may have also failed to track the requisite changes to those employees' "Reckoning Dates" that would have resulted from reporting Uncertified Sick time while on the Sick Abuse list.

In total, we are aware of approximately 350 employees who were on the Sick Abuse List at Go-Live. Of these employees, we identified approximately 75 who continued to receive payment for Uncertified Sick time. Based on these employees' Reckoning Dates, it appears most or all of this time should have been unpaid time. These amounts total approximately $31,000. Approximately 50 of these employees also received payments of approximately $31,000 for Certified Sick time while they were on the Sick Abuse list. Other employees who were on the Sick Abuse list, but who did not have Uncertified Sick time during the period we analyzed, also received Certified Sick pay. Based on the City's Sick Abuse rules, some or all of this paid Certified Sick time could represent an overpayment.

Additionally, to the extent any of these employees did in fact incur Uncertified Sick Time while on the Sick Abuse list, their respective reckoning dates for removal from the Sick Abuse list should be extended 12 months from the date of the violation. If this has not occurred, and the employee has continued to be paid for Uncertified Sick time (i.e., in periods after FY 2019), this would result in an overpayment.

Our analysis does not consider Police or FJD employees. These two departments did not utilize the Legacy payroll system to track sick abuse. We have not been provided with any documentation identifying Police employees who were on the Sick Abuse List at Go-Live. Additionally, as of the date of this report, we have requested but have not received a listing of Police employees who were on the Sick Abuse list at any point after Go-Live.

B. Tracking of Sick Abuse Post Go-Live

Since the transition to OnePhilly, the departments have struggled to enforce and maintain the City's Sick Abuse policy and OnePhilly does not track Sick Abuse. In contrast, the Legacy system tracked Sick Abuse and informed posting clerks in instances where employees could potentially be in violation of the policy. Prisons, Fire, and Streets have informed us that since Go-Live, they have been unable to effectively track Sick Abuse, and have therefore not placed any employees on the Sick Abuse list. Fire specifically noted their "lack of capacity to administer Sick Abuse."

We requested that each department provide a list of employees who were placed on the Sick Abuse list from Go-Live through January 31, 2020. The responses we received are as follows:

- Water appears to have placed 7 employees on the Sick Abuse list during the period from Go-Live through FY 2019.

- FJD appears to have tracked employees' excessive use of sick leave since Go-Live.

- Prisons, DHS, and Aviation do not appear to have placed any new employees on Sick Abuse during the period from Go-Live through FY 2019.

- Fire has no such list.

- Police and Streets have not yet provided Sick Abuse documentation responsive to our request.

In total, not considering employees who were on Sick Abuse at Go-Live, we identified 108 employees who had more than eight days of paid Uncertified Sick time from Go-Live through FY 2019. None of these employees appear during that period of time on any Sick Abuse lists we have been provided. For those days' time that *exceeded* the eight paid Uncertified Sick days, these employees received approximately $150,000 in pay for additional Uncertified Sick time. These employees also received approximately $70,000 in pay for Certified Sick time during this period; which, had they been subject to Sick Abuse policy enforcement, may constitute some degree of overpayment.[32]

The employees and departments we identified are as follows:

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[32] The population of employees we identified as having more than 8 days of paid Uncertified Sick time from Go-Live through FY 2019 includes employees with earned sick leave balances of 100 days or more. According to the Sick Leave Rules and Regulations, "An employee, who has an earned sick leave balance of one hundred (100) days or more, shall not be placed on the Excessive Sick Leave List until a formal inquiry is held with the department head or designee and a union representative (President, Business Agent or designee). Such an employee, who in spite of the aforementioned, is placed on the Excessive Sick Leave Usage list, may appeal such listing to an appropriate higher authority." OnePhilly and Management have acknowledged that a decision was made not to place any additional employees on the Sick Abuse listing subsequent to Go-Live.

TABLE 5: EMPLOYEES WITH OVER EIGHT DAYS OF PAID UNCERTIFIED SICK TIME DURING THE PERIOD FROM GO-LIVE THROUGH FY 2019

Department	Employees
Streets	42
Fire	25
DHS	12
Aviation	11
Water	9
Prisons	5
Police	4

These potential overpayment amounts are likely understated for the following reasons:

- As discussed above, placement on the Sick Abuse list is meant to occur after eight uncertified sick days are taken, in full or *partial* day occurrences. We are reliant upon the Statement of Earnings Reports to identify instances where employees were paid for Uncertified Sick time; however, the Statement of Earnings reports do not contain daily detail, but rather, only represent the number of hours for each type of pay in a given pay period.

  To identify instances where an employee was paid in excess of eight Uncertified Sick days, we divided their total Uncertified Sick hours by the number of hours in their regular work day (e.g., 7.5 or 8). If an employee had two days where they were paid for 4 hours of Uncertified Sick time, for a total of 8 hours, our analysis would characterize that as one Uncertified Sick day. In actuality, this instance would constitute two Uncertified Sick occurrences for the purpose of evaluating an employee's compliance with the City's sick policy.

  This methodology could also potentially result in an overstatement of improper Uncertified Sick pay, as certain employees' regular work days are in excess of 8 hours. For example, an employee with a regular 12 hour work day may have recorded a full 12 hour day as Uncertified Sick time. In this example, our analysis would effectively attribute 1.5 days of Uncertified Sick time to what was actually only one work day.

- Our analysis was designed to identify individuals who were paid for in excess of eight Uncertified Sick days, as any employee who exceeds that amount in a calendar year is to be placed on the Sick Abuse list. However, our analysis only considers the period from Go-Live through FY 2019, a period of approximately 3.5 months. As of the date of this report, we have not been provided with element-level payment detail for the periods prior to Go-Live.

- While these amounts include retroactive adjustments, it is possible they do not include other unpaid Certified Sick time. Unpaid time would not be reflected in the Statement of Earnings Reports; and therefore, would not be included in our analysis.

Additionally, because of minimum staffing level requirements in certain departments, exploitation of the lack of Sick Abuse enforcement could result in additional overtime expense to the City, as employees are called upon to work overtime hours to fill in for others' absences.

9. Payments to Employees after Separation

Observation: Approximately 80 separated employees received a total of $220,000 in pay[33] subsequent to the effective date of that employee's separation.

Personnel within the Police, Prisons, Streets, and Water departments cited instances of employees receiving pay subsequent to the effective date of their separation. We performed an analysis to identify, for those employees that separated, whether they continued to receive payments in pay periods subsequent to the pay period in which their separation was effectuated. We identified approximately 80 employees who received some form of regular pay after their effective separation date. In total, these employees received approximately $220,000 in pay after they separated, with approximately $170,000 of that amount being pay for Assumed Time. These amounts only reflect payments that occurred after Go-Live; and they are inclusive of any retroactive adjustments to the employees' timecards, to the extent any adjustments were evident in the Statement of Earnings reports we were provided.

As of the date of this report, we are not able to identify with certainty specific dates for which employees received payments; rather, our analysis is limited to the overall pay periods outlined in the Statement of Earnings Reports. Therefore, to the extent an employee received pay after their effective date of separation, but also within the same pay period as their separation, the overpayments identified above would be understated.

10. Potential Duplicate Payments to Employees

Observation: The possibility exists that certain employees received duplicative payroll payments. Several departments, including Fire, FJD, and Prisons, cited instances where employees received duplicative pay or double-paystubs.

OnePhilly has performed an investigation with respect to potential duplicate payments made to Fire employees, and identified approximately 12 instances. It is unclear at this time whether OnePhilly has performed a broader analysis across the departments to date.

We analyzed each employee's pay in each of the pay periods for which we received Statement of Earnings reports. Based on our analysis, we have identified instances of potential duplicate payments received by employees in the Fire, Prisons, Police, DHS, and Streets, all of which require further investigation.

11. Fire Premium Pay

Observation: We have identified potential errors in OnePhilly's calculation of Fire Premium pay to Uniformed Fire employees, potentially resulting from errors made in determining whether those employees were in fact eligible to receive Fire Premium in a given pay period.

Civil Service Regulations provide that Uniformed Employees in the Fire Department are eligible to receive special pay in the event that their average work week exceeds 40 hours in a given pay period. This special pay, referred to as Fire Premium pay, equates to 4 hours paid at the hourly rate for a 40-hour workweek. Therefore, a Uniformed Employee in the Fire Department who works 84 hours in a pay period is eligible to receive 8 hours of Fire Premium pay. Additionally, because all or nearly all Uniformed Fire employees are paid a regular hourly rate that

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[33] These amounts do not include payments related to Terminal Leave.

is based on a 42-hour workweek, Fire Premium pay is effectively paid at an hourly rate that is 5 percent higher than the employee's regular hourly rate.

We performed an analysis to identify whether there existed instances of Uniformed Employees in the Fire Department receiving Fire Premium pay in pay periods where they did not meet the prerequisite number of hours worked. Our analysis identified instances where:

- Employees did not appear to meet the prerequisite number of hours worked, but received the equivalent of 8 hours of Fire Premium pay;

- The Statement of Earnings Report indicates an employee earned only 4 hours of Fire Premium Pay in a given pay period, but the employee was paid the equivalent of 8 hours of Fire Premium pay; and

- The Statement of Earnings Report indicates an employee earned zero hours of Fire Premium Pay in a given pay period, but the employee was paid the equivalent of 8 hours of Fire Premium pay.

Additionally, we identified instances where employees that had Uncertified Sick time in excess of the maximum, as outlined in the City's Sick Abuse policy, continued to receive Fire Premium pay. In these instances, to the extent those employees' Uncertified Sick time (and Certified Sick time, to the extent the employee should have been penalized) should have constituted unpaid time – and where that Uncertified Sick time was necessary to meet the 40-hour workweek average, thereby warranting Fire Premium pay – these employees were overpaid.

We also performed an analysis to identify potential instances where Uniformed Employees in the Fire Department were eligible to receive Fire Premium pay in a given pay period, but did not. We identified several such instances. The majority of these instances appear to have been remedied via miscellaneous adjustments and/or retroactive adjustments to Fire Premium pay in later pay periods; however, we identified certain instances where:

- The miscellaneous adjustment did not appear to be sufficient to make up for the potential underpayment; or
- The miscellaneous adjustment and retroactive adjustment appear to be duplicative, representing a potential overpay.

12. Unauthorized Hour Types

Observation: OnePhilly's inability to control for unauthorized hour types may result in underpayments and overpayments.

When time is entered, an hour type is to be selected from a drop down menu. Employees or Timekeepers are able to enter time using hour types that may not be authorized for the department or individual employee (e.g., overtime, leave time, on call time, Out of Class (or Out of Rank), etc.). There is concern that employees have been overpaid due to OnePhilly's inability to monitor and track employees' eligibility for certain hour types. We requested from the OnePhilly Team and the Finance Department documentation with which to identify, for each employee (or employee class code), what time codes that employee is either eligible or ineligible to use when entering their time. We were informed that this documentation is not currently available. The OnePhilly Team's and the Finance Department's inability to provide this information would appear consistent with the above observation and concerns shared by the departments. Without such documentation, we are unable to test or quantify for this error type; therefore, the frequency and magnitude of this potential error is unknown as of

the date of this report.

13. Erroneous Deductions from Employee Pay

Observation: OnePhilly and/or the departments have identified errors and issues in OnePhilly's treatment of payroll deductions. In some instances, these errors or issues were the result of incorrect year-to-date deduction amounts at Go-Live.

In December 2019, the Office of the Director of Finance notified via email the various departments that refunds would be issued to employees for erroneous deductions that had been taken from their pay. These errors relate, at least in part, to errors made in transitioning data from Legacy to OnePhilly (i.e., at Go-Live), and we are informed that the OnePhilly Team has corrected these errors and/or caused refunds to be issued to employees where applicable. However, it is unclear whether the OnePhilly Team has completed all of the identified refunds. The communication to the departments regarding this issue included the following "deduction matrix":

ILLUSTRATION 2: EXCERPT FROM DECEMBER 2019 OFFICE OF DIRECTOR OF FINANCE EMAIL

Deduction Type	Affected Employee Population	Refund Date	Additional Details to be Provided (Y/N)
Over the limit for Deferred Compensation Contributions	Employees who have exceeded their contribution caps.	At or before 12/31/19	**No** additional details will be provided. The refunds will come directly from Nationwide.
Over the limit Social Security Taxes	Employees who have exceeded the cap for 2019. These employees will no longer see Social Security Withholdings from their paycheck for the remainder of the year, 2019.	12/6/19 for Salary/Uniform and 12/13/19 for Per Diem	**Yes,** in the form of an excel spreadsheet listing the employee's name and refund amount.
Additional City Wage Tax withholdings	All COP Employees – Payroll Stuffers	12/13/19 for Per Diem and 12/20/19 for Salary/Uniform	**No** additional details will be provided because the refund applies to all employees. The refund amount will range from $0-$25.
Additional Pension Contributions	Only employees within Police and Fire departments.	12/20/19	**Yes,** additional details will be provided as this refund impacts Police and Fire.
FSA, HCA, and DCA	Employees who participate in the savings account program.	From now to 12/27/19	**Yes,** in the form of an excel spreadsheet listing the employee's name, deduction name and refund amount.
2020 Benefit Deductions	Employees who elected or made changes to their benefits when the *initial* open enrollment period began on November 6th.	12/13/19 for Per Diem and 12/20/19 for Salary/Uniform	**Yes,** in the form of an excel spreadsheet listing the employee's name, deduction name and refund amount.

Because the aforementioned errors have already been quantified, we did not perform any additional analysis with respect to these issues. However, in our meetings with the departments, we were informed of additional deduction-

related errors that occurred after Go-Live. Additional deduction-related errors included, but are not limited to, the following:

- Departments informed us of instances where employees' wage garnishments were incorrect. For example:

  o An Aviation employee had their wages garnished from their pay, but those wages were never remitted to the Revenue Department.

  o A Streets employee's child support was garnished from their pay, but those wages were never remitted to their former spouse.

  o A Streets employee's child support payments were meant to be reduced, but were not, causing the employee to overpay amounts to their ex-spouse, who later refused to repay the overpayments.

  Based on our discussions, we were not led to believe this issue was pervasive; therefore, we did not perform any additional analysis to identify or quantify this issue.

- Union Dues were not consistently deducted from the pay of employees who were required to pay them. For example:

  o Courts identified an issue in OnePhilly where employees transitioned from being union to non-union employees, but where those employees continued to have union dues deducted from their pay.

  o Aviation and Fire each stated that while certain employees are required to pay union dues, their union dues were not deducted from their pay.

  There are three specific codings in an employee's HR Data which together identify whether that employee is required to pay union dues. As of the date of this report, we have identified inconsistencies in the HR Data provided which would cause any analysis with respect to union dues on our part to be speculative. Therefore, we have not yet performed such an analysis. The Finance Department informed us that a singular document with which to identify those employees required to pay union dues can be expected in early 2020.

- During one of our meetings with Fire, they indicated that certain employees who, based on how they are coded in the system, were not required to pay into Social Security; however, the OnePhilly Team performed a processing run which "caused the social security exemption to be unchecked" for certain employees. Fire stated that as a result of this issue, social security deductions were taken from certain employees' pay incorrectly. During our latest meeting with the OnePhilly Team, they confirmed that they had not quantified or instituted potential refunds related to this issue.

  Based on our analysis, we identified approximately 13 people who appear to have had Social Security incorrectly withheld, totaling approximately $13,000. Of these individuals, we noted that nine received pay in the Legacy system (i.e., prior to Go-Live), and these individuals did not have Social Security deducted from their pay in those periods.

14. Inconsistent Use of OnePhilly System Functionality

Observation: The use of OnePhilly time and pay functions varies significantly by department, with some departments continuing to use legacy systems and processes.

Through our interviews, we noted inconsistencies in payroll personnel's understanding of OnePhilly's functionality and reporting capabilities. In some cases, payroll personnel either did not know or did not understand what OnePhilly reports were available. This inconsistent understanding and application of OnePhilly functionality has led departments to revert to legacy processes or create new processes outside of the OnePhilly system.

For example, departmental payroll personnel assert that OnePhilly does not offer the same ability to insert or maintain comments on specific employee or pay items as the Legacy system. If an employee had an irregular time entry, and a departmental payroll clerk vetted the entry with the employee, the clerk previously had been able to make a comment in the file. This comment would then be visible in future periods, should anyone need to revisit that time entry or the employee's historical record. As a result, since Go-Live, many departments have resorted to keeping paper files in lieu of electronic comments.

15. Previously Identified Overpayments to Employees

Observation: Employees are only eligible for certain forms of overtime compensation, depending on their designation in the HR system. The OnePhilly Team has identified certain instances where employees received cash payments for overtime for which they were not eligible. The OnePhilly Team's analysis to date has been limited to employees designated in the HR system as either exempt or non-represented.

In November 2019, the Finance Department notified departments that they had identified potential overpayments to exempt and non-represented employees. We were provided the following communications regarding the overpayment recovery process:

- On November 7, 2019, the Finance Department notified the departments that potential overpayments had been identified, and that the departments would receive lists of employees and corresponding potential overpayments that would need to be analyzed and responded to. Departments were provided with the number of hours potentially overpaid, and were then responsible for calculating the dollar value overpayment amount.

- In a November 19, 2019 email, the Finance Department reminded the departments that the identified overpayments related only to exempt employees, and that they would soon provide a file identifying potential overpayments to non-represented employees.

- In a December 3, 2019 email, the Finance Department notified the departments that the original files "did not include some overpayments," and that they would generate an additional file for the departments' review.

- The Finance Department informed us during our analysis that they are currently in the process of calculating the potential overpayments to non-represented employees.

- The Finance Department stated that they intended to begin the recovery of verified overpayments in January 2020. We are unable to confirm whether they have in fact begun the recovery process.

We analyzed the extent to which OnePhilly identified and communicated potential overpayments as they related to the eight departments in the scope of our error quantification analysis. For the departments in our scope, OnePhilly identified potential overpays to 23 employees, totaling 486.5 hours of potential overpayment. The departments' responses were as follows:

- For 19 employees constituting 202.7 hours, the departments agreed with OnePhilly's assessment, and provided limited or no comments with which to identify why the overpayment occurred;

- One department, Police, does not appear to have responded to OnePhilly's request, which constituted one potential overpayment of 75 hours.

- For two employees, the Water Department disagreed with OnePhilly's calculation, asserting that it was overstated due to the failure to consider adjustments to pay that occurred. The result was to reduce 180.8 potential overpayment hours to 23.9 hours.

- For one employee, DHS disagreed with OnePhilly's calculation, asserting that it was overstated, but without providing comments. The result was to reduce 28 potential overpayment hours to 26.5.

- One department, Fire, identified additional employees who were potentially overpaid. In total, Fire identified four additional employees, constituting 944.4 hours potential overpayment hours. Fire did not include a description for why these employees may have been overpaid.

RECOMMENDATIONS

Based on our analysis, in addition to the recommendations outlined in the OnePhilly IT Control Assessment, it is our recommendation that the OnePhilly Team further investigate each of the detailed observations listed above. We also suggest that the OnePhilly Team consider the following recommendations:

- Work to proactively identify and resolve all errors in employee pay, leave balances, accruals, etc. This effort should include reviewing individual cases reported to and/or addressed by the OnePhilly Team for similar underlying issues citywide.

- Conduct a comprehensive, systemwide analysis to proactively identify all potential over- and under-payments to employees, including total amounts owed by or due to the city. Document all such analyses performed, as well as any analyses contemplated but otherwise unable to be performed due to data or system limitations.

- Certain use/functionality issues reported by the various departments could be a result of insufficient training and may not necessarily relate to OnePhilly's lack of functionality. We recommend continued training, both hands-on and user manuals, for all users of the OnePhilly system, including HR and payroll personnel, as well as intra-department knowledge-sharing and best practices related to the use of OnePhilly system functionality. We also recommend that OnePhilly and/or Finance communicate directly with departmental stakeholders to identify specific areas in which formal training and/or knowledge sharing would be beneficial.

- Ensure regular communication between the OnePhilly Team and departments, the OnePhilly Team and HR/payroll personnel, and the OnePhilly Team and individual employees. This increased communication should include an avenue for employees to share issues directly with OnePhilly staff, who have the specific system knowledge, rather than departmental payroll/HR personnel.

- Create a database, with an auditable trail that cannot be overwritten, to track all errors, resolutions, actions, etc. Develop and expand, as needed, categories that define the various errors and other adjustments that arise; such that, for every error identified by the OnePhilly Team, or brought to the OnePhilly Team's attention by an employee or department, that error is properly cataloged into the applicable error category. This will allow the OnePhilly Team to more readily identify and quantify the impacts of specific types of errors. It will also provide the OnePhilly Team with more transparency into the types of errors that are occurring, as well as the relevant populations of employees and departments, which will better enable it to design tests that will identify and/or prevent errors that have either not been identified or not yet occurred.

- Integrate individual department processes and/or systems into OnePhilly and eliminate all departmental work-arounds:

  o Work directly with departmental stakeholders to perform a formal analysis of the various systems/processes that are utilized by the individual departments (e.g., ISIS, DAR, paper timesheets, etc.) and develop plans to integrate those systems/processes into OnePhilly.

  o Work directly with departmental stakeholders to perform a formal analysis of the various processes being utilized by individual departments related to time entry and timecard approval and reconcile the individual department process with the functionality of the OnePhilly system. After this analysis is complete, the OnePhilly Team should develop a plan(s) to enhance OnePhilly's functionality to streamline departmental processes.

  o Perform a comprehensive analysis to compare the time entry data contained within departments' systems (e.g., ISIS, DAR, etc.) to the time entry data contained within OnePhilly and investigate all discrepancies.

- Consider and/or monitor the ways to limit the on-going use and functionality of Assumed Time and the Assumed Time program.

- Review and replace all Assumed Time that was paid and not subsequently adjusted to reflect some form of regular or unpaid time entry.

- Confirm the OnePhilly system is able to properly take into consideration employees' leave status and accrual balances when both implementing the Assumed Time program and calculating payments owed for time entry.

- Document, in one central location, all adjustments to payroll that occur both before and during the applicable payroll run and at the employee level. Adjustments that were considered but not implemented should also be documented, with a description for why the adjustment was rejected. This will not only assist in creating a link between employee time entry and actual payments made, but also create greater

transparency for employees and departments.

- Perform a comprehensive analysis to identify all paid sick time and determine whether employees received payments that they would otherwise not have been eligible to receive had the Sick Abuse policy been enforced properly. These payments could include amounts related specifically to Certified and Uncertified Sick time, as well as payments related to overtime, among others.

- For each employee, develop and maintain a comprehensive listing of the time codes that the employee is either eligible or ineligible to use when entering his/her time. This listing should include out of class and/or out of rank codes, and documentation of corresponding approvals provided by the departments. Once this listing is developed, perform a comprehensive analysis of the time codes utilized by the employees, with consideration of payments made related to those time codes.

- Review all employees' HR designations with respect to Work Day and Standard Work hours to verify the accuracy of how employees are coded in the system. Create a single repository of all HR designations. Update this repository regularly, and document all such updates or revisions in an HR Transactions report. Communicate all relevant updates and revisions to the respective departments. After Employees' HR designations are verified and/or revised:

  o Perform a comprehensive analysis to determine whether employees are in fact receiving hourly wage rates in accordance with their HR designations.

  o Perform a comprehensive analysis to identify individuals who regularly enter time that differs from their Work Day and/or Standard Hours classification. For those employees who regularly enter time in amounts that are in excess of their Work Day and/or Standard Hours classification, departmental approvals should be analyzed to determine whether those employees' time entries should be eligible for payment at their regular hourly rate and/or applicable overtime rate. All instances of approval should be documented such that those employees with the requisite approvals are easily identifiable during the OnePhilly Team's and Central Payroll's analysis of payroll runs for each future payroll run.

- Retain all data concerning individual HR Transactions in a central location, such that said data cannot be overwritten or adjusted at a later date. The result should be a database containing every HR transaction, the date was entered into the system, and documentation of the HR Transaction's effect. For example, if an HR Transaction was utilized to update an employee's pay, the employee's previous and now-updated pay amounts should be identifiable in the database, along with the effective date of the change (i.e., when the change in the employee's pay should first be reflected in their paystub), and the date the HR transaction was entered in the system.

- Review and confirm all HR Transactions that indicate employees were placed on or returned from unpaid leave. When all such HR Transactions have been confirmed, perform a comprehensive analysis to identify specific days for which employees received payments while on unpaid leave, and the basis for those payments.

- Review and confirm all HR Transactions that indicate an employee separated. When all such HR Transactions have been confirmed, perform a comprehensive analysis to identify specific days for which employees received payments post-separation, and the basis for those payments. Additionally,

determine the extent to which those employees are due additional payments related to Terminal Leave. If employees are determined to still be owed payments related to Terminal Leave, investigate the reason(s) for which those payments have been delayed.

- Add functionality to the OTL Audit Trail Report to provide additional transparency into changes that are made to time entry data. This functionality should be implemented such that, for every instance of time entry in the OTL Audit Trail Report, City personnel reviewing that report could identify whether an entry was submitted and/or approved, when, and by whom; and if it was not submitted or approved, why. Additionally, because the OTL Audit Trail can contain several "edits" to an individual instance of time entry, this functionality should allow for those "edits" to be easily identified and linked to both the original entry and the final, submitted and approved entry. Ultimately, every entry in the OTL Audit Trail should indicate whether that entry has an impact on the employee's payroll, and when that impact occurred.

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The sufficiency of the scope and procedures of our engagement is solely the responsibility of the management of the Controller's Office. Consequently, we make no representations regarding the sufficiency of the scope and procedures described in the attached document either for the purpose for which this report has been requested or for any other purpose.

The Engagement was performed in accordance with applicable professional standards, including the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). EisnerAmper did not perform an audit, review, or compilation in accordance with Generally Accepted Government Auditing Standards or with attest standards established by the AICPA.

The procedures performed were limited to those described herein based on the documents provided, interviews and process walkthroughs with the city. Information obtained subsequent to the date of this report may affect this analysis. The procedures were performed solely with respect to the above referenced engagement. This report is not to be reproduced, distributed, disclosed or used for any other purpose.

EISNERAMPER LLP

Philadelphia, Pennsylvania
May 12, 2020

Management's Response

OFFICE OF THE DIRECTOR OF FINANCE
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Mervisa Johnson
on Behalf of

ROB DUBOW
Director of Finance

April 3, 2020

The Honorable Rebecca Rhynhart
City Controller
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Re: OnePhilly IT Controls and Errors Report – Fiscal 2019

Ms. Rhynhart:

Thank you for providing a draft of a) your Assessment and Evaluation of the OnePhilly System IT General Controls and Application Controls, and b) your Error Identification and Analysis Report. Before responding to the findings and recommendations, and error analysis, I would like to highlight a few things:

- Since Go-Live, the OnePhilly system has been in a stabilization phase, and, as is typical for large IT implementations, is likely to be in stabilization for an 18 to 24-month period. This period of stabilization is the industry norm for a system of this scale.
- Tremendous strides have been made to improve the design, implementation and operating effectiveness of controls since the first three months of Go-live (which is the period under audit). To this end, many issues that existed during the period under audit have been rectified:

    o Citywide system access reviews are now being conducted on a quarterly basis.

- o The timeline for payroll close has successfully been shortened (Monday 11am to Tuesday 5pm) and the availability of the application for time entry has increased).
  - o We have reduced the number of instances in which we are required to process off-cycles and retros.
- The errors identified in the report did not result in a material impact to the City's FY2019 CAFR

Within the context of those general responses, please see the below specific responses to the findings and recommendations found in the Office of the Controller Assessment and Evaluation of the City of Philadelphia's OnePhilly System IT General Controls and Application Controls as of June 30, 2019.

1. System Functionality and Lack of Application Controls:

Aggregate Finding: You stated that as of June 30, 2019, there were multiple breakdowns in the functionality and application controls of the OnePhilly system

Recommendation: You recommend the city evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing corrections to the OnePhilly system. You also recommend that a formalized framework be established and leveraged for identifying, prioritizing and resolving system issues.

Individual Findings and Responses:

Finding: Assumed time is automatically recorded by the OnePhilly system if an employee's timecard is short of time in comparison to the employee's scheduled time. Assumed time is a concept where the OnePhilly system assumes that the employee works their minimum scheduled hours in a given week or pay period, regardless of what has been entered into Oracle Time & Labor (OTL). The addition of this time is not reviewed for accuracy or authorization.

Response: The City of Philadelphia is committed to ensuring employees get paid on time. After thoughtful discussion, management agreed to running an Assumed Time program in the event that Departments are unable to update, review and approve time captured for the period. The statement that "time is not reviewed for accuracy or authorization" is inaccurate. Payroll timekeepers are tasked with reviewing the time entries for their departments for accuracy. Departments are also tasked with providing multi-level sign offs of time details captured in the time detail report for that department. Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes. Management made the decision to leave all pay periods open during the first three months of stabilization, to allow timekeepers adequate time to make updates. Management updated this timeline in July 2019, and allowed timecards to remain open for 6 pay periods, until November 2019, when they switched to the normal timeline of 3 pay periods. Only Authorized personnel make changes to employee timecards after following the required approval steps for that specific process.

Finding: Changes are made to employee timecards by the OnePhilly or Central Payroll Teams without documented authorization or approvals.

Response: The OnePhilly and Central Payroll teams perform certain citywide and cross functional tasks. These teams follow the appropriate steps when performing their functions, including making changes to employee timecards. Some of the changes are made with documental approvals from departments, others are

made after discussion with departments, and other changes are made by higher-level payroll examiners, who possess the requisite skillset and knowledge to perform certain city-wide updates to employee records that do not require departmental level approvals.

Finding: Employees or Timekeepers are able to enter time to hour types that may not be authorized for the department. When time is entered, an hour type is to be selected from a drop-down menu. Examples include regular time, leave time, on call time, etc. Hour types are not restricted by department.

Response: Only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and CUC. Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC 'F' or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.

Finding: The OnePhilly team runs a process which automatically changes employee timecards that are unapproved to approved status.

Response: The OnePhilly team does not approve all timecards in unapproved status. Only timecards in the most current processing period that are in working status are approved in order to ensure all employees get paid. Timekeepers are then tasked with updating these timecards after the close of the processing period. In the absence of the automatic approval process and the Assume Time program, if managers and timekeepers did not complete their review and approval of employee timecards by the payroll processing deadline, employees would not receive their paychecks. Management determined that the risks related to not paying employees was greater than the risk of paying employees and retroactively adjusting these payments if needed. Further, the number of instances in which employees' current timecards remain in unapproved status has significantly decreased.

Finding: Employees who entered their time via Manager Self-Service were able to authorize their own timecards instead of being submitted to his/her direct supervisor for approval

Response: The number of employees with access to OTL Manager Self-Service has always been limited. Only supervisors and managers have access to OTL Manager Self-Service, which represents ~5% of all employees. Only a portion of that approximately 5% were actually using OTL Manager Self -Service instead of OTL Employee Self-Service to submit their hours worked. However, we are pleased that the system was updated to restrict the ability of management and supervisors to enter their hours worked using OTL Manager Self-Service.

Finding: The OnePhilly system was not accurately calculating all employee leave accruals as multiple defects were self-identified during and after the testing period. According to the OnePhilly team, as of 11/4/19, approximately 3,000 employees' vacation and sick balances were not accurately reflected in the OnePhilly system. The city Departments were instructed to verify their employees' balances outside of the system.

Response: The OnePhilly team was fully aware of the leave accrual issues that existed in the system and alerted the Controller's office of the unwavering testing and resolution efforts carried out by the team. Leave accrual have been fixed and are now accurately reflected in the system. A Sick abuse program to enable

departments to systematically track leave balances is targeted to be released by end of May 2020. This timeline may be impacted by COVID-19.

Finding: A defect was self-identified by the OnePhilly team with the code that was written to transfer the time from Timelink to the OnePhilly system which resulted in an incomplete time entry transfer. Timelink is the software for departments and employees which use a timeclock to record start and end times.

Response: Upon identification, this issue was resolved in a timely fashion.

Finding: During the recalculation of one employee's pay, a difference of $.06 in the hourly rate was identified; however, the OnePhilly team did not provide an explanation for this difference.

Response: The team identified the root cause of the issue and logged a defect. The issue will be resolved by June 30, 2020. This timeline may be impacted by COVID-19.

Finding: The Timecard Status Summary Dashboard (including the Missing Timecard Report) is not restricted by Department. The Super Timekeepers are able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard does not reflect the total population of timecards as the missing timecards are not included. During our walkthrough, the missing timecards listing did not accurately update when different departments were selected

Response: The Timecard Status Summary Dashboard allows timekeepers to view meaningful data during the time capture phase of payroll processing, such as, timecards in approved status and timecards in working or error status. All of this information is accessed and viewed at the department level. The Missing Timecard Report is the only dataset that is citywide view in the Timecard Status Summary Dashboard. Timekeepers cannot edit this data, and they DO NOT have access to sensitive payroll and PII information of employees in other departments. We have requested an update to be made to the dashboard so that missing timecard details can be viewed at the department level only. The target timeline for this resolution is June 30, 2020. This timeline may be impacted by COVID-19.

Finding: The Overpaid / Underpaid report had known inaccuracies according to the OnePhilly team and required a full review each week. The report was created for each payroll cycle to identify employees which may have been overpaid or underpaid based upon employee type, scheduled hours, and hours entered. The report had over 3,000 lines requiring individual review.

Response: The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.

Finding: The controls for monitoring the completeness and accuracy of outbound interface files is inconsistent between the various outbound interfaces. There are customized outputs which are sent to various third parties, including Unions for city employees. Certain third parties have requested specific formats which include checks on the completeness and accuracy of the produced files. However, for those

groups which have not requested the similar level of detail, there are no formalized monitoring controls in place over the completeness and accuracy of the output files.

Response: Post June 30, 2019, the OnePhilly team expanded controls over reconciliation of outbound interfaces. There are two sets of controls in place: controls that are required by the receiving organization/ external entities for reconciliation purposes, and internal reconciliation controls and other controls that are carried out by the OnePhilly team during the interface execution process.

Finding: OnePhilly OTL is not available on Mondays and portions of Tuesdays for self-service and timekeeper time entry.

Response: The suspension of time only impacts self-service users and timekeepers every Monday and every other Tuesday. The overwhelming majority of city employees (greater than 75%) are not self-service users and are not impacted by the suspension of time. Notwithstanding, the OnePhilly team will implement a process that suspends time entry only for the current pay cycle, instead of for all pay-periods. The expected timeline for implementation, considering other enhancement priorities, is September 2020.

Finding: While the city departments' supervisory and executive-level approvals of the bi-weekly payroll transactions were electronic signoffs in the city's previous payroll system, since the OnePhilly Go-Live, departmental approvals of payroll are no longer electronic. Instead, departments are now required to have the supervisory and executive-level approvers physically sign a paper report, which is then scanned and sent to the OnePhilly and Central Payroll teams.

Response: The change from electronic to paper signoffs in and of itself is not an issue. In fact, the current paper sign-off process requires supervisory and executive-level approvers to review the time detail report before manual sign-off. As already communicated to the Controller's office, the team is going to enhance the sign-off process even further, and specifically, Central Payroll has worked with the One Philly Team to develop the blueprint for automation of the payroll sign-off process. The target timeline for the additional enhancements to be completed is May 2020.

2. Monitoring of Third Parties:

Aggregate Finding: There is no formal, documented monitoring of the third parties which significantly support the OnePhilly system. Specifically, we noted the following:

Recommendation: You recommend the OnePhilly team establish and document routine monitoring of the performance of third parties, including against established SLAs, evaluation of relevant SOC reports.

Individual Findings and Responses:

Finding: There is no evidence of a formal review and evaluation by the OnePhilly team of the Ciber Oracle Managed Services (COMS) Service Organization Control (SOC) 2 report, and the CenturyLink Managed Network and Hosting Services SOC 2 report.

Response: The review of the SOC reports that were provided during the audit would have been conducted by the previous OnePhilly director, who is no longer with the City of Philadelphia. All future SOC report reviews will be conducted by a team of reviewers comprising representatives from IT risk, Law and Finance. Where control gaps exist, vendor due diligence checks will be conducted.

Finding: The 2018 COMS SOC 2 report (the most recently available report) is performed by an accounting firm that does not have offices in the US, and is not noted to be part of a network of firms with a US presence.

Response: In this global and technologically enhanced world, an audit firm does not need to be located in the US to perform its functions in accordance with US Audit guidelines. Also, the above claims are further invalidated as the auditor on this engagement is a US registered CPA, and his team includes consultants from a PCAOB registered firm. The SOC report was created in AICPA format, and the auditors confirmed that their audit was conducted in accordance with AICPA standards. This fact is also highlighted within the SOC report, both in the "Scope" and the "service auditor's responsibilities" sections.

Finding: Within the CenturyLink SOC 2 report, physical access and environmental controls at the Sterling, VA data center where the city's data is housed were not part of the scope of that control evaluation. Also, the OnePhilly team has not evaluated the sufficiency or effectiveness of these controls.

Response: As noted previously, we have assembled a team who will perform all future SOC report reviews, as well as conduct vendor due diligence checks where there are control gaps, moving forward.

Finding: There is no evidence of formal monitoring of the Service Level Agreement (SLA) between OnePhilly and Ciber.

Response: There are numerous mechanisms in place to monitor SLA: Daily performance dashboard reports are sent to the OnePhilly team. Management reviews these automated system generated reports daily. There are also weekly PMO meetings scheduled and minutes to these meetings are maintained. Additional monthly SLA meetings are also conducted.

3. External Penetration Test Findings Remediation:

Aggregate Finding: The External Penetration Test Report dated 12/13/2018, performed by Cyber Security Solutions (CBI) on behalf of the city identified seven medium risk findings. Five of the findings are still open, and a remediation plan has not been formally documented to address the findings.

Recommendation: You recommend the OnePhilly team develop remediation plans to address the open findings and monitor progress against the remediation plans.

Response: A plan to address the above-mentioned penetration testing risks was developed by Ciber. These 5 risks were classified as low priority risks by Ciber and the former OnePhilly director initially but were re-prioritized post June 30, 2019.

4. Authorizing and Reviewing Elevated Access, including Segregation of Duties:

Aggregate Finding: Authorization of OnePhilly elevated access, which allows for the ability to perform transactions beyond employee self-service, for new users and transferred users was not performed using a formal, documented format. User provisioning/de-provisioning access requests, including both employees and contractors, were made via email or verbal request. In addition, periodic user reviews had not been performed. Finally, a formally documented Segregation of Duties (SoD) policy, including identification of incompatible roles, responsibilities, and permissions, has not been established:

Recommendation: You recommend the OnePhilly team develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions. You also request that a formal process be established to request and approve user access, which specifies the access required, considering the documented SoD requirements. Additionally, you ask that a quarterly review of user access be performed.
.

Response: During the audit, OnePhilly provided ample documentation concerning separation of duties and systematic permissioning based on responsibilities across departments. Based on feedback from EisnerAmper, we agreed to develop a single, comprehensive and easy to read document on Segregation of Duties. This document is in progress and the team aims to complete it during FY2021. Regarding Access provisioning and de-provisioning, the OnePhilly security provisioning team was an integral part of building out the responsibilities in the system and are well versed with systematic permissioning and segregation of duties. As communicated during the audit, quarterly citywide access reviews occurred by default during implementation in December and March, because departments provided the listing of employees approved to be added during this time, and therefore, only payroll process owners were added, and access was reviewed and granted based on the assigned roles and responsibilities details provided by Departments. We also communicated that the team established quarterly reviews of user access post June 30 2019. Furthermore, the team is making additional updates to the user access process, including daily automated de-provisioning of employee transfers and terminations target June 30, 2020.

5. Password Configurations:

Aggregate Finding: The OnePhilly system was configured at go-live with a password requirement of case sensitivity and, for user accounts created after go-live, a password expiration of 90 days. Additionally, passwords for user accounts converted from the legacy system do not expire and thus do not meet the minimum expiration requirements.

Recommendation: You recommend the OnePhilly password settings be updated to meet OIT password requirements.

Response: As previously communicated, the password policy implemented by Ciber at Go-live was two-fold: 1) the standard password policy for Oracle was implemented across the board and 2) The password change requirement for all new users was set to 90 days, plus, the password change requirement established in Legacy for all legacy users was transferred; essentially, the timelines for password change for each user was already established in legacy, and these password expiration requirements were transferred from Legacy to OnePhilly at conversion. We also previously communicated that the OnePhilly team submitted a ticket request to Ciber to have the password policy updated to align directly with the OIT Information Security

Access Control Policy. The plan for implementing the city-wide policy is targeted to be implemented by April 30, 2020. This implementation was originally scheduled for March 2020 but is delayed due to the COVID-19 crisis.

Aggregate Finding: <u>Documented formal approvals or signoffs by the OnePhilly steering committee, authorizing the Go-Live of the system in December 2018 (Human Resources (HR) and Benefits) and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports / presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained.</u>

Recommendation: You recommend the OnePhilly team maintain formal agendas and meeting minutes of the Steering Committee meetings, including capturing the results of any voting decisions by Steering Committee members and that formal Go-Live approval by the Steering Committee be obtained and documented prior to Go-Live.

Response: The team maintained and provided ample documentation of steering committee meeting agendas and presentations, go live timelines, and emails to the steering committee confirming Go-live was successful, among other communications. Therefore, the determination that the lack of a single, formal document, with signoffs from each steering committee member constitutes a significant deficiency, in light of the support provided, is unduly harsh.

Aggregate Finding: <u>When system issues were identified, documentation to determine all impacted city employee accounts was not maintained.</u>

Recommendation: You recommend the OnePhilly Team maintain formal documentation of the accounts which are included as being impacted when system issues are identified.

Response: The OnePhilly team employed a defect resolution process in which the team isolated the impacted population and narrowed the defect scope to include only the impacted population in order to escalate and address issues quickly. Therefore, the logged defects encompassed the complete population affected. The requested testing documentation that encompassed the in-scope populations were provided to EisnerAmper.

Aggregate Finding: <u>From Go-Live through June 30th, 2019, Operating System (OS) patches have not been applied to production Linux servers, and Oracle patches have not been applied to the production instance of the OnePhilly application.</u>

Recommendation: You recommend the OnePhilly team evaluate and, where appropriate, apply outstanding system patches. You also ask that the OnePhilly team adhere to a recommended schedule of evaluating and applying patches in a timely manner.

Response: The OnePhilly team established a patching schedule as a part of the stabilization process. Therefore, the timeline for implementing patches was weighed against COP cycles and stabilization mandates. We applied Vertex patches to Production during September 2019, and PSU and CPU patches were applied to production and DR Servers during October 2019. All remaining patches were completed by

December 2020, including patches released during FY2020. The OnePhilly team will continue to prioritize patching based upon the regularly updated patching schedule.

Aggregate Finding: For the PMRx change tickets, the web-based project control and repository workspace developed by Ciber, as of September 17, 2019 there were 403 open tickets as provided by the OnePhilly team. Over 70% (287), had been open for more than 90 days. There were 43 tickets open for over 180 days, including 16 Emergency (P1) and High (P2) tickets.

Recommendation: You recommend that the OnePhilly team evaluate and prioritize open change tickets, including identifying the amount of resources needed to address the backlog of tickets. In addition, you recommend that periodic reporting of the status of open change tickets be provided to the Steering Committee and applicable stakeholders.

Response: The number of tickets open for a period of time is not synonymous or equivalent to the number of issues waiting to be fixed in PMRx. The data presented includes duplicated tickets, and multiple tickets logged for sub-issues that will be fixed with a single fix, or one instance of testing and resolution. Further, of all open tickets, over 60% were low priority and all remaining items were discussed in detail during prioritization and tracking meetings held by COP and Ciber. Please also note that a ticket being designated as open does not mean the issue isn't receiving attention. The team has been consistently working to resolve many of the open tickets. For example, the team worked on leave accrual defects for some time, because testing revealed additional items that needed to be addressed prior to the resolution of long outstanding items. These items, even though long outstanding, are consistently being addressed and resolved. Finally, items in the referenced listing with P1 and P2 designations were most likely subsequently de-prioritized.

Aggregate Finding: A full Disaster Recovery (DR) test has not been performed against the DR plan established for OnePhilly.

Recommendation: You recommend that the OnePhilly DR plan be tested and the results documented in writing.

Response: The One Philly team completed a number of preliminary disaster recovery tests prior to go live. Congruently, a full-scale disaster recovery test plan was developed and shared with EisnerAmper. This is a robust test plan that was discussed at length and involves three phases of testing, targeted to be conducted during our most critical process cycle. The One Philly team has developed a schedule to run this full DR test target FY2021.

We acknowledge your efforts to identify and quantify the frequency and magnitude of errors across major City of Philadelphia departments in connection with your evaluation of the general and application controls of the information technology functions of the OnePhilly system. We also appreciate the recommendations you provided, including the continuation of departmental training, the consideration for enhancing the communication channel between employees and OnePhilly for issue investigation and resolution, and the enhancement of our database for issue tracking, with improved audit trails from identification to resolution. In the following section, we provide our responses to each of the 15 Observations noted in the Error Identification and Analysis Report for the period beginning OnePhilly System Go-Live through June 30, 2019.

1. OnePhilly Error Identification and Correction

The statement that "payroll and leave-related errors have largely been identified through self-reporting at the employee and departmental levels and there is no uniform process for reporting, tracking and resolving errors" is misleading and also ignores the City of Philadelphia's unique and large-scale payroll process. Departments are an integral part of the payroll process and are tasked with communicating with HR and Benefits to ensure employee records are timely updated and changes flow through the payroll process, and departments are also responsible for ensuring their employees time is accurately entered into the OTL system in a timely manner. Therefore, each departmental payroll team is responsible for reviewing employee time capture and updates to HR and Benefits data, and should alert the Central Payroll Team, OnePhilly and OHR, whenever data has not been timely reported and captured in the payroll process. Further, to state that "The following reports appear to be performed only at a high level, outside of the OnePhilly system, and analyzed on a piecemeal basis" is also misleading. OnePhilly conducts a wholistic detail review process that includes reviews of the following reports:

     i. Employee Full Extract and ATI Report – Utilized to ensure that the data entry operators have entered correct combinations of CUC to the Workday, Standard condition, and Earnings Policy. These reports are also utilized to ensure that salary is setup accurately along with correct salary basis.
    ii. Under/Over OTL Report and Under/Over Payroll Report – Utilized to capture any employees who might be underpaid or overpaid in the given pay cycle. This report looks at all the conditions that are looked at by PWD in their 16-step process
    iii. Over the Maximum Report – This report is utilized by Central Payroll to set the maximum amount. Every individual earning above this amount is reviewed for discrepancy
    iv. CUC E Report – This report identifies pay discrepancies for the true exempt population
    v. Balance Summary Report – Compares various element balances between pay periods to identify discrepancies in pay
    vi. Gross to Net Report – used to review the pay components and associated Payroll expense on pay over pay basis
    vii. Payroll Register/SOE report – Available to departments from go-live for employee level pay review

OnePhilly and Central Payroll have been utilizing the above reports to monitor, track and correct data entry and system related errors. These reports have been available since go-live. Apart from these already existing reports, the OnePhilly team is working on enhancing the pre-audit capability for departments via the new Pre-payroll dashboard that is expected to be a one stop shop for all Payroll KPIs. This dashboard is expected to go-live by end of June 2020.

Further, the following statement is inaccurate: "*Outside of the aforementioned reports, we are not aware of any ongoing process whereby the OnePhilly Team systematically considered the universe of potential employees historically impacted by any one instance or type of reported error. Rather, each of their analyses appears to have been responsive to errors and issues that were reported by the departments, and does not appear to take into consideration the possibility of similar or related issues that may affect other employees and/or departments.*" The project management team is tasked with reacting to reported errors and analyzing the root cause and the scope of the issue. The team has done and continues to do a tremendous job of

determining the population of employees impacted by issues. They assess whether the issue is isolated to a particular employee or timekeeper within one department, and analyze whether that issue extends beyond that department and in doing so, determine the population of employees that are impacted across the board. Defects are logged after such analysis and as such, the defects are limited to the impacted scope of employees.

Additionally, the report of HR transactions provided was specific to the request received. The team did provide an HR transactions report with all transactions for the period requested. As described during our audit meetings, certain important events occurred during the year that required bulk updates. The HR transactions items called out in your report represent such bulk updates. The items with the Creation Date mentioned (December 2018) represent the bulk update for the HR module reimplementation Go-live, and the items with the Last Update Date mentioned (November 2019) represent the bulk update in the system to correct the leave accrual issue that impacted 10% of the employees. The information presented in the report, including Creation Date and Last Update Date are accurate, and the OnePhilly system, like any modern ERP system maintains an audit history of all transactions.

2. OnePhilly's Failure to Reduce Inefficiencies and Redundancies for Time and Pay

While we agree that we have not yet eliminated all of the efficiencies that existed in Legacy, as there a certain items management agreed to address during the stabilization period, the statement that "time entry and payroll processes post Go-Live have resulted in increased workloads and increased risk associated with erroneous time entry and payroll" is misleading. We have made continuous strides to improve the processes that existed in Legacy with the introduction of Oracle EBS (OnePhilly). We have been able to increase efficiencies via a reduction in redundant data entry of employee HR records which historically were entered in both Oracle and the Legacy Payroll System. These efficiencies were realized as of March 2019, when departments, OIT and Central Payroll no longer had to duplicate HR transactions. The implementation of OnePhilly provided the city with an integrated system where HR, Benefits, Time, and Payroll data resides together.

The Oracle EBS (OnePhilly) system has created greater accountability through the switch from exception time posting to positive time posting. This business process transformation allows the city to achieve greater accountability and ownership of employee time and attendance and provides increased transparency to taxpayers. In anticipation of potential issues with employee pay that could be created from the switch from exception time to positive posting, Management, to prevent hardship to employees during stabilization, created a safeguard, Assumed Time (which is equivalent to exception time), and successfully minimized the impact to employee pay during the transition to positive posting during the stabilization period.

You have made certain statements regarding the manual work required by departments that are faulty. Firstly, the majority of example items listed point to the initial unfamiliarity of departments with the new system and also point to knowledge gap issues at the departmental level, some of which are indicative of change management engagement. Additionally, some dependent processes were initially delayed and required additional follow up because of departments unfamiliarity with system functionality. In other instances, departments had over 2,000 employees to process while learning a new system, so naturally, and as expected, during the stabilization phase the processing time was directly impacted by the new system learning curve. To combat these items, the OnePhilly team has had numerous training sessions with departments during the stabilization phase. The team will continue to assess training needs and provide system enhancements that create added efficiencies.

Additionally, management continues to make strides towards a fully Integrated and modernized Workforce Management System. In last 30+ years of legacy system's existence, various departments have built disparate systems to meet their workforce and associated reporting needs. As part of the modernization initiative, the City undertook the enormous task of integrating such systems. This integration is an ongoing process. With the introduction of the OnePhilly system we have made strides toward this objective. Shortly after OnePhilly OTL and Payroll Go-Live, the Aviation, Records, and L&I departments integrated their Kronos time collection devices to OTL via Automated interface. The Prisons department is also working with OnePhilly and OIT to automate the feed of time data from Prisons Kronos clocks to OnePhilly OTL via direct interface. This will significantly improve the Prisons processes and enable this departments to move from physical punch timecards to automated time capture. Similar efforts have been made with the Police department so that school crossing guard data can feed into OnePhilly OTL via a ready to use interface. The City has made excellent progress towards achieving our integration objective, and we continue to work toward full integration and modernization.

The team has provided details on multiple occasions regarding leave accruals and sick leave monitoring. The team communicated that departments were tasked with tracking and reporting these areas during the testing and enhancement period. While the team understands the implications of manual tracking, we do believe that departments realized improved manual tracking capabilities over time. The team has demonstrated unwavering efforts to enhance leave accrual and sick leave tracking functionalities within the OnePhilly system. Tremendous progress has been made toward fixing these known issues and this process will soon be fully automated.

Finally, you laid out an example of time capture for the Streets department on pages 8 of 34 and 9 of 34 and suggested that time was inaccurately captured in OnePhilly OTL and may have resulted in overpayments or underpayments. The information you presented here is inaccurate. The Streets Department made the decision to align their work schedules to the OnePhilly 7.5-hour workday standard. In doing so, the majority of the Streets employee groups including Collections and SWEEP switched to a 7.5-hour workday with no defined lunch break, and the remaining employees, including PMBC, maintained an 8-hour standard workday. We investigated your finding that 84,000 entries were entered into ISIS at 8hrs and then switched to 7.5hrs when entered into OnePhilly OTL. This finding has to do with the type of support the department provided during your analysis. It appears the team provided you with time detail output reports from ISIS but did not provide the corresponding route sheets collected and reviewed and approved by Field Supervisors. An examination of the route sheets would show that the time entered on route sheets and authorized by field managers did not align with the way time was entered into ISIS. A route sheet indicating employee A worked from 7am to 11am and then worked from 11:30am to 3pm was entered into ISIS by the field time keeper as 7am to 3pm, instead of 7am-11am and 11:30am-3pm. Streets payroll timekeepers entering time into the OnePhilly OTL system updated the time entries to correctly enter 7am-11am and 11:30am-3pm according to the route sheets. Therefore, time was captured accurately in OnePhilly, and no overpayments/underpayments were made in these instances.

3. Retroactive Adjustments to Time and Pay

The Retroactive Adjustments process is a huge process improvement that gives management and employees greater transparency into the nature of changes being made to employee paychecks. Historically, in Legacy, retro adjustments were processed as miscellaneous adjustments that were paid out as a part of regular hours without much insight into which date the retros were being paid for or why. The new retro process

introduced with the OnePhilly system allows greater detail through element classifications and also provides insight into which time period the retro is related to.

The City of Philadelphia retro process is multi-facetted and includes input from both departments and the central Payroll team. Departments are tasked with reviewing employee time data and reporting any updates that need to be made. As should be the case given the structure of the City of Philadelphia, Departments report discrepancies and items for update to the central Payroll team, and maintain documentation concerning issue resolution and tracking of retro payments. The City of Philadelphia continues to improve our retroactive adjustment process and we are pleased that we were able to replace our outdated miscellaneous adjustment process utilized in prior years.

The level of detail on the OnePhilly system pay stubs has increased across the city. City employees now have access to an itemized descriptive pay stub. Multiple sessions were held across the city with departments on how to navigate the OnePhilly pay stub, and a training guide was also provided that included a definition of terms. The example listed below was a unique requirement specific to the Fire department, that mandated location details for overtime be included on employees pay stub:

During our meetings with the departments, we were informed that errors have been identified in Retro adjustments. For example, Fire indicated that step increases have been calculated inconsistently in Retro adjustments. We were also informed that employee pay stubs do not contain sufficient detail (i.e., they are not sufficiently itemized) with regard to Retro adjustments, such that employees are not able to decipher how the Retro amounts were calculated or what time they relate to. For example, a pay stub reflecting Retro overtime pay might not identify the location or date on which the overtime was earned. Fire stated that in these instances, this lack of itemization causes the pay stubs to be out of compliance with the requirements of certain union contracts.

This requirement has been updated on Fire employee paystubs post June 30, 2019.

4. OnePhilly Time and Pay Approvals

As previously mentioned, with the implementation of OnePhilly, the City introduced positive time posting for most of the City workforce. Given the scale and complexity of this project (30,000 employees, across 56 departments and 4 unions), management decided to implement a safeguard to pay employees using Assumed Time while the organization adapts to the work involved in positive posting of hours during the expected stabilization period. A component of this process requires OnePhilly to aid Timekeepers in the approval of timecards by running an approval process after all departmental timekeeping processes are complete and specifically, when the pay period is closed for processing. This approval process is an automated process that is kicked off by one individual and the system is flagged with the name of the individual running this process.

Your statement that "*Based on our analysis, at least 30 percent of the approvals in the OTL Audit Trail appear to have been executed by OnePhilly Team personnel; and approximately 95 percent of the OnePhilly approvals appear to have been executed by one individual*" indicates a lack of understanding of the design of the City's Payroll process as it relates to time capture and approvals. The executed approvals mentioned above are referring to the systematic approvals that are carried out as part of the Assume Time process that was designed to ensure that employees get paid. This approval process is automated, and the system stamp of the person who kicks off the systematic approval process does not indicate that one person is approving time in OnePhilly OTL, but merely represents the person assigned to kick off an automated approval process and assume time program that provides a safeguard to ensure that employees get paid as the City stabilizes their

positive posting process. Further Department supervisors and timekeepers are expected to review employee timecards and edit the employee timecard within the permissible open time periods (3 pay periods) to replace Assume Time with actual hours worked. Based on our process, the above statement is an inaccurate representation of the OnePhilly Time and Pay approval process.

5. Assumed Time

We have spoken at length concerning management's decision to safeguard employees by ensuring they get paid using Assumed Time during the stabilization period and while the organization adjusts to Positive posting of hours. We have also discussed the departments' responsibility to update employee time records during the permissible open time periods. Regarding the 'Table 2: Analysis of Total Potential Unchanged Assumed Time – Hours' illustration on page 14 of 34, it is evident that "unedited assume time" reduced exponentially with time progression. This significant reduction in unedited Assumed Time over the first 3 to 7 pay periods in OnePhilly demonstrates an expected improvement across all departments in the transition to positive posting.

In examining the illustration, it is evident that 94% of unedited assume time was related to Prisons. The Prisons Department relied heavily on the Assume Time Process and OnePhilly in the initial pay-periods post Go-Live. It became evident that additional training was needed for Prisons, partly because the introduction of OnePhilly represented a huge change from existing manual and outdated time capture processes and also because of the lengthy change management adoption process. The volume of transactions processed and including the large number of overtime also added to the timekeepers inability to complete their processes in a timely manner, creating greater reliance on the Assume Time program.

The data in illustration 2 also shows that most of the unedited assume time was related to the initial pay periods. However, we are pleased that the city has moved in the right direction and is requiring employees to be accountable and responsible for reporting their actual hours worked in order to provide transparency to taxpayers.

Further, the statement "*We also identified instances where Assumed Time was changed to reflect unpaid time[22] (or reduced or removed entirely),[23] or, when Assumed Time changed, it resulted in additional hours being paid (e.g., 7.5 hours of Assumed Time was replaced with 8 hours of Time Entry Wages). All of the above instances would indicate that unchanged Assumed Time has and continues to result in overpayments, underpayments, and other errors*" misleadingly has a negative connotation. Your write-up describes the normal departmental time update process, and provides evidence that departments were actually updating the assume time positive posting process, as they should have been doing.

Regarding your observation "*B. Non-Assumed Time that was Changed to Assumed Time*" on page 16 of 34, please note that the Assume Time program does not undo hours types that have been applied. Any non-Assumed Time that was changed to Assumed Time represents a manual update, when the department did not have the appropriate documentation for the hours initially recorded.

6. Regular Work Day and Standard Hours

City Management's decision to migrate to a 7.5hr workday was a deliberate decision to create uniformity in pay across the City and to prevent inequity among employees in the same roles. Prior to OnePhilly, the City did not have the ability to pay based on two different standard hours, which resulted in office workers having

to adhere to an 8-hour day required for shift workers in 24/7 hour operations. With this in mind, as a part of Go-Live, most of the full-time non-Uniform employees were converted to a 75 hours biweekly pay period. Notwithstanding, some departments maintained classes of workers that had standard work hours of 8 hours per day, even though the city-wide work-day was switched to 7.5 hours. These rules were applied to the system according to the information provided by departments to OnePhilly at the time of implementation. Yet, Oracle EBS system offers great flexibility to HR Managers to standardize and maintain various standard conditions by departmental needs inclusive of the standard work hours. Therefore, the workday and standard hours for an employee are driven by the class of employee and the required work schedule defined by the departments. In some instances, such as in the case of the Water and Aviation departments, employees are accurately being paid for an 8hr day instead of a 7.5hr workday as coded in the system. In other instances, the required work schedule is different than what is coded in the system, as reflected by the employee timecards, and needs to be updated in the system upon initiation by departmental HR managers. In either case, and according to feedback from Departments, employees are correctly being paid according to their work schedules.

7. Leave Balances

The statement was made that the known and reported leave balance issues "Forced the Departments to accept responsibility for leave balance tracking." This statement is misleading. In the OnePhilly System, Leave Balances are comprised of Legacy converted balances, accruals, and leave usage. For the most part, Legacy Converted Balances and usage were reported accurately, including during the period April 2019 to November 4, 2019. This was because issues with leave accruals were identified early and the full scope analyzed and reported to departments, so departments were aware of the specific employees impacted by these issues. Between April and November 4, 2019, the OnePhilly team holistically analyzed the Leave accrual issues that did exist, fixed the problems, and applied the solutions in production.

A. Regarding the issue of porting negative balances from Legacy to OnePhilly, this was caused by the failure of the Legacy system to provide the necessary data for conversion and is not related to the OnePhilly system's ability to convert data. The OnePhilly team is not aware of an instance where the system would not accrue Sick/Vacation for New Hires/Rehires.

B. As a part of Leave Accrual correction and Balance evaluation resolution, OnePhilly team is already working with HR on the recovery of the negative balances, and payments made to employees when they were on unpaid leave. Management will be implementing this plan in the near future but is anticipating delays due to COVID-19.

C. The OnePhilly system does not issue payments to employees with unpaid HR status or to employees who are marked unpaid in timecards. Essentially, payments are only made to employees who are in unpaid leave status if there is a failure to make timely updates to the employee HR records. This issue is not a OnePhilly system or team specific issue. There is only one known defect related to "Timecard Not Required" employees (Fire and Courts) who get small additional/reduced pay while posting unpaid leave in a particular week. The OnePhilly team works with Courts and Fire every pay period to stop such small over/under payments and will continue to do so until the permanent fix goes to production in May 2020. This timeline may change due to COVID-19.

8. Sick Abuse

A. In line with the City's timekeeping practices, when most employees use a sick day it is reported as 'Uncertified Sick' in the OnePhilly system and the employee eventually follows up with a doctor's note. Based on this process, the OnePhilly system functionality for Sick Abuse at go-live was designed to provide the ability to calculate and report Sick Abuse during the timekeeping process. Timekeepers are the gatekeepers of the sick abuse process and are expected to utilize the appropriate time types in OnePhilly to ensure that employees are marked Unpaid for any occurrences of excessive use of sick leave without a note. Since the earliest warning report that could have generated in OnePhilly was a minimum of 5 pay periods after go-live and the earliest timeline in which an employee could have been placed on Sick Abuse was after 7 pay periods, given that FY2019 only had 7 pay periods applicable to the OnePhilly system, the majority of the employees on the sick abuse list for the period under audit would have been employees on the sick abuse listing in Legacy. Departments maintained the listing of these employees extracted from Legacy.

B. As a part of Regular and Retro time processing, employees and timekeepers regularly convert the Uncertified Sick hours to Certified Sick hours once employee presents the doctor's note for sickness. Any evaluation of uncertified sick solely based on Statement of Earnings could lead us to faulty assumptions of the workforce Sick Abuse situation. Any such analysis can be completed only after consideration of Retro Sick, NO Note to Retro Sick, with note. Consideration also should be placed on the CUC of the employee being considered in testing. For example, the standard sick abuse policy does not apply to exempt employees.

Further, management made a conscious decision to not place any additional employee on the Sick Abuse listing amidst the major cultural transformation that the organization was going through. For the permanent resolution of the issue, the OnePhilly team is already working on enhancing system functionality to enable the maintenance of a Sick Abuse Listing in the system. Such functionality will also enable timekeepers to be automatically notified of Sick Abuse Placements. This functionality will also evaluate anybody who should have been placed on Sick abuse and inform departmental HR Managers of this population.

9. Payments to Employees after Separation

The OnePhilly system is a standard Oracle EBS implementation that does not allow payment to employees when the employees are in unpaid status. This requires departmental HR to complete the transaction to change employee status to an unpaid status such as "Separated" or "Unpaid Leave of Absence." Certain departments, due to the nature of their workforce, have posted retro transactions causing unintentional continuation of the regular payroll for such employees. As a part of City's standard Policy such payments are later recovered from terminated employees' pension payments.

10. Potential Duplicate Payments to Employees

The Duplicate payments to the 12 firefighters cited here was a documented incident that occurred as a result of a change to a Payroll Processing procedure. Upon identifying this incident, the OnePhilly team and the Central Payroll team conducted a holistic analysis of not only Uniform Payroll but also Salary Payroll which

was run at the same time. In this analysis, all impacted employees were analyzed, the root cause was identified, procedural changes were implemented, and the testing and resolution were documented. The team conducted adequate issue identification and resolution processes and this issue no longer exists.

11. Fire Premium Pay

The OnePhilly team has already identified and documented the defect for the issues in Fire Premium. As a part of the defect resolution process, all corrections inclusive of Under/Over payments are to be implemented and the OnePhilly team will continue working with Fire department and Local 22 until these issues are fixed.

12. Unauthorized Hour Types

As described in the earlier sections of this response, only relevant hours types are authorized for employees and timekeepers, and the time types that timekeepers have access to are driven by both Department and CUC. The City of Philadelphia has a very complex timekeeping process. As such, certain hour types apply to one group of employees within a CUC, but not to another portion of employees in the same group (CUC). With that understanding and as a standard practice, the system has been built to have multi-level approvals, including managerial approvals for time entry. The intent is for managers and timekeepers to scrutinize and approve only appropriate hours. As a part of our Knowledge Management initiative, OnePhilly continues to work with departments and central agencies to enhance the OnePhilly documentation for all departments. The requested documentation is planned to be created in the near future.

13. Erroneous Deductions from Employee Pay

As a part of overall reconciliation process, the OnePhilly team rectified the deduction issues caused by system errors with the exception of the Union Dues deduction issue. The Union Dues deduction issue is being holistically analyzed and is scheduled for production migration by the end of June.

In the one-off cases that are reported by departments such as the Fire Department's reporting of Social Security Flag changes for a single employee, a holistic analysis was done upon receipt of such incident. All Police and Firefighter records were analyzed for Social Security exemptions and the conclusion was that the case reported by the Fire Department was only a singular incident caused by user error. The Social Security Exemptions flag is defaulted for everyone and Central Payroll has procedures on when to alter it in certain situations.

Regarding the one-off cases of incorrect Child Support payments, such issues have been reported and documented to be issues caused by User Error. Such issues follow the path of resolution via Central Payroll's procedures.

14. Inconsistent Use of OnePhilly System Functionality

The use of OnePhilly system functionality across multiple departments that had different processes had expected variations during this initial stage of stabilization. Years of Legacy entries and process were

essentially muscle memory to Department Clerks and the OnePhilly system presented a huge learning curve. Management has been aware of the learning challenges presented by the OnePhilly system and as such, the Finance Department and the OnePhilly Team are continuing the change management agenda and will continue to provide training for all departments and well as systematic enhancements that standardize the payroll process across all departments.

15. Previously Identified Overpayments to Employees

The City is committed to recouping overpayments to Employees. As such, the OnePhilly team has already made strides to collect these overpayments, and successfully recouped payments from exempt employees. The OnePhilly team continues to collaborate with departments to identify all other classes of employees that received overpayments and to recoup those funds.

Sincerely,

Mervisa Johnson
Director of Compliance and Internal Controls

cc: Rob Dubow, Director of Finance
        Catherine Lamb, First Deputy Director of Finance
        Prachi Sathe, OnePhilly Director
        Robin Faulkner, OnePhilly Assistant Director
        Celia OLeary, OnePhilly Deputy HR Director
        Sherell Maxwell, Departmental Human Resources Manager 3, Prisons
        Xavier D. Beaufort, Deputy Commissioner, Prisons
        James Cadden, Administrative Services Director 3, Police
        Sabrinea Wallace, Fiscal Officer, Police
        Delicsha Wilds, Deputy Personnel Director, Aviation
        Tracy Borda, Chief Financial Officer, Aviation
        Tara Mohr, Chief of Staff, Fire
        Shauna Bracy, Departmental Human Resources Manager 3, Fire
        Melissa Labuda, Deputy Commissioner, Water
        Jaclyn Rogers, Assistant Deputy Commissioner Financial Services, Water
        Lawrence Yangalay, Utility/Enterprise Financial Services Manager, Water
        Christopher Newman, Deputy Commissioner, Streets
        Kenny Wilson, Departmental Human Resources Manager 3, Streets
        Amy Mader, Human Resources Executive Director, FJD
        Chris Waters, Chief 1, FJD
        Jean Pettigrew, Court Administrative Officer 5 N U, FJD
        Christy Brady, Post-Audit Deputy Controller, City Controller's Office
        Kathleen Duggan, Audit Director, City Controller's Office
        Nicole McCormac, Chief of Staff, City Controller's Office
        Kellan White, First Deputy Controller, City Controller's Office
        EISNERAMPER LLP

Auditor's Comments on Management's Response

Government Auditing Standards state that auditors should evaluate the validity of the auditee's response to a report's findings. Auditors are required to report instances in which the auditee's comments to the auditor's findings, conclusions, or recommendations are not valid or do not address the recommendation.

In this instance, the Controller's Office, in conjunction with EisnerAmper, reviewed the Administration's response to the draft OnePhilly report. First and foremost, I want to state that management's response did not change the key conclusions and observations in this report.

To the extent that management did not address or comment on any individual quantification, statement, analysis or finding in the draft, the Controller's Office understands that to mean the OnePhilly team did not take issue with it. Additionally, management made several references in its response to being previously aware of an issue identified in our report, having resolved an issue after the close of Fiscal Year 2019 and/or its intent to resolve an issue in the future. We have not verified any of these assertions. Resolutions that may have occurred after Fiscal Year 2019 are outside of the scope of this assessment.

In accordance with Government Auditing Standards, in the instances that OnePhilly called into question the findings in the report or suggested a portion to be misleading and/or incorrect, the Controller's Office requested EisnerAmper respond on behalf of the office. EisnerAmper's responses are provided in the following section.

Rebecca Rhynhart
City Controller

OnePhilly IT Control Assessment

1. <u>System Functionality and Lack of Application Controls</u>

- The April 3rd Response states the following: "Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes."

We note that, in a subsequent comment, the April 3rd Response states that OnePhilly and Central Payroll make changes to employee time cards, and not always "with documental approvals from departments."

- The April 3rd Response states the following with regard to the hours types available to Employees and Timekeepers:

  > Only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and CUC. Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC 'F' or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.

During the in-scope period, EisnerAmper witnessed that employees and timekeepers could select from the full listing of hours types and submit time. It is our understanding that an initial system fix was implemented in November 2019.

- Regarding the Overpaid / Underpaid report, the April 3rd Response states the following:

  > The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.

The April 3rd Response confirms that these reports were not fully functioning during the in-scope period. Further, the fact that the 3,000-line report – which only relates to one payroll type, for one pay period – requires manual review is not disputed. It appears, consistent with the OnePhilly Team's remarks during the Exit Conference, that the OnePhilly Team has interpreted "individual review" to mean that one individual is responsible for reviewing the entire report.

2. <u>Monitoring of Third Parties</u>

- The April 3rd Response states the following with regard to the 2018 COMS SOC 2 report (the most recently available report), which is performed by an accounting firm that does not have offices in the US and which is not noted to be part of a network of firms with a US presence:

  > In this global and technologically enhanced world, an audit firm does not need to be located in the US to perform its functions in accordance with US Audit guidelines. Also, the above claims are further invalidated as the auditor on this engagement is a US registered CPA, and his team includes consultants from a PCAOB registered firm. The SOC report was created in AICPA format, and the auditors confirmed that their audit was conducted in accordance with AICPA standards. This fact is also highlighted within the SOC report, both in the "Scope" and the "service auditor's responsibilities" sections.

EisnerAmper maintains that the 2018 COMS SOC 2 report was performed by an accounting firm that does not have offices in the US, and is not noted to be part of a network of firms with a US presence.

- The April 3rd Response states the following with regard to the lack of formal monitoring of the Service Level Agreement between OnePhilly and Ciber:

  > There are numerous mechanisms in place to monitor SLA: Daily performance dashboard reports are sent to the OnePhilly team. Management reviews these automated system generated reports daily. There are also weekly PMO meetings scheduled and minutes to these meetings are maintained. Additional monthly SLA meetings are also conducted.

The OnePhilly Team has not provided EisnerAmper with any evidence of the aforementioned daily reports or monthly SLA meetings.

7. <u>Documentation of Impacted Accounts</u>

- The April 3rd Response appears to dispute the finding which refers to the OnePhilly Team's failure to maintain a formal documentation of the accounts that are impacted by system issues. It states:

  > The OnePhilly team employed a defect resolution process in which the team isolated the impacted population and narrowed the defect scope to include only the impacted population in order to escalate and address issues quickly. Therefore, the logged defects encompassed the complete population affected. The requested testing documentation that encompassed the in scope populations were provided to EisnerAmper.

EisnerAmper maintains that during its walkthroughs, it was informed that no such formal documentation was maintained with which to identify the impacted accounts associated with identified system issues. In addition, EisnerAmper has not been provided with documentation detailing specific accounts impacted by identified system issues.

Error Quantification and Analysis Report

1. <u>OnePhilly Error Identification and Correction</u>

- The April 3rd Response states that it is misleading to characterize the payroll and leave-related errors identified to-date as largely the result of self-reporting at the employee and departmental levels, and argues that the OnePhilly team "conducts a wholistic (sic) detail review process" of potential errors prior to each payroll run.

We believe the above response lacks merit and is contrary to the information we analyzed and the individuals with whom we met throughout our analysis.

- The April 3rd Response states that our report contains a statement which is "inaccurate," in that it refers to the lack of an ongoing process whereby the OnePhilly Team systematically analyzes potential populations of employees impacted by any errors that are reported by employees or departments.

We understand that there is no such ongoing error identification, documentation and remediation process being undertaken by the OnePhilly Team; but rather, errors are remediated as they are reported. This is

based on our meetings with the each of the departments, Central Payroll, and the OnePhilly Team; and it is affirmed by the various errors we identified through our own independent analysis.

- The April 3rd Response states that the HR transactions data "provided was specific to the request received."

Throughout our analysis, we repeatedly requested HR transaction data with which to identify a record of every HR Transaction that took place, and the corresponding date on which that transaction was effectuated. This information has not been provided, and it remains unclear as to whether the OnePhilly Team is able to do so.

2. <u>OnePhilly's Failure to Reduce Inefficiencies and Redundancies for Time and Pay</u>

- The April 3rd Response calls "misleading" our assertion that "time entry and payroll processes post Go-Live have resulted in increased workloads and increased risk associated with erroneous time entry and payroll."

We find the aforementioned statement to be in no way misleading. Rather, it is entirely consistent with what we learned in our walkthroughs and meetings with stakeholders from the various departments.

- The April 3rd Response characterizes as "faulty" "certain statements" of ours related to the increased manual workload (e.g., clerical work) incurred by the various departments post-Go-Live.

The April 3rd Response does not refute the examples presented or the findings concluded upon in this section. Specifically, OnePhilly has created new inefficiencies in how employees report and are paid for time worked.

- The April 3rd Response refers to an example presented in the EisnerAmper Draft Report as "inaccurate."

The April 3rd Response does not explain how or why this specific example[1] is incorrect; therefore, we see no reason to adjust or reconsider our finding.

- The April 3rd Response states generally that our analysis of the ISIS time data in comparison to the OTL time data – and corresponding finding that potential overpayments and underpayments can be identified through such an analysis – considers the wrong dataset. Specifically, the April 3rd Response states the time entry in the OTL would agree to route sheets, which are the documents utilized by Field Supervisors to enter time into the OTL. It then concludes, "Therefore, time was captured accurately in OnePhilly, and no overpayments/underpayments were made in these instances."

The April 3rd Response does not properly address the analysis or findings in this section of the EisnerAmper Draft Report. Importantly, it fails to consider or address the examples presented; for instance, employees with Unpaid Time recorded in ISIS, but who received payment for Assumed Time via the OTL. Moreover, its explanation of how time is ultimately entered into OTL differs from what we learned in discussions with the Streets department. Specifically, we state:

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[1] The April 3rd Response specifically refers to "an example of time capture for the Streets department on pages 8 of 34 and 9 of 34" which suggests "time was inaccurately captured in the OnePhilly OTL and may have resulted in overpayments or underpayments."

With respect to Streets, approximately 1,200 sanitation employees' paper timesheets are inputted into its Integrated Sanitation Information System (ISIS) by clerks in the field. Payroll clerks then print reports from ISIS and manually reenter the data from those reports into OnePhilly each day. This is a very time-consuming process which OnePhilly did not plan for. The OnePhilly Team initially planned to train clerks in the field to enter time directly into OnePhilly (which would have eliminated the use of ISIS for time entry); however, that training was unsuccessful, and ISIS continues to be utilized.

At no time did Streets personnel state that time is entered into OTL using route sheets. More importantly, we doubt that the OnePhilly Team has performed a comparison of route sheets to ISIS, and subsequently route sheets to the OTL; and even if it has, that such analysis would be of sufficient magnitude to conclude, "no overpayments/underpayments were made in these instances."

4. OnePhilly Time and Pay Approvals

- The April 3rd Response states, "Your statement that '*Based on our analysis, at least 30 percent of the approvals in the OTL Audit Trail appear to have been executed by OnePhilly Team personnel; and approximately 95 percent of the OnePhilly approvals appear to have been executed by one individual*' indicates a lack of understanding of the design of the City's Payroll process as it relates to time capture and approvals"

We do not agree with the above statement. We understand the City's Payroll process as it relates to time capture and approvals, including the approval process and functionality within OnePhilly.

5. Assumed Time

- The April 3rd Response states, "the statement '*We also identified instances where Assumed Time was changed to reflect unpaid time (or reduced or removed entirely), or, when Assumed Time changed, it resulted in additional hours being paid (e.g., 7.5 hours of Assumed Time was replaced with 8 hours of Time Entry Wages). All of the above instances would indicate that unchanged Assumed Time has and continues to result in overpayments, underpayments, and other errors*' misleadingly has a negative connotation."

The statement that is made is not misleading, nor does it have a negative connotation; rather, it is presented to demonstrate that Assumed Time, once edited, has been changed to time other than regular hours for regular pay, which is what is "assumed" in Assumed Time. Therefore, any unedited assumed time could result in overpayments, underpayments and other errors.

- The April 3rd Response states that, because the Assumed Time program cannot "undo hours types that have been applied," instances where non-Assumed Time was subsequently changed to Assumed Time would in-fact represent a "manual update, when the department did not have the appropriate documentation for the hours initially recorded."

This comment incorrectly assumes that our finding relates to the Assumed Time program and not the ability to manually change time entries to assumed time. We find this comment to be problematic. If true, it would mean that OnePhilly allows individuals to replace time for which they did not have the appropriate documentation to support the original time entry (e.g., in the EisnerAmper Draft Report we gave examples of Regular Hours, Vacation, Leave, Comp Used, and IOD time being changed to Assumed Time), so they instead changed the time to reflect Assumed Time. If this comment in the April 3rd Response is accurate,

we would consider recommending that OnePhilly prioritize its analysis of all final,[2] unchanged Assumed Time to begin with an analysis of these instances.

6. Regular Work Day and Standard Hours

- The April 3rd Response concludes that, in "either case, and according to feedback from Departments, employees are correctly being paid according to their work schedules."

The findings outlined in the EisnerAmper Draft Report identify issues in which employees appear to be coded incorrectly; are paid what appear to be incorrect hourly rates; or some combination of the two. At the request of the OnePhilly Team, we provided an analytical work paper with which to analyze the various examples that led to our finding; however, the April 3rd Response does not appear to have considered, or likewise responded to, the basis for our conclusion.

7. Leave Balances

- The April 3rd Response refers to the following statement as "misleading": [OnePhilly's inability to maintain accurate leave balances for employees] forced the Departments to accept responsibility for leave balance tracking."

This statement is not misleading. As discussed in detail in the EisnerAmper Draft Report, soon after Go-Live, it was determined that the accrual balances within OnePhilly were unusable; and, as a result, the departments were instructed to assume the responsibility of tracking their employees' accruals outside of the system.

8. Sick Abuse

- The April 3rd Response states the following:

> Since the earliest warning report that could have generated in OnePhilly was a minimum of 5 pay periods after go-live and the earliest timeline in which an employee could have been placed on Sick Abuse was after 7 pay periods, given that FY2019 only had 7 pay periods applicable to the OnePhilly system, the majority of the employees on the sick abuse list for the period under audit would have been employees on the sick abuse listing in Legacy. Departments maintained the listing of these employees extracted from Legacy.

This response is indicative of a lack of understanding of the Sick Abuse policy. Pay periods are not relevant to the tracking of excessive sick time; rather, days are the relevant measure. If an employee had five days of Uncertified Sick time within the first pay period after Go-Live, we would expect the "earliest warning report" to be generated within that pay period.

Additionally, the statement, "the majority of the employees on the sick abuse list for the period under audit would have been employees on the sick abuse listing in Legacy," would seem to indicate that the OnePhilly Team did not properly consider our findings, or the analytical work papers we provided which support them. We identified approximately 75 employees who continued to receive payment for Uncertified Sick

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[2] In the EisnerAmper Draft Report, we provided the following recommendation: "Review and replace all Assumed Time that was paid and not subsequently adjusted to reflect some form of regular or unpaid time entry." The April 3rd Response does indicate whether the OnePhilly Team intends to perform the analysis we recommended.

time despite being on the Sick Abuse list at Go-Live, while we identified over 100 employees who were not on Sick Abuse at Go-Live, but who appear to have violated the Sick Abuse policy after Go-Live.

- The April 3rd Response states that, with regard to analyzing which employees were incorrectly left off the Sick Abuse list after Go-Live, an "evaluation of uncertified sick solely based on Statement of Earnings could lead us to faulty assumptions of the workforce Sick Abuse situation. Any such analysis can be completed only after consideration of Retro Sick, NO Note to Retro Sick, with note."

As discussed in the EisnerAmper Draft Report and further evidenced in the analytical we provided to the OnePhilly team, our analysis takes all identifiable retroactive adjustments into consideration.

- The April 3rd Response states that "Consideration also should be placed on the CUC of the employee being considered in testing. For example, the standard sick abuse policy does not apply to exempt employees.

The population of potential overpayments identified does not include exempt employees. Further, while exempt employees are not subject to the same sick leave policy enforced against civil service employees, we note that the Controller's Office has previously recommended that that the City's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management for its exempt employees.

- The April 3rd Response states that "the OnePhilly team is already working on enhancing system functionality to enable maintenance of a Sick Abuse Listing in the system."

This statement is a confirmation of OnePhilly's inability to track Sick Abuse.

- The April 3rd Response states, "management made a conscious decision to not place any additional employee (sic) on Sick Abuse listing amidst the major cultural transformation that the organization was going through."

This statement is a confirmation of our findings. Further, we note that it is unclear to what extent the Controller's office and/or other City personnel were made aware of management's decision to not enforce the Sick Abuse policy "amidst the major cultural transformation" to which this statement refers.