

Annual Auditor's Report on Philadelphia City Departments Fiscal Year 2019



City Controller
Rebecca Rhynhart
September 2020



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

Wednesday, September 9, 2020

Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, Room 1330
Philadelphia, PA 19102-1685

Dear Mr. Dubow,

The Controller's Office has examined the financial affairs of the various departments of the City of Philadelphia for fiscal year 2019 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. The examination sought to determine if management of each department has suitable internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditures. Attached is our report detailing our findings, recommendations and the department's response.

Managing overtime continues to be a significant problem for the city. Of the overtime tested during our audit, totaling almost \$1.7 million, 43% of instances were not properly authorized. Considering the city's fiscal situation, it is critical that the city address overtime authorization issues, as well as overtime drivers. Sick leave abuse can be an overtime driver, especially in departments with mandatory staffing levels. Of the seven departments with overtime findings, the Police Department was the only department that did not also have findings related to sick leave. At a time when resources are particularly limited, allowing employees to work overtime on a discretionary basis or without following proper authorization practices may result in unnecessary payroll expenses that the city cannot afford. In total, 15 departments had sick leave findings, including six departments that did not properly enforce the sick leave policy for any of the employees tested. Overall, the city paid out more than \$390,000 to employees in sick time for which they were not eligible to be paid.

Last year, nine departments said OnePhilly would resolve some of their payroll findings. We cautioned that if other steps were not taken outside of OnePhilly, these findings would likely be conditions again in the FY19 audit – and it appears that many departments did not heed our warning and the conditions were identified once again. In this year's audit, additional departments said that OnePhilly would resolve or did resolve the payroll conditions we identified. Given my office's review of the OnePhilly system and the widespread breakdowns in functionality identified

in it, OnePhilly should not be treated as a quick fix for all payroll findings. I strongly urge departments to implement solutions to payroll findings without relying solely on OnePhilly. Otherwise, many of these conditions will continue to be a finding in our FY20 Departmental Audit. I also want to use this moment to renew my call for you and Mayor Kenney to prioritize addressing OnePhilly's shortcomings with urgency.

We discussed our findings and recommendations with management and staff of the city departments during the course of the examination. We would like to express our thanks to management and staff for their cooperation in this process.

We hope that you will address these findings with the department heads and push them to remedy these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca Rhynhart', with a stylized, cursive script.

Rebecca Rhynhart
City Controller

CC: Honorable James F. Kenney, Mayor
Honorable Darrell L. Clarke, City Council President
Honorable Members of City Council
Honorable Rochelle Bilal, Sheriff
Honorable Lisa Deeley, City Commissioner
Honorable Idee Fox, President Judge, First Judicial District
Honorable Tracey L. Gordon, Register of Wills
Honorable Lawrence Krasner, District Attorney
Honorable Omar Sabir, City Commissioner
Honorable Al Schmidt, City Commissioner
Tumar Alexander, Acting Managing Director
James Engler, Chief of Staff, Office of the Mayor
Stephanie Tipton, Chief Administrative Officer



ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY DEPARTMENTS EXECUTIVE SUMMARY FISCAL YEAR 2019

In accordance with the Home Rule Charter, the City Controller's Office examines the financial affairs of city departments as part of the audit of the city's basic financial statements. The focus of the examination is to determine if management of each department has suitably designed and placed in operation internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities. This review, referred to as the Departmental Audit, includes findings about operational and financial deficiencies that need to be addressed with department heads by the Finance Director, as well as recommendations from the Controller's Office and responses from departments regarding the findings. Departments are tested on a tiered system based on whether their revenue or expenditure amounts or their processes may significantly impact the city's financial statements.

Key Findings – Fiscal Year 2019

The City of Philadelphia's sick leave policy, which addresses civil service employees, aims to reduce unnecessary use of sick leave. Under the policy, employees who miss eight days of work due to illness in a given year without documentation should not be paid for additional sick days taken (specific conditions apply). The Controller's Office found that 15 departments did not enforce the sick leave policy properly, resulting in the city paying employees more than \$390,000¹ of sick time for which they were not eligible to be paid. In addition, the use of sick time may increase departmental overtime in departments or functions with mandatory staffing levels.

- Six departments: Streets, Public Health, Behavioral Health, Licenses and Inspections, Aviation and the Free Library of Philadelphia, did not properly enforce the sick leave policy for any of the employees tested, resulting in more than \$105,000 in payments to employees for which they were not eligible. Notably, this includes the following findings.
 - In Aviation, employees continued to use and be paid for sick leave for which they should not have been paid, totaling more than \$34,000. This has been reported as a finding for six years without remediation.
 - In Public Health, inappropriate sick leave policy enforcement resulted in tested employees receiving more than \$32,000 in sick benefits for which they were not eligible. This finding has been reported for five consecutive years without remediation.
 - For the seventh year, inappropriate sick leave policy enforcement in Behavioral Health resulted in more than \$21,000 in unauthorized sick benefits being paid to employees.

¹ Amounts under \$2,000 may not be listed in the body of the report.

- Streets employees tested were paid more than \$15,300 in unauthorized sick time. According to the city's online payroll system, nearly seven percent of Streets' total employees used more than eight sick days without documentation in calendar year 2018. The sick leave finding has been reported for five years without remediation.
- The Fire Department did not properly enforce the sick leave policy for 90 percent of the employees tested. These employees continued to use and be paid for sick leave days taken after their eighth undocumented day, totaling more than \$145,500.
- The Philadelphia Prison System did not properly enforce the city's sick leave policy for 90 percent of the civil service employees tested. According to the city's online payroll system, nearly 11 percent of Prisons' employees used eight or more sick days without documentation throughout calendar year 2018. Because the policy was not enforced, Prisons' employees tested in this audit were paid nearly \$80,000 in sick leave time for which they were not eligible. The sick leave finding has been reported for six years without remediation.
- The Department of Human Services did not properly enforce the city's sick leave policy for more than 80 percent of the civil service employees tested. As a result of the policy not being enforced, DHS employees tested in this audit were paid nearly \$30,000 in sick leave time for which they were not eligible. In total, more than seven percent of DHS staff had eight or more undocumented sick days in calendar year 2018 according to the city's online payroll system. The sick leave finding has been reported for seven years.

Other departments with sick leave policy enforcement deficiencies include: the Managing Director's Office; Office of Innovation and Technology; Water Department; Philadelphia Parks and Recreation; Office of Fleet Management; and Office of the Sheriff. It is worth noting that several departments do not follow or enforce a sick leave policy for exempt employees. Without a policy for them, exempt employees may not be penalized for excessive use of sick leave.

Another finding addresses overtime approval and authorization. Proper approval and authorization for overtime requests is an essential internal control to ensure overtime is required and appropriate. Allowing employees to work overtime on a discretionary basis or without following proper authorization practices may result in unnecessary payroll expenses by the city. Of the nearly \$1.7 million in overtime tested during the audit, we found that 43% was not properly authorized.

- Overtime in the Streets Department was not properly authorized for any of the 26 instances selected for testing. Improper overtime approval has been a finding for eight years without remediation.
- In the Water Department, overtime was not properly authorized in 94% of instances tested.
- Overtime was paid to Police Department employees without management approving the hours or reason for overtime in more than 50 percent of instances tested.

- Overtime was paid to Division of Aviation employees without management approving the hours or reason for overtime in 27 percent of instances tested. This has been a finding for four years without remediation.

The Controller's Office found that three other departments did not properly authorize overtime: the Department of Behavioral Health and Intellectual Disability Services; Philadelphia Prisons System; and Free Library of Philadelphia.

For the second year in a row, the Controller's Office found that the Department of Licenses and Inspections did not reconcile housing inspection license renewal revenue to the city's financial accounting system daily, as required. Failure to reconcile cash receipts to the city's accounting system daily increases the risk of misstatement of revenues and creates an opportunity for misappropriation of funds. The total housing inspection license renewal revenue was \$16.4 million for fiscal year 2019. Of the 15 sample days tested, the Controller's Office noted differences in revenue posted by the department and the city's accounting system totaling nearly \$314,810.

Several departments had petty cash and imprest fund-related issues, including 11 departments that did not properly prepare monthly bank reconciliations and 10 departments that had unexplained shortages and overages in the department's cash accounts. For example, a \$15,433 overage in the Finance Department's Workers' Compensation Fund Imprest account was not corrected for five months. Failure to reconcile the cash accounts properly increases the risk that errors or irregularities may occur and not be detected, while failure to investigate shortages or overages increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.

Recommendations

The Controller's Office has developed a number of recommendations to address individual department findings. Recommendations can be found in the body of the report.

ANNUAL AUDITOR'S REPORT
ON
PHILADELPHIA CITY DEPARTMENTS
FISCAL YEAR 2019

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Note: The conditions noted in this for report for departments marked with an asterisk occurred under the administration of a previous department head.

BACKGROUND

Organization of Philadelphia Government

The City of Philadelphia is primarily governed under the Philadelphia Home Rule Charter (Charter), which was adopted by the electors of the City of Philadelphia on April 17, 1951. The responsibility for the management of the city is vested in two branches – a legislative branch and an executive and administrative branch.

City Council is the legislative branch of city government. It consists of seventeen members; ten members are elected from councilmanic districts and seven from the city at large. The Charter gives City Council the power to enact legislation by ordinance, to appropriate funds to each city department, and to make inquiries and investigations by way of resolution.

The mayor heads the executive and administrative branch of city government which includes all officers, departments, boards, and commissions. The mayor, who is the chief executive officer of the city, has a wide range of duties and responsibilities over all aspects of city operations. Those responsibilities are carried out primarily through the right to appoint and remove principal administrative officers, and by exercising control over expenditures. Five principal assistants help the mayor to formulate and carry out policy – the managing director (supervises the city's service departments such as Police, Fire, Water, Health and Streets), the director of finance (supervises the budgeting, accounting, purchasing, and the billing and collecting for virtually all city revenues), the commerce director (oversees all economic development in the city), the city representative (the chief public relations officer), and the city solicitor (the city's legal advisor).

City government also consists of independent elective offices which were brought under the Charter by way of the city-county consolidation amendment to the state constitution. These former county offices are not under the direct control of the mayor but are subject to the city's centralized accounting controls and budgeting system.

The city's local courts are part of the state's unified judicial system. These courts, which comprise Pennsylvania's First Judicial District, are financed by the city. However, all court employees are outside the city's civil service system and their pay rates and working conditions are set by the courts.

Management

Department heads and their deputies are responsible for the effective and efficient management of their department's operations. The findings and recommendations section of this report includes a discussion of the functions of each city department examined, the fiscal 2019 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

City Accounting System and Internal Controls

The Charter requires the director of finance to establish, maintain, and supervise an adequate and modern accounting system for the city. As such, the director of finance has been charged with the responsibility for developing an organized set of manual and computerized accounting methods, procedures, and controls, which have been established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data, including the city's Comprehensive Annual Financial Report.

A significant aspect of the accounting system is internal control. Internal control comprises the processes designed to (1) prevent or timely detect unauthorized acquisition, use, or disposition of assets, (2) ensure the reliability of financial reporting, and (3) help make certain there is compliance with applicable laws and regulations.

Although the Charter places primary responsibility for establishing and maintaining internal controls with the director of finance, department heads and managers all have a responsibility for ensuring that the controls established by the director of finance are in place and operating effectively so as to safeguard the financial resources that have been entrusted to them.

RISK BASED APPROACH AND TIER RANKING

A risk-based rating model was implemented in fiscal year 2018 which is based on the analysis of revenues and expenditures of each city department. The risk-based model is used to identify significant revenue and expenditures within each department, the internal controls in place over revenues and expenditures, and the significance of prior year audit findings and their potential impact on the city's financial statements. Based on the results of this analysis, the departments were categorized into one of three tiers for audit examination. Departments were ranked Tier 1, 2 or 3 based on these factors. Tier 1 departments are departments with significant revenue and expenditure amounts or internal controls that may significantly impact the city's financial statements. Tier 2 departments have a specific revenue or expenditure amount or an internal control process that may significantly affect the city's financial statements. Tier 3 departments do not have a significant effect on the city's financial statements.

Departmental testing of the financial affairs and operations of various city departments was based on the risk rating model. This approach considered significant revenues and expenditures within each department, and the significance of the previous year's audit findings related to internal controls and their potential impact on the city's financial statements. In conjunction with the risk rating model, auditor judgment, as well as the results of comparative analysis of any significant variances are also used to determine the manner in which a department is tested.

SCOPE OF AUDIT WORK AND SUMMARY OF FINDINGS

Our testing of all audit areas encompasses the period of July 1, 2018 through June 30, 2019. However, the personal services conditions noted throughout this report and summarized in Appendix I occurred prior to the city's implementation of the OnePhilly payroll system in March 2019.

**TIER 1
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Innovation and Technology (OIT) was established on August 22, 2011 by executive order of the mayor. OIT oversees all major information and communications technology initiatives for the City of Philadelphia. OIT responsibilities include: identifying the most effective approach for implementing new information technology directions throughout city government; improving the value of the city's technology assets and the return on the city's technology investments; ensuring data security continuity; planning for continuing operations in the event of disruption of information technology or communications services; and supporting accountable, efficient and effective government across every city department, board, commission and agency. A chief innovation officer, appointed by the mayor, heads the department. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head
Mark Wheeler, Chief Technology Officer
Office of Innovation and Technology
1234 Market Street, Suite 1850
Philadelphia, PA 19107

Appropriations:

General Fund	\$100,871,935
Water Fund	31,966,821
Grants Revenue Fund	56,227,547
Aviation Fund	2,163,089
Capital Fund	<u>89,117,000</u>
Total Appropriations	<u>\$280,346,392</u>

Estimated Revenues:

Non-Tax Revenue	\$ 80,618,000
From Other Governments	208,000
From Other Funds	<u>53,034,000</u>
Total Estimated Revenues	<u>\$133,860,000</u>

Number of Full Time Employees:

Civil Service	115
Exempt	<u>277</u>
Total employees	<u>392</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property owned and used by the department was not always accurately accounted for on the department's records.</u> During our review of the city's database, we noted that 10 of the 18 personal property sample items selected for testing and observed by auditors, could not be traced to the department's inventory records.</p>	<p>Failure to maintain accurate records increases the risk of misstating personal property inventory values. The sample items that could be not be traced to the departmental records totaled \$430,859.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations of all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. The department should work with the Procurement Department and reconcile their records to the city's database [100418.01].</p>	<p>OIT will work to ensure it reconciles its inventory records and, where necessary, also account for all property and remove from its records any property that cannot be located after three years.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 198 items valued at \$3,921,296 which were reported as “cannot locate” items for over 3 years.	Allowing items that have not been located for over three years to remain in the city’s database overstates the value of the personal property assets and unnecessarily complicates the physical count process.	Management should maintain accurate inventory records that identify the proper field locations for all personal property. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed after three years and reconcile their records to the city’s database [100418.03].	OIT will continue to work with the Procurement Department to reconcile records as recommended, and, address any shortcomings in OIT and Procurement policies and processes that potentially contribute to inaccurate inventory records.
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [100419.01].	OIT shall reinforce with its managers and supervisors the importance of timely completing annual employee evaluations for all civil service personnel.
<u>City sick leave policy was not enforced.</u> We noted that the department did not properly enforce the city’s sick leave policy for two of the three civil service employees we selected for testing. One employee received their fifth-day warning letter and eighth-day placement letter in an untimely manner, while the second employee did not receive their five-day warning letter or eighth-day placement letter and was not penalized for subsequent sick usage. This employee continued to use and be paid for uncertified sick leave in violation of the city’s sick leave policy.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [100418.04].	OIT will work to ensure that exempt employee sick leave is more strictly monitored by supervisors and managers, who will be reminded to address situations where an exempt employee is perceived to be abusing sick leave. OIT will also work to ensure that the city’s sick leave policy is followed for civil service employees and that appropriate counseling and required notices are provided in a timely manner in accordance with city policy and civil service regulations.

¹ According to the city’s on-line payroll system, there were 47 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>The department should have counseled this employee and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence and subject to discharge after the fifth occurrence. Although OIT's exempt employees are not subject to the city's Sick Leave Abuse Policy for its civil service employees, we also noted two exempt employees exceeded the city's eight-day limit on undocumented sick leave according to the on-line payroll system. Our testing disclosed these employees received \$20,307 in paid sick leave that they would not have been entitled to had OIT adopted the city's sick leave policy for its exempt employees.</p>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Personal property with a value of \$750 or more was not tagged.</u> Three of the 15 personal property samples we tested, totaling \$58,476, were not tagged.</p>	<p>Failure to tag personal property increases the risk of misappropriation, theft, and misplacement of personal property.</p>	<p>Management should ensure that all personal property with a value of \$750 or more is properly tagged [100418.02].</p>	<p>Implemented.</p>

City of Philadelphia
Police Department*
Findings and Recommendations
Fiscal Year 2019

Functions

The Police Department was established by the Philadelphia Home Rule Charter to serve as the city's chief law enforcement department. The department has the responsibility for preserving public peace, preventing and detecting crime, policing streets and highways, and aiding in the administration and enforcement of state laws and city ordinances within the City of Philadelphia. The department is headed by a police commissioner, appointed by the managing director with the approval of the mayor. The department was designated as Tier 1 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Danielle Outlaw, Commissioner	General Fund \$709,492,944	Non-Tax Revenue \$ 4,270,000
Police Department	Grants Revenue Fund 15,746,029	From Other Governments 18,946,000
314 Police Headquarters	Aviation Fund 17,131,737	Total Estimated Revenues \$23,216,000
8 th and Race Streets	Capital Fund 51,495,000	
Philadelphia, PA 19106	Total Appropriations \$793,865,710	
		<u>Number of Full Time Employees:</u>
		Civil Service 7,407
		Exempt 12
		Total Employees 7,419

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property owned and used by the department was not always accurately accounted for in either the city's or the department's personal property records.</u> During our testing, we noted that two personal property sample items selected from the city's database and one selected from the department's records, with a combined value of \$160,859, could not be found at their specified locations. We were informed by departmental personnel that two of the items were previously disposed. However, they could not provide documentation supporting the disposals. In addition, three personal property items selected for testing from observation, the city's database, and a listing of department expenditures could not be traced to the department's inventory records.</p>	<p>Failure to maintain accurate records increases the risk of misappropriation and the misstatement of personal property inventory values.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items that have been disposed or cannot be located for three years should be removed from the department's records as well as the city's database. In addition, the department should maintain documentation of disposed property and work with the Procurement Department to reconcile their records to the city's database [101119.01].</p>	<p>The Police Department continuously strives to maintain and improve the accuracy of its inventory. Field points are assigned to each unit and maintained by the Inventory Control Technician (ICT). When items are requested for disposal, the associated field point, as well as the unit assigned to that field point are indicated on the form. Report of Loss forms were submitted for last year's inventory and this process will be continued in future years. The Procurement Department controls the removal of property tags from the inventory.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 110 items valued at \$1,164,172 which were reported as “cannot locate” items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets, and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and periodically reconcile their records to the database [101118.02].</p>	<p>The department continues to ensure property tags are placed on all equipment when warranted. The department has implemented the process of a Report of Loss form for the “Cannot Locate” items. We are continuing to use this process with the cooperation of the commanding officer of each unit. Once a commander verifies the items are not on location, they initiate the Report of Loss form to be sent to Procurement. The Materials and Supply Unit will coordinate this process along with the Department Inventory Manager. The inventory Control Technician will perform quarterly reconciliation to Procurement’s records to verify Procurement has removed the items from our inventory.</p>
<p><u>The department did not maintain proper documentation for the removal of disposed personal property items.</u> We noted that the Police Department failed to provide the Procurement Department with the proper documentation supporting the disposal of personal property items. In addition to the items cited in our previous comment (Recommendation No. 101119.01), we noted two disposed items valued at \$2,498 that incorrectly remained on the city’s personal property database.</p>	<p>Failure to provide the proper documentation for disposed personal property items results in an inaccurate valuation of the department’s assets in the city’s personal property database.</p>	<p>Management should ensure that disposed items are supported with the proper documentation and sent to the Procurement Department, so the items can be removed from the personal property database [101118.03].</p>	<p>The department ensures disposed items are supported with the proper documentation and sent to Procurement. For E-waste disposals, they are sent to IT Help with the disposal form, pick-up form to create a ticket number. IT Help sends this information to Procurement to request an authorization for disposal. Once authorization is received, AERC is notified to pick up for disposal. Once disposal is complete, IT Help submits this information to Procurement who will then verify it has been removed from inventory. For Non E-Waste disposals of property tags, memos have to go through the chain before it is forwarded to Inventory Control Technician. The ICT will send a disposal request form to Procurement and once authorization is given, arrangements are made for pick –</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>up via Superior Moving Company, the authorized vendor. When the disposal is completed, the weight slip is sent to Procurement to remove the item from inventory.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested, which resulted in an overpayment</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid \$919.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. Require management to submit a Payroll Credit Advice for the overpayment [101119.02].</p>	<p>There were some errors and irregularities with the transition to the OnePhilly payroll system. Any overpayments are recovered through their terminal leave check or from the employee's pension. Any incorrect/ineligible payroll checks for separated employees are processed by a Payroll Credit Advice for any overpayment.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for three of the seventeen employees we selected for testing. In addition, the leave request for another employee did not show evidence of supervisory approval.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101119.03].</p>	<p>Employees are required to submit annual vacation requests for the year that must be approved by the employee's deputy commissioner's office. Any leave time requested by an employee outside of the annual requests must be approved by the commander of the unit. The procedure for requesting leave time is determined by each unit's commanding officer.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide evidence of overtime authorization for 38 of the 68 dates selected for testing. Additionally, in five instances, overtime authorizations provided were not approved by a supervisor. We noted that seven officers in particular, earned a combined total of over \$189,000 in overtime during the 2019 fiscal year.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101117.02].</p>	<p>The department through the Audit and Inspections Division, audits police units to ensure all overtime is properly approved in writing by supervisory personnel.</p>
<p><u>For the sixth consecutive year we have reported that daily attendance record postings were not always properly authorized.</u> The Police Department uses its computerized Daily Attendance Report (DAR) System to maintain the daily payroll attendance records for all department personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, our review of 17 Police Department employees found 31 instances where DAR entries were not approved by a unit supervisor. We also noted 72 instances where Police Department employees who entered the attendance information into the DAR system also approved it. Finally, we found 11 instances where the employee entered or approved their own time worked.</p>	<p>Errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate incompatible duties also provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll. Ultimately, employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Instruct unit personnel as to the proper procedures to be followed when processing DAR entries. Additionally, establish a centralized monitoring procedure where designated personnel would receive a report of all DAR entries not approved and follow up with non-complying units. Lastly, the duties of entering payroll data into the DAR System should be segregated from the duties of performing supervisory reviews and approvals. A possible solution would be to reprogram the system so that the individual performing data entry could not also sign-off as the supervisor [101113.01].</p>	<p>The Police Department runs a daily report of all DAR entries not certified by the same person. We use this report to follow up with all non-complying districts and units to ensure proper procedures are being followed. A memorandum on police payroll approval directive is sent to all commanders annually. While our directive requires segregating duties of entering and certifying DARs, there are times operationally this is difficult due to the availability of supervisors.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Duties for safeguarding personal property assets were not adequately segregated.</u> We noted that the same individual was responsible for maintaining departmental records, approving disposals, and accounting for the physical counts of personal property assets performed by each departmental unit.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign to separate individuals, the duties of maintaining departmental records, approving disposals, and accounting for the physical counts of personal property assets [101118.01].	Implemented.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$178.63 of petty cash funds on refreshments for meetings attended only by city employees.	The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101117.01].	Implemented.

City of Philadelphia
Department of Streets
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Streets was established by the Home Rule Charter to be responsible for all functions relating to over 2,575 miles of streets, roads, and highways in the City of Philadelphia. A commissioner, appointed by the city's managing director with the approval of the mayor, directs the department. Powers and duties of the Department of Streets include: designing, constructing, repairing, and maintaining streets and roads within the city of Philadelphia, and drives within Fairmount Park; installing, maintaining, and operating equipment for lighting city streets; cleaning city streets; removing and disposing refuse; administering and enforcing statutes, ordinances, and regulations for maintaining the cleanliness of city streets; developing regulations governing traffic and parking as authorized by statute or ordinance; and performing all surveying functions for the city. The department was designated Tier 1 for fiscal year 2019.

Name and address of department head
Carlton Williams, Commissioner
Department of Streets
Municipal Services Building, 7th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:
General Fund \$141,981,270
County Liquid Fuels Tax Fund 7,273,000
Special Gasoline Tax Fund 35,940,000
Grants Revenue Fund 23,779,000
Capital Fund 532,505,000
Total Appropriations \$741,478,270

Estimated Revenues:
Non-Tax Revenue \$28,154,000
From Other Governments 69,888,000
Total Estimated Revenues \$98,042,000

Number of Full Time Employees:
Civil Service 1,819
Exempt 24
Total Employees 1,843

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly petty cash bank reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that three of the eight bank reconciliations selected for testing were not prepared timely.</p>	<p>Failure to timely perform monthly bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101219.01].</p>	<p>The time period under review reflected a transition in our petty cash process due to sudden, unexpected staff attrition. A new employee was assigned this responsibility and was learning the process during this time. Since then, petty cash reconciliations have been processed in a timely manner.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>A shortage existed in the department's petty cash account.</u> During our review of the department's petty cash, we noted that the petty cash fund had an unexplained shortage of \$508. The department was unable to provide any documentation that would enable us to determine the cause of the shortage.</p>	<p>Failure to properly reconcile the petty cash account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increase the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101219.02].</p>	<p>The time period under review reflected a transition in our petty cash process due to sudden, unexpected staff attrition. A new employee was assigned this responsibility and was learning the process during this time. Protocols are now in place to control and address overages or shortages when they occur.</p>
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the monthly bank reconciliations were not properly prepared. The following items were erroneously recorded in the bank reconciliation:</p> <ul style="list-style-type: none"> • The beginning book balance did not agree to the checkbook beginning balance. • A voided check in the amount of \$131, could not be substantiated by supporting documentation and was not recorded in the checkbook for that month. 	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. In addition, there is an increased risk that errors or irregularities may occur and not be detected and that the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that the petty cash fund is properly reconciled in accordance with standard accounting procedures of the city's Finance Office. [101217.01].</p>	<p>Streets will review monthly petty cash bank and fund reconciliation procedures and ensure proper controls are put in place for accurate reconciliations.</p>
<p><u>For the fourth consecutive year, we have reported that the use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for refreshments at meetings where only city employees were present. The unallowable expenditures totaled \$2,001.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under the standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101216.03].</p>	<p>Streets prohibits the use of petty cash for refreshments at meetings and has communicated this to, and retrained, petty cash administrators who are responsible for monitoring to ensure disbursements for unallowable expenditures do not recur. It is believed the findings identified in this audit reflect processes occurring prior to this training.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 20 items valued at \$186,340 which were reported as “cannot locate” items for over 3 years.</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets, and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the city’s database after 3 years and periodically reconcile their records to the database [101219.03].</p>	<p>Streets has established new inventory control processes which include multi-tiered reviews and checks on listed inventory. This will include removing “cannot locate” property items after 3 years to more properly reflect our inventory records.</p>
<p><u>The department did not maintain proper documentation for the removal of disposed and transferred personal property items.</u> During our testing of personal property disposals and transfers, we noted that the department did not maintain documentation for the disposal of five personal property items and the transfer of three personal property items.</p>	<p>Failure to maintain the proper documentation for disposed or lost/stolen personal property items increases the risk of misappropriation and may result in an inaccurate valuation of the department’s assets.</p>	<p>Management should ensure that disposed or transferred items are supported with the proper documentation. [101219.04].</p>	<p>Streets has established new inventory control processes which includes a centralized and structured inventory disposal and transfer process and recorded documentation on appropriate authorizing forms.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Personal property owned and used by the department was not always accurately accounted for in the city's and the department's personal property records.</u> During our review of the department's personal property assets, we noted that four of the 15 personal property items selected for testing could not be found at their specified field locations.	Failure to maintain accurate records increases the risk of misappropriation and misstatement of personal property inventory values.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after 3 years. The department should work with the Procurement Department to reconcile their records to the database [101219.05].	Streets has established new inventory control processes which include multi-tiered reviews and checks on listed inventory. The department will be actively updating our listing and will coordinate reconciliation with the Procurement Department.
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Absences from work were not supported by approved leave requests, and supporting documentation when required, for three of the five employees we selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101219.06].	Streets field operations do not readily provide for documentation of authorized leave for unplanned absences, such as sick leave. Streets will review alternatives however, to establish more appropriate controls to track approved leave documentation.
<u>Unclaimed checks were not promptly returned to the city Treasurer's Office.</u> During our testing, we observed one unclaimed payroll check which remained in a locked file room for over three months past the check issue date.	The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.	Unclaimed paychecks should be returned to the city Treasurer within one week if the employee could not be located or immediately if the employee is deceased [101219.07].	Streets standard protocol is to return paychecks to the Treasurer immediately when the employee cannot be located. The listed finding is an anomaly and does not reflect our established and followed process in this regard.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 51 daily attendance records, we noted 15 records which showed the supervisor approving his/her own time, 14 records which showed no evidence of supervisory review, and two records approved by a supervisor who was absent from work on the day of approval.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [101218.02].</p>	<p>For Streets employees working in field locations, the on-site unit supervisor is often responsible for signing the overall unit daily timesheet as he/she is at the location and aware of the time worked in the field. As a practical matter, it is therefore not always possible for there to be another timesheet signature in these instances.</p>
<p><u>For the fifth consecutive year we are reporting that the city sick leave policy was not enforced.</u> We noted that the department did not properly enforce the sick leave policy for any of the ten sample civil service employees selected for testing. These employees continued to use and be paid for both certified and uncertified sick leave after their eighth undocumented sick day in violation of the policy. Consequently, they were paid \$15,340 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, eighth-day notification letters were not issued for eight employees, two employees received their eighth day letters in an untimely manner, and four employees did not receive a sick abuse warning letter after their fifth uncertified sick day.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend 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 [101215.03].</p>	<p>The full-scale implementation of viable control features as part of the OnePhilly system will allow Streets to monitor sick leave in real time without the current sick leave counseling signature requirement which has precluded timely implementation of sick abuse disciplinary action. The department is waiting for these features to be implemented and expects they will be soon.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

¹ According to the city's on-line payroll system, there were 122 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the eighth consecutive year, we are reporting that employee overtime was not authorized.</u></p> <p>Overtime was paid without evidence that management had approved the requests prior to employees working overtime. The department could not provide approved overtime authorization forms for any of the 26 instances of overtime we tested. Five employees in particular, earned a combined total in excess of \$185,000 in overtime during the fiscal year.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101211.01].</p>	<p>Streets employees performing curbside collection and roadway maintenance and repair work are solicited for overtime work verbally while in the field as required, precluding any formal pre-approved documentation. An established multi-step supervisory review and verification process is in place however which requires timesheets to be signed and approved by supervisors and subsequently authorized by senior management. The department has also implemented a new protocol requiring overtime assignments to be authorized in advance by the appropriate deputy commissioner or designee before being worked.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u></p> <p>The department could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101218.01].</p>	<p>Implemented.</p>

City of Philadelphia
Department of Public Health
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Public Health (DPH) was established by the Philadelphia Home Rule Charter to preserve and improve the health and well-being of the citizens of Philadelphia by supplying an available, accessible, and comprehensive system of health care. Other responsibilities include: the administration and enforcement of statutes, ordinances, and regulations relating to public health; the institution and conduct of programs to promote public education in all matters concerning public health; the establishment, maintenance and operation of health centers, stations, clinics, laboratories, and other health facilities; and the compilation, analysis, maintenance, and reporting of statistics and data concerning births, stillbirths, and deaths. A commissioner and three deputies manage the affairs of the DPH. These executives are appointed by the city's managing director, with the approval of the mayor. In accordance with the Home Rule Charter, the commissioner is made chairman of the Board of Health because the board is attached to the DPH and the regulations promulgated by the board will be the regulations of the department. The commissioner is assisted by three other specialized agencies acting in an advisory capacity: (1) the Air Pollution Control Board, (2) the Family Medical Care Board (also known as Community Health Advisory Committee), and (3) the Medical Examiner's Advisory Committee. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head

Thomas Farley, MD, MPH
Health Commissioner
Department of Public Health
Room 600 Municipal Services Bldg.
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Appropriations:

General Fund	\$156,633,875
Grants Revenue Fund	154,212,298
Acute Care Hospital Fund	162,212,408
Capital Fund	<u>43,533,000</u>
Total Appropriations	<u>\$516,591,581</u>

Estimated Revenues:

Non-Tax Revenue	\$ 26,546,000
From Other Governments	<u>234,332,000</u>
Total Estimated Revenues	<u>\$260,878,000</u>

Number of Full Time Employees:

Civil Service	869
Exempt	<u>27</u>
Total Employees	<u>896</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property owned and used by the department was not always accurately accounted for in the department's personal property records.</u> During our review of the department's personal property records, we noted that four of the 15 personal property items selected for testing valued at \$6,046, could not be located at their specific field locations. In addition, three items valued at \$9,631, could not be traced to the departmental personal property records.</p>	<p>Failure to maintain accurate records increases the risk of misappropriation and the misstatement of personal property inventory values.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the city's database after 3 years. [101419.01].</p>	<p>The department acknowledges the finding and notes that several items were disposed of or transferred to other field points without proper documentation. The department has taken stricter steps to ensure that appropriate personnel account for transfers and disposals as required.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 30 items valued at \$318,845 which were reported as “cannot locate” items for over three years.	Allowing items that have not been located for over three years to remain in the city’s database overstates the value of the personal property assets and unnecessarily complicates the physical count process.	Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the city’s database after three years and periodically reconcile their records to the database [101418.01].	The department has resubmitted appropriate Theft Loss reports to initiate removal of “cannot locate” (CNL) items as required. The department will continue to monitor this process to ensure that all qualified items are removed in a timely manner
FIDUCIARY FUNDS <u>Decedent personal effect accounts are not adequately checked for accuracy.</u> Of the 30 decedent accounts selected for testing, we noted 16 instances where the Certification of Search forms did not agree to the Decedents Personal Effects List forms ¹ . There were 10 instances where decedents were received with non-cash items per the Certification of Search form, however, the Decedents Personal Effects List did not indicate the non-cash items. In addition, six decedents were received with cash items per the Certification of Search form, however, while the Decedents Personal Effects List reflected the cash disbursed, the form did not accurately reflect receipt of the cash by the MEO.	Failure to properly review and reconcile the Certification of Search and Decedents Personal Effects List increases the risk of theft, and of data entry error, which may result in the incorrect disbursement of decedent personal effects to claimants. We noted an instance where a decedent was listed as received by the MEO with cash totaling \$390 which belonged to another decedent.	We recommend that the MEO Effects Clerk complete the cash amount section of the Decedents Personal Effects List whether or not cash was received as a safeguard to prevent the potential incorrect disbursement of decedent personal effects in accordance with standard accounting procedures of the city’s Finance Office. We also recommend an independent employee periodically reconcile the data per the Certification of Search forms to the Decedents Personal Effects List. [101419.02].	The procedure by which the Personal Effects List was completed was counterintuitive and failed to document in a way that was clear to outside observers those cases in which both cash and non-cash items were received. The Personal Effects List spreadsheet has been redesigned to clearly capture in each case the receipt of cash, non-cash personal effects, or both, as well as their disposition. All cash and non-cash entries in the Personal Effects List will be reconciled by an independent employee each time a bank deposit is made (at minimum once a week).

¹ Upon receipt of a decedent, the Medical Examiner’s Office (MEO) completes a Certification of Search form if personal effects are found. The Certification of Search form is then used to prepare a Decedents Personal Effects List which accounts for the receipt and/or disposition of the personal effects.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Decedent cash was not deposited in a timely manner.</u> Decedent funds held in custody by the MEO are required to be deposited daily according to the standard accounting procedures of the city's Finance Office. None of the decedent accounts tested indicated that deposits were made daily. The department alternatively implemented a procedure requiring bank deposits to be made when decedents' cash in the safe reached \$500. Our testing disclosed that the department also did not always comply with this alternative procedure. We noted four deposits totaling \$5,824 that were held three to nine days after the cash amount in the safe reached the \$500 limit.	Untimely deposits of cash on hand increases the risk of misappropriation.	Management should minimize the length of time that it takes to deposit custodial decedent funds [101419.03]. We also recommend that the department consult with the city's Finance Office to determine if the alternative procedure is acceptable and, if so, request that they update the standard accounting procedure for deposit of custodial decedent funds [101419.04].	Requirement to make daily bank deposits are operationally unfeasible for the MEO. The MEO will propose to Finance an alternative procedure consisting of: (1) a bank deposit on any day that the cash balance reaches \$500 and (2) a deposit every Friday (or Thursday, if Friday is a city holiday), irrespective of the balance.
<u>Decedent personal effect forms were not properly completed nor in accordance with standard accounting procedures upon release to claimants.</u> We noted that Certification of Search forms did not indicate the nature of the personal effects for four of the nine decedents whose personal effects were released to claimants. In addition, cash rather than checks was disbursed for five decedents that exceeded the \$10 amount allowed by the city's standard accounting procedure. The department alternatively implemented a procedure allowing cash under \$250 to be disbursed as cash.	Failure to ensure that decedent personal effect forms are properly completed, and that the disbursement of cash is limited to the amount allowed by standard accounting procedures increases the risk of misappropriation.	We recommend that the department ensure that decedent personal effect forms are properly completed, and that the disbursement of cash is limited to the amount allowed by standard accounting procedures [101419.05]. We also recommend that the department consult with the city's Finance Office to determine if the alternative procedure is acceptable, and, if so, request that they update the standard accounting procedure for the disbursement of cash [101419.06].	Any time the description of items on the Certification of Search form does not match what is found in the effects envelope, the Effects Clerk will complete a form identifying the discrepancy, which will be given to the Forensic Services Director for resolution. (This point of contact was chosen because both units that regularly complete the Certification of Search forms report to the Forensic Service Director.) In addition, employees who complete these forms will be given refresher training on the proper completion of the forms.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting personnel time in the field was incomplete.</u> The department was unable to provide us with field location sheets for employees selected for testing who worked outside of the office.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	Require employees to use call in/out procedures and field destination sheets when performing work duties outside the office. [101419.07].	The department acknowledges the finding and has an extensive Field Check Policy for all Environmental Health Services (EHS) field employees. The policy involves forms that are completed daily prior to the staff going out in the field. These forms specify the locations the staff person will be inspecting/investigating. As the employee is working in the field, he/she completes a "Field Mileage" form outlining the locations visited and the times each inspection/investigation was completed. The supervisor reviews and approves all work daily. Lastly, EHS tracks field work in the background on the tablet computers that staff use. Please note, that in the Field Check Policy, each supervisor conducts monthly field checks via phone and in person.
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for nine of the 16 dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101419.08].	Departmental payroll managers and supervisors are developing procedures for payroll staff to ensure that after payroll closing the staff is reviewing the timecards from previous pay periods and reaching out to the divisions to request the missing leave slips and supporting documentation.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the six civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101419.09].	In June 2020, PDPH Divisions/Units will receive via email, along with a spreadsheet of their respective employees, the annual performance reports and resources to assist with completion by the deadline.
<u>Attendance records could not be provided.</u> The department was unable to provide daily timesheets for two of the six employees selected for testing. In total, the department was unable to locate 11 daily timesheets for those two employees.	Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting department activities undermines the ability to effectively monitor and control departmental operations.	Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of departmental transactions [101419.10].	Currently PDPH is split between paper timesheets and ORACLE Time and Labor (OTL) timecards, with our biggest division on paper.
<u>For the fifth consecutive year, we are reporting that the city sick leave policy was not enforced.</u> The department failed to properly enforce sick abuse penalties for all 10 of the civil service employees selected for testing. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. Consequently, they were paid \$32,517 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, the department failed to provide written warning letters to employees after their fifth uncertified sick day for nine out of the 10 employees tested,	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy notification requirements, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101415.08].	The department acknowledges the findings and is working to come up with an effective method to ensure the sick abuse penalties are enforced.

¹ According to the city's on-line payroll system, there were 39 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>and letters notifying employees of placement on the sick abuse list after their eighth uncertified sick day were not provided for eight out of 10 employees tested. Lastly, two out of 10 employees received their eighth day letters in an untimely manner.</p>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The department did not follow proper procedures for the removal of disposed and lost or stolen personal property items.</u> During our testing, we noted that the Department of Public Health failed to provide the Procurement Department with the proper documentation necessary to update the city's Personal Property Database. As a result, five of the five disposed inventory items and two of the two lost or stolen inventory items we selected for testing incorrectly remained on the city's inventory records subsequent to being disposed, lost or stolen.</p>	<p>Failure to provide the proper documentation for disposed or lost/stolen personal property items will result in an inaccurate valuation of the department's assets in the Personal Property Database.</p>	<p>Management should ensure that disposed or lost/stolen items are supported with the proper documentation and sent to the Procurement Department, so the items can be removed from the Personal Property Database [101418.02].</p>	<p>Implemented.</p>
<p><u>Duties for safeguarding personal property assets were not adequately segregated.</u> During our review of the department's personal property record keeping, we noted that the same individual was responsible for maintaining departmental records and approving disposals of personal property.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign to separate individuals, the duties of maintaining departmental records, and approving disposals. [101418.03].</p>	<p>Implemented.</p>

City of Philadelphia
Department of Behavioral Health and Intellectual Disabilities Services
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Behavioral Health and Intellectual Disabilities Services (DBHIDS) was established in 2004 by executive order. The major objective of the DBHIDS is to assure the availability of state mandated mental health services to residents of Philadelphia. Services include residential housing, vocational rehabilitation, intensive case management, employment, and emergency services aimed at providing supportive environments for both consumers and their families. DBHIDS collaborates with other service systems in both program development and service delivery efforts, especially when the consumer is receiving care from more than one service system. Additionally, DBHIDS attempts to foster community understanding and acceptance of individuals with disabilities in order to improve opportunities for community-based services for consumers. The DBHIDS brings together the following three agencies to form a single entity: the Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs, and Community Behavioral Health (a nonprofit corporation serving as the city's managed care organization for Medicaid patients). These three components of the system collaborate in a range of functions, including: fiscal and administrative oversight of programs and services; policy analysis and planning; quality improvement; monitoring of treatment providers; and authorization of services. In addition, the department also provides services for persons with intellectual disabilities by acting as an administrative organization for the state to ensure compliance with state directives and mandates. DBHIDS management consists of a commissioner appointed by the mayor, two deputies, a medical director, and a chief financial officer. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head
David T. Jones, Commissioner
Department of Behavioral Health and
Intellectual Disabilities Services
1101 Market Street, 7th Floor
Philadelphia, PA 19107

Appropriations:
General Fund \$ 14,202,289
Grants Revenue Fund 272,045,060
Health Revenue Fund 1,300,000,000
Total Appropriations \$1,586,247,349

Estimated Revenues:
Non-Tax Revenue \$ 2,000,000
From Other Governments 1,570,045,000
Total Estimated Revenues \$1,572,045,000

Number of Full Time Employees:
Civil Service 233
Exempt 29
Total Employees 262

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property owned and used by the department was not always accurately accounted for in the city's personal property records.</u> During our review of the department's personal property records, we noted that two of the five personal property items selected for testing could not be found at their specified locations.</p>	<p>Failure to maintain accurate records increases the risk of misstating personal property inventory values.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. Management should work with the Procurement Department to reconcile their records to the database [101519.01].</p>	<p>Subsequent to the audit findings, the department indicated that documentation was provided to our office that the two personal property items were located. As the auditors were unable to independently verify the location of these items after our initial testing, we will follow up on this condition in a future year.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> Attendance records were not properly approved by a supervisor for 27 of the 60 sample dates we selected for testing. In 13 instances, a non-city employee approved the daily attendance records, and in nine instances, there was no approving signature indicating review of the attendance records. Lastly, four attendance records were approved on days when the approving supervisor was not present at work.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Appropriate supervisors should review and formally approve (by signing the attendance record) time worked by employees [101519.02].</p>	<p>With the implementation of OnePhilly in March of 2019, corrective action has been taken. The implementation of electronic timecard via OnePhilly requires the appropriate supervisory approval by a city employee.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>
<p><u>Payroll data entries were not adequately checked.</u> The on-line payroll time records differed from the daily attendance records for four of the six employees selected for testing. For all four employees, leave time was incorrectly recorded on either the payroll time records or the daily attendance records.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101519.03].</p>	<p>With the implementation of OnePhilly records are no longer collected. Our HR Department has identified a HR employee to review payrolls bi-weekly to ensure accuracy and document policy for future reference.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Documentation supporting personnel time in the field was incomplete.</u> The department was unable to provide us with field location sheets for employees selected for testing who worked outside of the office.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	Require employees to use call in/out procedures and field destination sheets when performing work duties outside the office. [101519.04].	With the implementation of OnePhilly, our HR Department is establishing a policy for properly documenting time and location electronically. Department will develop and implement system-wide training relevant to the topic.
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for five of the six civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101518.02].	As part of our newly created Service Excellence Model, DBHIDS will continue to mandate the preparation of annual employee evaluations. Most importantly, this new initiative will have corrective actions for supervisors who are not in compliance.
<u>Employee overtime was still not properly authorized.</u> During our testing, we noted that 12 of the 25 sample overtime dates we selected for testing were not properly authorized. In three instances, the overtime authorization forms were prepared without evidence of any approval signatures. In four instances, there was no approved overtime authorization slips for overtime worked. In four instances, overtime was authorized by a non-city employee. In one instance, an overtime authorization was prepared after the date of our audit request.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101517.01].	DBHIDS will re-emphasize the Overtime Authorization Policy and has created an authorization form for Unit and Division Head's prior approval to be submitted electronically with all overtime requests. Failure to follow policy will result in corrective action.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the seventh consecutive year, we are reporting that the city sick leave policy was not enforced.</u> None of the nine civil service employees tested, who used over eight days of undocumented sick leave, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. Consequently, these employees received \$21,609 in sick leave benefits that they would not have been entitled to had the department properly enforced the sick leave policy. The department should have counseled these employees and imposed the applicable penalties: A one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. Additionally, six of the nine civil service employees tested did not receive a fifth day warning letter, while the remaining three employees received a fifth day letter in an untimely manner. Lastly, none of the nine employees selected for testing received an eighth day letter notifying them of placement on the Excessive Use of Sick Leave List.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101512.01].</p>	<p>With the implementation of OnePhilly, timecards are now submitted on a timely basis to ensure accurate record-keeping. Payroll will reconcile time and attendance reports bi-weekly to ensure timely notice and sanctions. The department will enforce the city's sick leave rules and regulations, accordingly. Department will develop and implement system-wide procedures to ensure compliance.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

¹ According to the city's on-line payroll system, there were 14 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>For the ninth consecutive year, we are reporting that documentation supporting, and authorizing employee leave time was not routinely prepared.</u> The department could not provide formal approved leave requests for 12 of the 23 dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employee to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].	DBHIDS will re-emphasize the leave request policy and will implement an authorization form for supervisory approval prior to being submitted electronically with the leave request. Failure to follow the policy will result in corrective action.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Attendance records (such as sign-in-sheets or time clock cards) were not routinely prepared to document employee attendance.</u> The department was unable to provide a complete set of attendance records for three of the five employees we selected for testing.	Failure to prepare attendance records may cause employee work time not to be accurately and completely accounted for.	Require the use of daily attendance records such as sign-in-sheets or time clock cards to document employee attendance [101518.01].	Implemented.

City of Philadelphia
Department of Human Services*
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Human Services (DHS) traces its origin to the Department of Public Welfare under the Charter of 1919. With the adoption of the Philadelphia Home Rule Charter of 1951, it was established as a department under the managing director with the sole duty of carrying out public welfare functions. Powers and duties of DHS include: receiving, caring for, and placing children who are dependent, mentally challenged, neglected, incorrigible, and delinquent; investigating from time to time the manner in which those placed are being cared for; approving or disapproving billings to the city for maintenance of city residents in state institutions or in private facilities; transmitting to the Revenue Department amounts received for care and placement; and supervising the Youth Study Center including the determination of capacity, type, and proportion of persons to be received therein. DHS is directed by a commissioner who is appointed by the city's managing director with the approval of the mayor. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head

Kimberly Ali, Commissioner
Department of Human Services
1515 Arch Street, 8th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$112,073,598
Grants Revenue Fund	<u>608,512,720</u>
Total Appropriations	<u>\$720,586,318</u>

Estimated Revenues:

Non-Tax Revenue	\$ 3,535,000
From Other Governments	<u>608,473,000</u>
Total Estimated Revenues	<u>\$612,008,000</u>

Number of Full Time Employees:

Civil Service	1,394
Exempt	<u>104</u>
Total Employees	<u>1,498</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that four of the 12 bank and fund reconciliations tested for the Administrative petty cash account were not performed in a timely manner.</p>	<p>Failure to perform monthly fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102219.01].</p>	<p>In December 2019, DHS Finance implemented a new protocol to ensure that all petty cash reconciliations are performed by an independent auditor, maintaining integrity as well as segregation of duties.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>The department's Budget Unit petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> The beginning balance per books, receipts and other increases for the period, check drawn and other decreases, and ending balance per books from the bank reconciliation did not agree to the amounts in the checkbook. The department could not provide supporting documentation for the \$293 of the receipts deposited but not recorded on the bank reconciliation. The department could not provide supporting documentation for the \$4,913 of reimbursement vouchers in transit, \$10,453 of bills to be vouchered, and a shortage of \$1,081. 	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. Failure to investigate shortages on the petty cash reconciliation increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office by providing training to the individual responsible for preparing the reconciliations. Additionally, if any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102218.01].</p>	<p>In December 2019, DHS Finance implemented a new protocol to ensure that all petty cash reconciliations are performed by an independent auditor, maintaining integrity as well as segregation of duties. This process will allow for any discrepancies to be identified and addressed in a timelier manner.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$746, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedures (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia- Unclaimed Monies Fund for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102218.02].</p>	<p>With the implementation of new petty cash protocol in December 2019, unclaimed monies will be identified by an independent auditor in a timelier manner.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the custodian for the Juvenile Justice's petty cash account prepared 10 of the 11 bank and fund reconciliations tested. In addition, the petty cash custodian reviewed one of the 11 bank and fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare and review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102216.03].	In December 2019, DHS Finance implemented a new protocol to ensure that all petty cash reconciliations are performed by an independent auditor, maintaining integrity as well as segregation of duties. This process will allow for any discrepancies to be identified and addressed in a timely manner.
<u>For the fourth consecutive year, we have reported an unauthorized individual was responsible for the physical custody and operation of the department's Juvenile Justice Center's petty cash fund.</u> According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or properly accounted for. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous custodian.	Management should submit an Agency Request for Petty Cash and Imprest Changes form and a Petty Cash Change of Custodian form to the Finance Office whenever the petty cash custodian changes in accordance with standard accounting procedures of the city's Finance Office [102216.04].	DHS Finance has updated all green cards and instituted a strong segregation of duties.
PERSONAL PROPERTY <u>Personal property owned and used by the department was not always accurately accounted for on the city's and department's records.</u> During our review of the city's and department's records, we noted that two of five personal property items selected for testing from the city's database valued at \$79,039, and two of the five items selected for testing from the department's inventory records, valued at \$136,726 could not be located at their specific field locations. In addition, two of the five items selected for testing from the detailed listing of expenditures could not be traced to the department's inventory records.	Failure to maintain accurate records increases the risk of misappropriation and the misstatement of personal property inventory values.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. The department should work with the Procurement Department to reconcile their records to the database [102218.03].	Physical inventory is conducted twice a year and tracked on a database because items are moved between locations. We will continue to work with the Procurement Department to reconcile their records and remove unlocated items.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The department could not provide a recent employee evaluation for three of the eight employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102219.02].	DHS Commissioner to issue communication to stress the importance of performance evaluations. HR will offer information sessions to new supervisors and send regular reminders during the annual evaluation period and report outstanding evaluations to the Commissioner and Deputy Commissioners for each division.
<u>For the seventh consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> We noted that the department failed to impose sick leave policy sanctions against nine of the 11 civil service employees selected for testing who surpassed their eighth uncertified sick day. Consequently, they were paid \$29,715 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. We also noted that two employees did not receive a fifth day warning letter after their fifth uncertified sick day. Five employees did not receive an eighth day sick abuse placement letter after their eighth uncertified sick day. Four employees received an eighth day placement letter in an untimely manner.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [102212.02].	HR will generate reports after each pay period in order to provide for timely notifications to staff who are in violation of the sick leave policy.

¹ According to the city's on-line payroll system, there were 112 employees who used 8 or more undocumented sick days during calendar year 2018.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> During our testing of the department's daily attendance records, we observed that five of 20 attendance records evidenced signatures of approval from supervisors who were not present for work on the dates of approval.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Someone at a higher level than the employees listed on the daily attendance record, and present on the specified day of record, should review and formally approve them [102218.04].	Implemented.
<u>Payroll data entries were not adequately checked.</u> We noted that on-line payroll records for two of the five employees we selected for testing were inaccurate. One employee's overtime adjustment was incorrectly computed according to civil service regulations resulting in an overpayment of \$41.15. Another employee's overtime was incorrectly computed due to clerical errors, resulting in an overpayment of \$221.34.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records [102218.05].	Implemented.
<u>Overtime was paid without evidence of the actual time worked.</u> We noted six occasions where an employee had signed in for an eight-hour workday but was compensated for overtime without record of the actual additional hours worked.	Employees may erroneously be paid for time not actually worked and could result in the expenditure of unnecessary payroll dollars.	Management should enhance controls over payroll by ensuring that documentation of approved overtime includes a record of the actual time worked in addition to the additional overtime hours [102216.05].	Implemented.

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2019

Functions

The Philadelphia Prison System was established as a separate department by Executive Order 5-88 dated April 6, 1988. Prior to that time, the prison system had been part of the Department of Human Services. The mission of the prison system is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society. A commissioner, who is appointed by and reports to the managing director, is responsible for the overall administration of the entire prison system. The prison commissioner is also accountable to a seven-member Board of Trustees whose members include the commissioner of the city's Department of Human Services (ex officio) and six citizens appointed by the mayor. The Philadelphia Prison System operates five major correctional facilities in Northeast Philadelphia, as well as several smaller Alternative and Special Detention facilities in various locations of the city. Each prison facility is under the direction of a warden, who is assisted by one or more deputy wardens and support staff. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head

Blanche Carney, Commissioner
Philadelphia Prison System
7901 State Road
Philadelphia, PA 19136-3407

Appropriations:

General Fund	\$249,371,806
Capital Fund	<u>29,075,000</u>
Total Appropriations	<u>\$278,446,806</u>

Estimated Revenues:

Non-Tax Revenue	\$1,020,000
From Other Governments	<u>480,000</u>
Total Estimated Revenues	<u>\$1,500,000</u>

Number of Full Time Employees:

Civil Service	2,037
Exempt	<u>18</u>
Total Employees	<u>2,055</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly fund reconciliations lacked evidence of preparation and approval.</u> During our review of the department's petty cash funds, we noted that six of the eight fund reconciliations tested did not indicate evidence of the preparer's signature, and one fund reconciliation did not have any indication that it was reviewed by the responsible person.</p>	<p>Allowing fund reconciliations to be submitted without the preparer's signature results in the failure to assign responsibility for the reconciliation and precludes the ability to determine if incompatible duties were properly segregated. Additionally, the failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure that fund reconciliations are signed by the preparer and properly reviewed. The review should also be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [102319.01].</p>	<p>The PDP will implement a signature confirmation protocol that will be reviewed weekly to ensure the preparer and countersigner reviewer affix signatures for approved petty cash expenditures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have not been performed correctly.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliation:</p> <ul style="list-style-type: none"> • The beginning book balance from the bank reconciliation did not agree to the beginning balance of the checkbook. • The department's cash balance in the fund reconciliation did not agree to the reconciled cash balance from the bank reconciliation. 	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [102317.01].</p>	<p>The PDP will ensure petty cash and bank fund reconciliations are balanced by ensuring a second signature to confirm compliance.</p>
<p>PERSONAL PROPERTY</p> <p><u>The department did not maintain proper documentation for the removal of disposed personal property items.</u> We noted that the department failed to provide supporting documentation of the disposal of personal property items valued at \$3,596. We noted four disposed items that were removed from the city's database, and one item that was listed as disposed in the department's records but was still located in the department.</p>	<p>Failure to provide the proper documentation for disposed or lost/stolen personal property items will result in an inaccurate valuation of the department's assets and increases the risk of misappropriation.</p>	<p>Management should ensure that disposed or lost/stolen items are supported with the proper documentation and that personal property items are periodically reconciled to the city's database [102319.02].</p>	<p>The PDP will ensure facility cashiers receive refresher training in policy 1.B.12 Cashier Procedures for the correct processing of personal property abandonment and disposal. A lieutenant or above will review and sign the disposal paperwork and documentation will be maintained accordingly. The PDP does not assign a monetary value to personal property, only a condition of good, fair or poor.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Personal property owned and used by the department was not always accurately accounted for in the city's personal property records.</u> Seven of 15 personal property items selected for testing valued at \$4,799, could not be found at their specified field locations. Additionally, another four items selected for testing were observed at a different field location than that of the department's personal property records due to the items being transferred without the proper documentation.	Failure to maintain accurate records increases the risk of misstating personal property inventory values, and misappropriation of assets.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. The department should work with the Procurement Department to reconcile their records to the database [102319.03].	The PDP does not permit personal property to be purchased for staff. All equipment and property are purchased for business use. The PDP will facilitate refresher training to properly inventory or remove outdated property in the data base and review for compliance on a quarterly basis.
PERSONAL SERVICES <u>Unclaimed checks were not promptly returned to the City Treasurer's Office.</u> During our testing, we observed seven unclaimed payroll checks which were not returned to the City Treasurer's Office. One check in particular was dated July 13, 2018, over a year prior to our testing date.	The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.	Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [102319.04].	The PDP will ensure that unclaimed checks are returned to the City Treasurer within one week if the employee is not located or immediately if deceased and will maintain a log of all returned checks inclusive of return date.
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of department's attendance records, we noted that bi-weekly timecards for two of the six employees selected for testing lacked evidence of supervisory review.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102319.05].	Since the audit, the department has switched from manual timecards to an electronic time and attendance system named Kronos. Kronos is fully implemented and is now accurately retaining time and attendance records. [Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the Kronos system. We will review the effect of the Kronos system's implementation on this condition in the fiscal year 2020 departmental audit.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave time taken was not properly approved by a supervisor for 10 of 14 dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102319.06].	The PDP will ensure supervisory personnel submit approved leave slips to Payroll within 48 hours of signing. The PDP will ensure that no leave time is entered by Payroll without the corresponding leave request. All signed and approved leave requests will be maintained for recording purposes.
<u>Employee overtime was not always properly authorized.</u> We noted that three of the 25 sample overtime dates we selected for testing were not authorized and an additional four dates were not authorized for the full amount of overtime worked. Five employees in particular, earned a combined total in excess of \$253,000 in overtime during the fiscal year.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102319.07].	The PDP has directed payroll to stop entering overtime pay when there is no corresponding overtime authorization sheet. Only upon receiving the overtime authorization sheet will time be entered. The supervisory personnel must submit the overtime authorization sheet no later than 48 hours of work.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year, we are reporting that the city's sick leave policy was not enforced.</u> The department failed to impose the sick leave policy sanctions against 10 of the 11 civil service employees selected for testing who surpassed their eighth uncertified sick day. Consequently, they were paid \$79,299 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. We also noted that seven employees did not receive their fifth day warning letters after reaching five uncertified sick days. Four employees received their fifth day warning letters in an untimely manner. Nine employees did not receive their eighth day sick abuse placement letters after reaching eight uncertified sick days. One employee was issued an eighth day placement letter in an untimely manner.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102313.03].</p>	<p>The PDP has taken corrective action to address the non-compliance of the city's sick leave policy. The previous legacy system afforded the PDP the ability to readily identify employees using uncertified sick and issued notification letters. The notification capability is no longer available as of April 2019 when OnePhilly was implemented. OnePhilly does not currently have this uncertified sick capability and the PDP has requested the OnePhilly team make this option available. At present, the PDP is taking progressive action for uncertified sick. The PDP will resume issuing uncertified sick notification letters as soon as the OnePhilly system becomes available.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

¹ According to the city's on-line payroll system, there were 216 employees who used 8 or more undocumented sick days during calendar year 2018.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not correspond to the on-line payroll records for two of the five employees we selected for testing.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102318.01].	Implemented.

City of Philadelphia
Office of Fleet Management
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Fleet Management (OFM) was established under Executive Order 5-93, signed by the mayor on April 6, 1993. OFM supports the operations of other city departments and agencies by ensuring that the city's fleet of vehicles and special equipment is available, dependable, and safe to drive. Responsibilities of the OFM include purchasing, maintaining, repairing, and disposing of all city vehicles, as well as establishing and keeping a vehicle management information system operative. OFM comprises three divisions: Fleet Maintenance Services, Fleet Administrative Services, and Vehicle Acquisitions and Disposal Services. The department conducts business at 78 sites, including 15 garages, 61 fuel sites, a suite of administrative offices, and a sales lot. The fleet manager (a deputy managing director) oversees OFM with the assistance of a deputy for administration, a deputy for operations, and three directors. The department was designated as Tier 1 for fiscal year 2019.

<u>Name and address of department head</u> Christopher Cocci, Fleet Manager Office of Fleet Management 100 South Broad Street, 3 rd Floor Philadelphia, PA 19110	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
	General Fund	\$ 63,859,796	Non-Tax Revenue	\$4,300,000
	Water Fund	8,825,836		
	Aviation Fund	8,395,839		
	Capital Fund	<u>55,035,000</u>	<u>Number of Full-Time Employees:</u>	
	Total Appropriations	<u>\$136,116,471</u>	Civil Service	360
			Exempt	<u>7</u>
			Total Employees	<u>367</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for five consecutive days for one of the five employees we selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102519.01].	OFM's current policy is that, employees leave time and attendance records must be reviewed and approved by the supervisors. To address the auditor's observation, OFM will reiterate the policy with all supervisory personnel.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>City sick leave policy was not properly enforced.</u> One out of five civil service employees tested was not placed on the excessive use sick leave list after the eighth undocumented sick day. Another employee tested was placed on the excessive use of sick leave list, but the department failed to properly enforce the additional penalties against the employee. These two employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. Consequently, they were paid \$4,978 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence and subject to discharge after the fifth occurrence. Two employees selected for testing were issued the eight-day notification letters approximately two months after reaching the eighth undocumented sick day.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [102519.02].	OFM will take necessary measures to adhere the auditor's recommendation.
<u>Payroll data entries for separated employees were not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested. The separated employee was removed from the payroll system while possessing a negative vacation balance at the time of his termination. Subsequently, the department failed to submit a Payroll Credit Advice for the resulting overpayment.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$180.	Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. Require management to submit a Payroll Credit Advice for the overpayment [102519.03].	The employee's separation checklist has amended to include Payroll Credit Advice, if needed. OFM will adhere the auditor's recommendation.

¹ According to the city's on-line payroll system, there were 13 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that four records were approved by supervisors on days that they were not present.	Employee may erroneously be paid for time not worked or failed to be paid for time that was worked.	Supervisors should review and formally approve time worked by employees [102517.01]. The payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [102517.02].	OFM's current policy is that, employees time in attendance records must be reviewed and approved by the supervisors. To address the auditor's observation, OFM will reiterate the policy with all supervisory personnel.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Duties for safeguarding personal property assets were not adequately segregated.</u> We noted that the same individual was responsible for maintaining departmental records and performing physical counts of personal property expenditures.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign to separate individuals, the duties of maintaining departmental records and performing physical counts of personal property [102518.01].	Implemented.
<u>Personal property owned and used by the department was not always accurately accounted for in the city's personal property records.</u> During our review of the city's database, we noted that two out of eight personal property samples we selected for testing valued at \$16,043, could not be located at their specified field locations. Personal property items which cannot be located by the department should be listed as such in the department's records. In addition, we noted another item which was previously disposed but not removed from the city's database.	Failure to maintain accurate records increases the risk of misstating personal property inventory values.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. Management should work with the Procurement Department to correct the department's inaccuracies in the city's database and periodically reconcile their records to the database [102518.03].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>A petty cash purchase again was split in an effort to evade the \$500 spending limit.</u> The department circumvented the \$500 petty cash expenditure limit established by the Director of Finance, by splitting \$900 and \$700 payments into multiple payments to the Commonwealth of Pennsylvania for waste hauler permits.	Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office [102515.01].	Implemented.

City of Philadelphia
Philadelphia Water Department*
Findings and Recommendations
Fiscal Year 2019

Functions

The Philadelphia Home Rule Charter established the Philadelphia Water Department which is one of the 10 operating departments under the direction of the managing director. The department's responsibilities include: operating and maintaining the city's water supply and storm water system, which includes constructing, maintaining, repairing and improving the city's water supply facilities; operating and maintaining the city's sewage system and wastewater treatment plants; investigating and adopting methods for improving the quality of the water supply; and fixing and regulating rates and charges for supplying water and sewage disposal services. A commissioner and three deputies manage the department. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head

Randy Hayman, Commissioner
Philadelphia Water Department
ARAMARK Tower, 5th Floor
1101 Market Street
Philadelphia, PA 19107

Appropriations:

Water Fund	\$ 419,785,912
Water Residual Fund	37,000,000
Capital Fund	<u>775,891,000</u>
Total Appropriations	<u>\$1,232,676,912</u>

Estimated Revenues:

Non-Tax Revenue	\$ 53,625,000
From Other Governments	1,000,000
From Other Funds	<u>150,497,000</u>
Total Estimated Revenues	<u>\$205,122,000</u>

Number of Full Time

Employees:

Civil Service	2,141
Exempt	<u>16</u>
Total Employees	<u>2,157</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Shortages exist in the department's petty cash accounts.</u> During our review of the department's petty cash, we noted that the Administration, Collectors, Conveyance, Facilities Management, and Meter Shop petty cash funds have a combined unexplained shortage totaling \$2,172. The department was unable to provide any documentation that would enable us to determine the cause of the shortage.</p>	<p>Failure to properly reconcile the accounts increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102818.01].</p>	<p>The department prepared and submitted the required Agency Request for Petty Cash Changes Form (SAP 4.1.1.d) to Central Finance to resolve these matters. The reimbursement of the petty cash accounts was approved by Central Finance in March of 2020.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>The department's petty cash funds have not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not prepared for the department's petty cash accounts for the Administration, Conveyance, and Collectors funds. All three funds listed bills to be vouchered totaling \$3,862 that were not substantiated by receipts or invoices.	Failure to properly reconcile the accounts increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	Management should ensure that the petty cash account is properly reconciled and that any overages/shortages are evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102817.01]	We acknowledge that the fund reconciliations included a list of checks for which we are unable to provide supporting documentation. The department submitted the required Agency Request for Petty Cash Changes Form (SAP 4.1.1.d) to Central Finance and is waiting for further guidance.
<u>For the fifth consecutive year, we are reporting that duties for preparing the bank reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also prepared the monthly bank reconciliations for the Meter Shop.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the bank reconciliations in accordance with standard accounting procedures of the city's Finance Office [102815.02].	We acknowledge that the monthly Meter Shop Petty Cash reconciliations prepared for the period of July 2018 – January 2019, were not properly segregated. The duties pertaining to the monthly reconciliations for the Meter Shop Account were reassigned to a new custodian as of February 2019, to ensure proper segregation of duties.
PERSONAL PROPERTY <u>Personal property owned and used by the department was not always accurately accounted for on the city's and department's personal property records.</u> During our review of the city's personal property database, we noted that six of 15 personal property sample items we selected for testing, valued at \$77,757, could not be located at their specified field locations. Personal property items which cannot be located by the department should be listed as such in the departmental records.	Failure to maintain accurate records increases the risk of misstating personal property inventory values.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. The department should work with the Procurement Department to reconcile their records to the database [102818.02].	The department verified that the items unaccounted for did not have the status of "lost," "stolen," or "cannot locate". During the completion of the next annual physical inventory, the department will verify and report the updated physical status of these items to the city's Procurement Department. The Water Department will continue to work with custodians and managers regarding the need for accurate record keeping and safeguarding of assets.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested. The department also failed to submit a Payroll Credit Advice for the overpayment to the separated employee.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$1,231.</p>	<p>Require that employees assigned to approve bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. In addition, management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment to the separated employee [102819.01]</p>	<p>The department prepared and submitted the Report of Separation, which accurately reported the terminal leave balances due to the employee, which was confirmed by the Terminal Leave Audit. However, the generated payment erroneously overpaid the employee. The department will establish a process to review terminal leave payments as compared to system generated payments and will conduct an additional review of all time-keeper prepared Report of Separations.</p> <p>[Controller's Office Evaluation of Department's Response: The generated payment was higher than the terminal leave audit amount which should have been reviewed by the department prior to releasing the check to the separated employee.</p>
<p><u>Employee evaluations were not recently performed.</u> The department failed to provide current performance evaluations for four of the 11 civil service employees we selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102819.02].</p>	<p>There has been continual concentrated effort, by management, to monitor the preparation of annual performance reports for all of the department's civil service employees. Management will continue to enforce and monitor the timely preparation and submission of annual performance reports.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide formal approved leave requests for 17 of the 38 dates selected for testing</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102817.04].</p>	<p>Departmental procedures allowed for leave requests and approvals to be submitted via email and on occasion, verbally. Ultimately, the approval of leave requests is indicated by the supervisory approval on the employee's attendance record, which complies with SAP E-9011.</p> <p>[Controller's Office Evaluation of Department's Response: The department's policy is not in accordance with standard accounting procedures of the city's Finance Office. A verbal request or an e-mail notifying an employee's supervisor that they are taking paid leave is not a properly approved leave request. The department was unable to provide documentation that the employee's supervisor approved the employee's paid leave time, nor did they provide documentation from the city's Finance Office that they are exempt from following city policy.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not enforced.</u> We noted that the department did not correctly enforce the city's sick leave policy for seven of the 16 civil service employees selected for testing, who had eight or more undocumented sick days. These employees continued to be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. Consequently, they were paid \$9,624 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. In addition, we also noted that two employees did not receive their fifth day warning letters after reaching five uncertified sick days. Three employees received their fifth day warning letters in an untimely manner. Four employees did not receive their eighth day sick abuse placement letters after reaching eight uncertified sick days. One employee was issued an eighth day placement letter in an untimely manner.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [102817.06].</p>	<p>The department has increased its efforts to monitor the enforcement of the city's sick leave policy. The department's Labor Relations Unit has been working with unit supervisors and unit timekeepers to ensure that employees who have used five or more undocumented sick days are provided the required notifications and warning. Subsequent to the notification, sick abuse warnings memos and sick abuse list placement letters are given to the employees and disciplinary action is implemented, if necessary. Anticipated technology improvements should assist in ensuring that all instances of sick abuse are monitored and handled in a timely fashion pursuant to the policy.</p>

¹ According to the city's on-line payroll system, there were 50 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee overtime was still not properly authorized.</u> We noted that the department was unable to provide documentation evidencing the authorization of overtime for 29 of the 31 instances of overtime selected for testing.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102816.02].</p>	<p>In accordance with SAP-9011, it is the Department's policy and procedure that all overtime is approved by the unit supervisor and/or manager. Acceptable methods of overtime approval are notifications by email or ultimately the approval of time records by the unit supervisor and manager. However, the department will increase its efforts to approve all overtime in writing, when possible.</p> <p>[Controller's Office Evaluation of Department's Response: The department's policy is not in accordance with standard accounting procedures of the city's Finance Office. An email notification or supervisory approval of overtime worked on time records is not sufficient documentation indicating the supervisory authorization for an employee to work overtime hours.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Personal property items reported as "cannot locate" items were not properly removed from the city's database after three years.</u> During our review of the city's database, we noted nine items valued at \$8,665 which were reported as "cannot locate" items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city's database overstates the value of the personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the city's database after three years and periodically reconcile their records to those on the database [102818.03].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The department did not follow proper procedures for the removal of disposed and lost or stolen personal property items.</u></p> <p>During our testing of disposed inventory, we noted that the Water Department failed to provide the Procurement Department with the proper documentation necessary to update the city's Personal Property Database. As a result, five disposed inventory items and two items reported as lost or stolen incorrectly remained on the city's inventory records.</p>	<p>Failure to provide the proper documentation for disposed or lost/stolen personal property items will result in an inaccurate valuation of the department's assets in the Personal Property Database.</p>	<p>Management should ensure that disposed or lost/stolen items are supported with the proper documentation and sent to the Procurement Department, so the items can be removed from the Personal Property Database [102818.04].</p>	<p>Implemented.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the nine petty cash bank and fund reconciliations tested during year 2018, for the Bureau of Laboratory Services, six fund reconciliations were prepared over thirty days after the end of the month. Three bank and fund reconciliations for the Meter Shop were prepared over thirty days after the end of the month. In addition, four fund and three bank reconciliations for the Information Systems and Technology Unit, and three bank and seven fund reconciliations for the Conveyance Unit were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102816.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the department head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit an Agency Request for Petty Cash and Imprest Changes form and a Petty Cash Change of Custodian form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102815.01].	Implemented.

City of Philadelphia
Division of Aviation
Findings and Recommendations
Fiscal Year 2019

Functions

The Division of Aviation (DOA), established by the 1951 Philadelphia Home Rule Charter under the city's Commerce Department, operates Philadelphia International Airport and the Northeast Philadelphia Airport. Its functions include maintaining, improving, repairing, and operating city airport facilities and equipment. Additionally, when authorized by City Council, the DOA can acquire, design, and construct facilities. The department may also grant leases and licenses for the use of airport facilities. The DOA consists of five major units including: Property Management and Business Development; Finance and Administration; Marketing and Public Affairs; Operations and Facilities; and Planning and Environmental Stewardship. It operates principally out of Philadelphia International Airport and the Northeast Philadelphia Airport, but also has several maintenance and warehouse facilities around the vicinity of Island Avenue. A chief executive officer appointed by the mayor, and four deputy directors manage the department. The department was designated as Tier 1 for fiscal year 2019.

Name and address of department head
Chellie Cameron, Chief Executive Officer
Division of Aviation
Philadelphia International Airport
Terminal D, Third Floor
Philadelphia, PA 19153

Appropriations:
Aviation Fund \$199,800,000
Capital Fund 599,711,000
Total Appropriations \$799,511,000

Estimated Revenues:
Non-Tax Revenues \$458,530,000
From Other Funds 1,320,000
From Other Governments 2,695,000
Total Estimated Revenues \$462,545,000

Number of Full Time Employees:
Civil Service 768
Exempt 22
Total Employees 790

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly bank reconciliations lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that none of the 11 bank reconciliations tested had any indication of that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedure of the city's Finance Office [104319.01].</p>	<p>The bank reconciliations are reviewed and approved by someone other than the custodian or preparer. However, they were not physically signed. Going forward, this will be corrected, and the Airport is working on having the bank reconciliations approved electronically through Adobe Acrobat.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted two items valued at \$142,455 which were reported as “cannot locate” items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and reconcile their records to the city’s database [104318.01].</p>	<p>These items were on a list sent to Central Procurement in October 2018 to be removed. One has been subsequently removed by Procurement after the audit. The Airport notified Central Procurement again to request the second item be removed. Central Procurement contacted PHL and will remove item from listing as early as possible. The Airport will be more diligent in reconciling the inventory counts to the Procurement Department’s records.</p>
<p><u>Personal property owned and used by the department was not always accurately accounted for in the city’s or the department’s personal property records.</u> During our review, we noted that five of the 15 personal property samples we selected for testing valued at \$4,691, could not be located at their specified field locations. Personal property items which cannot be located should be listed as such in the department records.</p>	<p>Failure to maintain accurate records increases the risk of misstating personal property inventory values and misappropriation of assets.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department’s records as well as the city’s database after three years. The department should work with the Procurement Department to reconcile their records to the database [104318.02].</p>	<p>These items were on a list sent to Central Procurement in October 2018 to be removed. One has been subsequently removed by Procurement after the audit. The Airport notified Central Procurement again to request the second item be removed. Central Procurement contacted PHL and will remove item from listing as early as possible. The Airport will be more diligent in reconciling the inventory counts the Procurement Department’s records.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Payroll data entries were not adequately checked.</u> The on-line payroll time records contained inaccuracies for six of the nine employees selected for testing. For four employees, overtime was erroneously recorded. We also noted that for three employees, the shift differential pay was recorded incorrectly.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check entries by referencing back to the daily attendance records. This process should be documented [104318.03].	Going forward, the Airport will designate an independent person(s)/unit to spot-check data entries. Also, the Human Resources Administrative Officer and the HR Manager will review each pay period, a random sample of payroll data. This added process will be documented and should allow for more accurate postings in the future. With the independent review, Oracle system in place, and programmed information for each position including Assignment Time Information (ATI) and shift differential rules, these added features should help to resolve some of the irregularities found during the FY 19 audit.
<u>For the fourth consecutive year, we have reported that employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours worked. The department could not provide overtime authorization forms for 16 of the 59 sample days selected for testing. We also noted that 11 of the 12 employees selected for testing earned a combined total of overtime in excess of \$423,000 during the fiscal year.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104316.02].	Overtime is assigned based on operational need and is paid to employees based on hours recorded on the electronic time record. In addition, these records are required to have supervisory approval for all time including overtime on the timecard. A review for payroll documentation including overtime/compensatory time slips is done by the Payroll staff. Additionally, in FY 19 quarterly reminders were sent to supervisors/managers, and a refresher for payroll staff was done in February 2018. Additional training and procedures for payroll and supervisors/managers will be developed to help ensure approved overtime is documented.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year, we are reporting that the city's sick leave policy was not enforced.</u> We noted that the department did not correctly enforce the city's sick leave policy for any of the 13 civil service employees selected for testing. Eleven employees were retroactively placed on the Excessive Use of Sick Leave list; however, the department did not enforce the sanctions of the sick leave policy against the employees correctly. Two employees did not receive their eighth day sick abuse placement letters after reaching eight uncertified sick days. Three employees did not receive their fifth day warning letters in a timely manner. Two employees did not receive a fifth day warning letter.</p> <p>The department should have counseled the employees and imposed the sick leave policy sanctions against the 13 employees who surpassed their eighth uncertified sick day. Consequently, these employees were paid \$34,230 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have also imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend 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 [104313.01].</p>	<p>It is the Airport's practice to adhere to the city's Sick Leave Policy. In an effort of making certain that the policy is being adhered to, the Airport is adding dedicated personnel to perform this function and ensuring that they have access to the reports in Oracle. During FY 19 there were two systems in place, MOIS/FAMIS and Oracle from March 25, 2019. During this time, the Employee Relations Unit [ERU] relied on information from the Payroll staff and obtained information bi-weekly; end of the year checks were also performed. For future reporting, we will ensure that ERU and Payroll have sufficient report options to gather information for notifying employees, continue doing audit checks to ensure that notifications are done, and ERU and Payroll will collaborate on findings. Also, HR Staff will be trained on various Oracle reports so that reports can be used to get accurate sick usage. The city is working on a notification for the 5-day warnings, and we will utilize technology to help enforce the sick policy. With these practices and tools in place, we are hopeful that this will address these types of issues and avoid possibilities of employees abusing sick time.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

¹ According to the city's on-line payroll system, there were 34 employees who used 8 or more undocumented sick days during calendar year 2018.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The department's petty cash account does not reconcile.</u> The combination of an invoice in the amount of \$196, which was rejected by Finance for reimbursement, and a reimbursement for a check in the amount of \$219, that was subsequently voided by the department, created an overall overage in the department's petty cash account.	The combination of a failure to return excess petty cash funds to the Department of Revenue, the improper use of petty cash funds resulting in Finance rejecting the expenditure for reimbursement, and several other minor, miscellaneous items created an overage in the account.	Management should deposit the excess funds with Department of Revenue in accordance with standard accounting procedures [104317.01], as well as refrain from approving petty cash expenditures for unallowable purchases [104317.02].	Implemented.
<u>Employee travel expenses over \$100 were disbursed from petty cash.</u> During our review of petty cash expenditures, we observed the agency issued a travel reimbursement for parking expenses in the amount of \$119.	Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [104316.01].	Implemented.
<u>For the seventh consecutive year, we have reported that employee evaluations were not recently performed.</u> The department was unable to provide recent employee performance evaluations for four of the nine civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [104310.01].	Implemented.

**TIER 2
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
City Council
Findings and Recommendations
Fiscal Year 2019

Functions

City Council is the legislative body of the Philadelphia city government responsible for legislating all municipal matters. It executes the legislative function by enacting and amending ordinances. Council enacts ordinances dealing with a wide scope of city matters, such as public health, public safety, zoning, budgeting, building and housing, and the regulation of business, trades, and professions. To aid in the performance of its legislative functions, Council conducts investigations and inquiries into those matters requiring its attention. These investigations are authorized by resolutions. Council's investigatory power is important since it is the principal means for the legislative body to check on the administrative operations. Council has 17 seats. Ten members are elected from each of the city's 10 Council districts and seven members are elected from the city at large. Council members serve a four-year term concurrent with the Mayor's. The Council elects a president from among its members. Council employees, with the exception of the Chief Clerk (who is selected by the entire Council) and the staff of the individual council members, are appointed by the Council President. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
Honorable Darrell L. Clarke, President
City Council
Room 494, City Hall
Philadelphia, PA 19107

Appropriations:
General Fund \$17,225,693
Grants Revenue Fund 205,300

Total Appropriations \$17,430,993

Estimated Revenues:
Non-Tax Revenue \$205,000

Number of Full Time Employees:
Exempt 192

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave requests were not properly prepared for nine out of thirty-five dates selected for testing. The department was unable to provide leave requests for three days, and the leave requests for another six days did not indicate supervisory approval.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100118.02].	Council offices are informed that leave requests must be made in writing. Each independently elected office can determine the format that such written requests are made either in writing or electronically. We will continue to remind offices of this policy.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Payroll attendance records were not properly authorized by appropriate supervisory personnel.</u> In our review of sixty daily attendance records, we noted that on forty-five occasions a supervisory employee approved his/her own time and on three occasions the individual approving the time record was not present at work on the date of approval.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100117.01].	We will continue to remind offices and suggest each councilmember be the authorized signer. The payroll unit will also check timesheets more carefully.
<u>For the eighth consecutive year, we have reported that the city's sick leave policy was not enforced.</u> City Council still has not designed and implemented a sick leave policy for its staff, all of whom are classified as exempt employees. Although Council's staff is not subject to the same policy enforced against civil service employees, we noted in calendar year 2018, that 8 employees who used in excess of 20 undocumented sick days, received \$61,000 in paid sick leave that they would not have been entitled to had City Council adopted the city's sick leave policy.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees, Failure to design, implement and enforce such a policy may lead to some employees abusing sick time. ¹	We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].	City Council employees serve at the will of the appointing councilmember. Although we do not enforce the city's Sick Leave Abuse Policy, City Council does however enforce the following: Employees who are absent for three or more consecutive days due to illness or injury must submit a physician's statement authorizing their absence. Employees absent for 5 consecutive days are sent FMLA documentation for completion by their physician.

¹ According to the city's on-line payroll system, there were 75 employees who used 8 or more undocumented sick days during calendar year 2018.

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Year 2019

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct department having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2019 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, and Mayor's Office of Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

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

Appropriations:

General Fund	\$13,469,985
Grants Revenue Fund	<u>915,185</u>
Total Appropriations	<u>\$14,385,170</u>

Estimated Revenues:

Non-Tax Revenue	\$ 103,000
From Other Governments	<u>915,000</u>
Total Estimated Revenues	<u>\$1,018,000</u>

Number of Full Time Employees:

Exempt	<u>106</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Inadequate procedures for safeguarding petty cash funds.</u> During our review of the Office of Labor Relations petty cash records, we noted that there was an unauthorized withdrawal of \$500 from the bank account by a person outside of the department. We also noted two additional unauthorized withdrawals in the amounts of \$100 and \$200.</p>	<p>Failure to maintain and implement adequate procedures for safeguarding of assets led to \$800 in unauthorized withdrawals from the account.</p>	<p>Management should close the current bank account immediately and submit the proper documentation to establish a new bank account for the petty cash funds in accordance with standard accounting procedures of the city's Finance Office [100519.01].</p>	<p>The Office of Labor Relations is working with Finance and the Treasurer's Office regarding this matter. All the necessary notifications have been made.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>A shortage existed in the department's petty cash account.</u> During our review of the department's petty cash, we noted that between the Mayor's Office General fund and the Office of Education fund (which share a single checking account), there was a shortage of \$94. The department was unable to provide any documentation that would enable us to determine the cause of the shortage.	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliation increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [100519.02].	We have no recollection of a \$94.65 shortage. We are aware of a \$21.88 shortage which is a result of a duplicate payment of \$20.88 to Staples and 41.00 overpayment to an employee for an authorized reimbursement. We will work to get the shortage of \$21.88 reconciled. [Controller's Office Evaluation of Department's Response: The \$94 shortage represents the difference between the combined total of the Mayor's Office General Fund petty cash account and Office of Education account (which share a checking account) and the authorized amounts in the city's accounting system.]
<u>An overage existed in the department's petty cash account.</u> During our review of the department's petty cash, we noted that between the Services to the Aging fund and the Senior Services fund (which share a single checking account), there was an overage of \$66. The department was unable to provide any documentation that would enable us to determine the cause of the overage.	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [100519.03].	This finding will be researched in greater detail. The Mayor's Commission on Aging will work with the Mayor's Office to review, research, adhere to the proper accounting processes and procedures regarding the petty cash account.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for refreshments at a meeting for which only city employees were present, and for t-shirts for a city event which should have been obtained through an existing purchase order. The unallowable expenditures totaled \$456.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases which are not permitted under the standard accounting procedures of the city's Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [100519.04].	The lunch with the ADA coordinator candidate was with someone who, at the time was not an employee. This meeting was necessary as part of the interview process for this position.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly reconciliations were not accurately prepared for the General Fund Petty Cash Account and the Services to Aging Account. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none">For the General Fund, the reconciled bank balance per the fund reconciliation did not match the reconciled bank balance per the bank reconciliation. The checkbook balance did not agree with the book balance in the bank reconciliation.For the Services to Aging Account, the authorized amount per the fund reconciliations for the petty cash fund did not agree with the authorized limit of the petty cash fund, which led to an omission of a \$66 overage in the fund reconciliations.	<p>Failure to accurately reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [100518.01].</p>	<p><u>MAYOR'S OFFICE RESPONSE</u> This was due to the separation of the accounts between the Mayor's Office and the Education Office. The difference was accounted for but because of the separation did not show up on the reconciliations.</p> <p><u>AGING RESPONSE</u> We will ensure the overages identified in the fund reconciliation are resolved. Additionally, to decrease the risk of clerical errors and discrepancies, and to ensure funds are not sitting idle, petty cash will be periodically reviewed to justify authorized balances.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the custodian for the General and Office of Education petty cash accounts prepared all seven of the bank and fund reconciliations tested. In addition, the custodian for the Senior Services petty cash account prepared all eight fund reconciliations and seven bank reconciliations tested.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to perform the fund reconciliation and bank reconciliation in accordance with standard accounting procedures of the city's Finance Office [100518.02].</p>	<p>Due to staffing limitations, it is not possible to segregate the duties of fund and bank reconciliations. However, we have assigned someone other than the petty cash custodian to write checks so that the custodian is only responsible for the reconciliations. The person who writes the checks does not authorize the payment. This person does not sign the checks and neither does the person who authorizes payments. Additionally, we have someone other than the custodian who reviews and signs off on reconciliations after they are completed.</p>
<p><u>For the fourth consecutive year, we have reported that the petty cash fund was commingled with another fund.</u> During our review of the department's petty cash fund, we noted the Mayor's Office was operating its General petty cash account combined with that of the Office of Education, when the accounts should be separate. Additionally, we also noted that the Mayor's Office was operating its Service to the Aging petty cash fund and the Senior Services petty cash fund through the same bank account.</p>	<p>Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [100516.01].</p>	<p>We are currently working with the city Treasurer's Office to establish a petty cash checking account for the Education Office.</p>
<p><u>For the fourth consecutive year, we have reported that a petty cash account was not properly closed.</u> During our review of the Services to the Aging's petty cash fund, we noted that the authorized funds in the amount of \$150 were nonexistent.</p>	<p>Failure to properly terminate a petty cash fund creates opportunities for improprieties to occur and increases the risk of misappropriation of the funds.</p>	<p>Management should properly terminate the petty cash account in accordance with standard accounting procedures of the city's Finance Office utilizing Exhibit A of S.A.P. 4.1.1d and monitor the progress of the request [100516.03].</p>	<p>We are currently working with the city Treasurer's Office to establish a petty cash checking account for the Service to the Aging fund.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth consecutive year, we have reported that monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that five of the seven bank and fund reconciliations tested for the General and Office of Education's petty cash account were not performed in a timely manner. In addition, six of the twelve bank and fund reconciliations for the Office of Labor Relations were not performed in a timely manner. Lastly, three bank reconciliations and three fund reconciliations for the Senior Services account were not performed in a timely manner.</p>	<p>Failure to perform monthly bank and fund reconciliations timely increase the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the of the city's Finance Office [100515.02].</p>	<p>We will work to make sure that the reconciliations are performed in a timely manner.</p>
<p>PERSONAL SERVICES</p> <p><u>For the seventh consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> In our review of twenty pay periods during fiscal year 2019, we noted that the same individual performed all data entry, supervisory and executive reviews of payroll time records for the Mayor's Office of Education for all twenty pay periods. The same individual also performed the data entry, supervisory, and executive reviews of payroll records for 17 pay periods, and for one pay period performed the posting and executive review for the Mayor's Office.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation if the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].</p>	<p>This has been corrected with the implementation of OnePhilly.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

City of Philadelphia
Office of the Managing Director
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Managing Director (MDO) oversees, supports, and assists the city's thirteen operating departments to ensure the efficient and effective provision of city services. Additionally, the Managing Director's Office is involved with a number of other activities that include the following: coordinating inter-departmental responsibilities and ensuring accountability for the provision of services; reviewing, revising, and updating the city's emergency operations plan to meet federal and state requirements; coordinating, evaluating, and reporting on emergency response management exercises involving departmental, commercial, private, and volunteer services; developing the chemical emergency response plan required by the Emergency Planning and Community Right-To-Know Act; coordinating grant management services for criminal justice agencies, and managing pertinent research, planning and development for criminal justice projects; managing the justice facilities and system improvement programs; optimizing costs and minimizing the use of energy at city facilities; and advising the police commissioner for the purpose of improving performance and improving community relations. The managing director is appointed by the mayor. In FY 2019, there was a \$36 million decrease in the amount of appropriations and a \$36 million decrease in estimated non-tax revenue specific to MDO's Rebuilding Community Infrastructure Program which was increased in FY 2018 for anticipated grant appropriation and related revenue. The department was designated as Tier 2 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Brian Abernathy, Managing Director	General Fund \$ 97,008,978	Non-Tax Revenue \$ 4,586,000
Office of the Managing Director	Water Operating Fund 138,550	From Other Governments <u>5,991,000</u>
1430 Municipal Services Building	Grants Revenue Fund 9,550,547	Total Estimated Revenues <u>\$10,577,000</u>
1401 John F. Kennedy Boulevard	Capital Fund <u>42,419,000</u>	
Philadelphia, PA 19102	Total Appropriations <u>\$149,117,075</u>	
		<u>Number of Full Time Employees:</u>
		Civil Service 54
		Exempt <u>318</u>
		Total Employees <u>372</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
REVENUE RECEIPTS <u>Revenue receipts are not deposited in a timely manner.</u> Of the 25 revenue receipts tested during fiscal year 2019, we noted that four receipts, totaling \$20,880 were deposited over 15 days after payment was received.	Untimely deposits of revenue receipts result in lost interest income to the city and increase the risk of misappropriation.	Management should minimize the length time it takes to make a deposit with city's Department of Revenue [101016.04].	MDO agrees with the recommendation and will work toward minimizing the length of time taken to deposit revenue with the Department of Revenue.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Payroll data entries for separated employees were not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested. The employee's terminal leave payment erroneously included the compensatory time balance. The separated employee was an exempt employee not covered by the Fair Labor Standards Act and therefore, should not have received the compensatory time payment.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$4,704.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated [101019.01]. In addition, Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment to the separated employee [101019.02].	MDO HR staff has been instructed to review payroll data entries for accuracy to prevent occurrences of this nature from occurring in the future.
<u>City sick leave policy was not enforced.</u> Two of four civil service employees tested were not placed on the excessive use of sick leave list after their eighth undocumented sick day. For one of the employees, the five-day notification letter warning was not issued in a timely manner. Both employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's Sick Leave Abuse Policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence and subject to	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [101018.01].	MDO recognizes the importance of monitoring sick leave usage to ensure it is being used properly and in conformance with the policy. Since FY18, much effort has been spent to ensure the payroll staff are monitoring sick leave usage and enforcing the city's sick leave policy for civil service employees.

¹ According to the city's on-line payroll system, there were 80 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>discharge after the fifth occurrence. Additionally, two employees were issued eight-day notification letters and placed on excessive use of sick leave list three months after their eighth occurrence. Therefore, they continued to be paid for sick time they were not entitled to during that three-month period. Finally, only two months after being placed on the sick abuse list, the department inappropriately again began paying them for sick time they were not entitled to.</p> <p>Although MDO's exempt employees are not subject to the city's Sick Leave Abuse Policy for its civil service employees, we tested five of MDO's exempt employees who, according to the on-line payroll system, exceeded the eight-day limit on undocumented sick leave and used in excess of 20 undocumented sick days. Our testing disclosed these employees received \$29,625 in paid sick leave that they would not have been entitled to had MDO adopted the city's sick leave policy for its exempt employees.</p>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the four civil service employees we selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101018.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> Attendance records, for three of the eight employees selected for testing, did not reconcile with time recorded in the on-line payroll system. For one employee, overtime was recorded on the incorrect day and on another day had overtime recorded that exceeded the amount of overtime earned. In another instance, an employee was incorrectly charged four hours of vacation time, when his attendance record only reflected two hours. Lastly, an employee was not present for two days of work in which the on-line payroll system did not reflect any absences and two days in which the employee was not eligible or overtime compensation.	Systematic errors or irregularities may occur and not be detected during normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [101017.03].	Implemented.

City of Philadelphia
Fire Department
Findings and Recommendations
Fiscal Year 2019

Functions

The Philadelphia Fire Department (PFD) was established by the Philadelphia Home Rule Charter to provide the following major functions: extinguish fires within the city and, upon request of the appropriate authorities, outside the city; administer the fire code relating to fire and explosion hazards; institute and conduct programs of public education in fire prevention and safety; train, equip, maintain, supervise, and discipline an adequate number of firefighters; and operate a fire alarm system. Additionally, the PFD is also charged with delivering pre-hospital emergency medical care and transportation. The PFD consists of four major divisions that include Emergency Medical Services, Operations, Technical Services, and Administrative Services. Each of these divisions has responsibility for carrying out the various functions of emergency medical services and firefighting. The department operates out of 68 locations throughout the City of Philadelphia, with each fire station housing a variety of equipment including pumpers, ladders, and medic units. A fire commissioner and four deputies manage the department. The fire commissioner is appointed by the city's managing director. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Adam Thiel, Commissioner
Philadelphia Fire Department
240 Spring Garden Street
Philadelphia, PA 19123

Appropriations:

General Fund	\$277,613,180
Grants Revenue Fund	20,145,148
Aviation Fund	8,355,474
Capital Fund	<u>16,291,000</u>
Total Appropriations	<u>\$322,404,802</u>

Estimated Revenues:

Non-Tax Revenue	\$40,950,000
From Other Governments	<u>20,145,000</u>
Total Estimated Revenues	<u>\$61,095,000</u>

Number of Full Time

Employees:

Civil Service	2,703
Exempt	<u>14</u>
Total Employees	<u>2,717</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL PROPERTY			
<p><u>Personal property owned and used by the city was not always accurately accounted for in the city's or the department's personal property records.</u></p> <p>During our review of the city's database, we noted that two of the five personal property sample items we selected for testing could not be located at their specified field locations. In addition, we noted two of five items we selected for testing from the city's detailed listing of expenditures could not be traced to the department's records.</p>	<p>Failure to maintain accurate records increases the risk of misstating personal property inventory values.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. The department should work with the Procurement Department to reconcile their records to the database [101319.01].</p>	<p>The PFD is in the process of strengthening its policies and procedures with the hiring of a new departmental inventory manager. This manager will be tasked with implementing the controls necessary to ensure accurate accountability and recordkeeping of our inventory.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 241 items valued at \$390,982 which were reported as “cannot locate” items for over 3 years.</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and periodically reconcile their records to the database [101318.02].</p>	<p>The PFD is working to generate a list of all could not locate (“CNL”) items for the past two years and will work throughout the year to ensure that the necessary documentation is submitted to the Procurement Department to have these items removed from the inventory in a timely manner.</p>
<p><u>The department did not maintain proper documentation for the removal of disposal and transferred personal property items.</u> We noted that the department failed to provide supporting documentation for the disposal of two personal property items which were removed for the city’s database. We also noted that the department did not have documentation for five transferred items.</p>	<p>Failure to maintain the proper documentation for disposed or transferred items increases the risk of misappropriation and could result in an inaccurate valuation of the department’s assets.</p>	<p>Management should ensure that disposed or lost/stolen items are supported with the proper documentation and that personal property items are periodically reconciled to the city’s database. [101318.03].</p>	<p>The PFD is currently working with Procurement to remove transferred items from the PFD departmental inventory and is developing/implementing internal policies that will ensure completion of accurate and timely documentation. The PFD plans to disseminate an internal memo to all site managers reiterating the proper procedures for managing and accounting of items in our inventory.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed that three of five employees selected for testing received incorrect final payments upon their termination. Two employees separated with overpayments and one employee separated with an underpayment. The department failed to submit a Payroll Credit Advice (PCA), to recoup one of the two overpayments, and submitted an incorrect amount for the PCA for the other overpayment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. Two incorrect final payments by the department resulted in an overpayment of \$1,050 while one incorrect final payment resulted in an underpayment of \$414.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees and PCAs are submitted for any inaccurate payments to separated employees [101319.02].</p>	<p>PFD disputes the assessment that data entries for separated employees are not always checked. At times when an employee separates, their activities in their final workdays do not align with their previously stated intentions. This causes discrepancies in leave balances that affects terminal leave payouts. PFD HR does attempt to mitigate the impact by adjusting separation dates or processing PCA's to identify discrepancies. Though PFD does have a system of checks & balances to ensure review by two separate work groups; PFD will continue to work to increase review of biweekly payroll entries as OnePhilly stabilizes and introduces enhancements and efficiencies.</p> <p>[Controller's Office Evaluation of Department's Response: The department maintains that the data entries for separated employees are checked, however the conditions noted indicate that there were undetected errors resulting in an overpayment and underpayment to the employees.]</p>
<p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of twenty weekly attendance records, we noted four records which showed no evidence of supervisory review.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [101319.03].</p>	<p>PFD has documented guidelines that provide direction to its staff mandating that all timesheets, roll calls, etc. receive supervisory review and approval before being submitted for processing. PFD will disseminate an internal memo re-iterating the importance of supervisory review and approval of such documentation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Employee attendance records are not properly used to document employee attendance.</u> Our review of the Fire Department's records revealed that attendance records were not routinely prepared for 2 of the 10 employees selected for testing. For one civilian employee, the department was unable to provide any attendance documentation and for one uniformed employee, the attendance record was not prepared for one of the dates tested.	Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.	Require employees to contemporaneously complete their weekly time reports [101319.04].	PFD understands the importance of documenting attendance records, which ensures appropriate pay. While records are routinely prepared; maintenance, storage and recall of those records presents some challenges. PFD will work on solidifying record retention procedures.
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave time taken was not properly approved by a supervisor for three out of 10 employees selected for testing. For one civilian employee, the department was unable to provide three formal leave requests and for two uniformed employees, leave time taken was not properly approved by a commanding officer.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101319.05].	PFD authorizes supervisory staff to grant leave requests via alternate means; text message, emails, or occasionally verbally via phone in an effort to match practice with modern communication pathways. The timesheets document both hours worked and leave hours used and are reviewed and approved by supervisory personnel, who had previously approved the leave time through various means described above.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was not enforced.</u> Nine of the 10 civil service employees tested were not issued an eighth day notification letter and eight of the employees were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, they were paid \$145,609 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department also failed to properly enforce the sick abuse penalties for nine of the 10 employees tested. The department should have counseled these employees and imposed the applicable penalties; a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten- day suspension after the fourth occurrence. We also noted that none of the 10 employees were issued fifth day warning letters after reaching their fifth undocumented sick day.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend 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 [101318.04].</p>	<p>With the launch of OnePhilly, departments were encouraged to manually keep track of uncertified sick leave usage by employees, as notifications letters are no longer automatically generated by OnePhilly. In a department of nearly 3,000 employees, it is difficult to manage sick abuse manually, particularly in the absence of automated system notifications. The PFD has been informed that the functionality that issues notification letters is currently disabled in OnePhilly but will be tested and implemented in the near future. PFD looks forward to working with the OnePhilly team to ensure that PFD can accurately track sick usage, have certain alerts, available, and enforce the sick leave policy.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

¹ According to the city's on-line payroll system, there were 129 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Payroll data entry and supervisory reviews of payroll time record entries were not always segregated.</u> For two of the 20 pay periods tested in fiscal year 2019, the same person performed the data entry and supervisory level approvals of the department's time records. For another pay period, the same person performed both the supervisory and executive level approvals.	Failure to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [101317.01].	PFD has differentiated roles for payroll data entry, supervisory review and executive approval.
<u>For the seventh consecutive year, we are reporting that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for five of the ten civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101312.01].	PFD makes notice to all its staff of the annual performance review period, due November 1 of each year. PFD sees a high level of compliance with completion and submission of annual reviews. However, officially documenting the reviews continues to be a challenge as PFD HR balances various competing priorities.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Personal property with a value of \$750 or more was not tagged.</u> Seven of the fifteen personal property samples we tested, totaling \$18,515, were not tagged.	Failure to tag personal property increases the risk of theft and misplacement.	Management should ensure that all personal property with a value of \$750 or more are properly tagged [101318.01].	Implemented.

City of Philadelphia
Department of Parks and Recreation
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Parks and Recreation was established by a 2008 amendment to the Philadelphia Home Rule Charter that merged the operations of the Fairmount Park Commission with the Recreation Department. As part of the Charter referendum, the former Fairmount Park Commission became the Commission on Parks and Recreation.

The Department of Parks and Recreation has the power and duty to: formulate and conduct a comprehensive and coordinated program of cultural and physical recreational activities; manage and operate all city recreational facilities and all parks and public squares; construct, maintain, improve and repair such facilities, parks and squares; preserve, manage, and operate historical shrines not otherwise entrusted; and plan for the acquisition of buildings and grounds of historical significance. A commissioner, appointed by the managing director with the approval of the mayor, heads the department. The commissioner appoints a deputy commissioner of recreation and a deputy commissioner of parks to manage operations of the city's recreation programs and parks, respectively.

The Commission on Parks and Recreation consists of fifteen members, nine appointed by the mayor from a list of nominations submitted by City Council, and six serving ex officio. The latter members are the president of City Council, the executive director of the City Planning Commission, the water commissioner, the streets commissioner, the public property commissioner, and the parks and recreation commissioner. The commission reviews and makes recommendations to the mayor for land transactions involving the parks or recreation facilities. The commission's functions also include assisting and advising the parks and recreation commissioner, enhancing the image of the parks and recreation facilities, and expanding and diversifying sources of funding.

Both the Philadelphia Museum of Arts and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Department of Parks and Recreation for Fiscal Year 2019. The department was designated as Tier 2 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>	
Kathryn Ott Lovell, Commissioner	General Fund	Non-Tax Revenue	\$ 1,969,000
Department of Parks and Recreation	Grants Revenue Fund	From Other Governments	<u>13,215,000</u>
1515 Arch Street, 10 th Floor	Capital Fund	Total Estimated Revenues	<u>\$ 15,184,000</u>
Philadelphia, PA 19102	Total Appropriations		
		<u>\$260,645,723</u>	
		<u>Number of Full Time Employees:</u>	
		Civil Service	636
		Exempt	<u>38</u>
		Total Employees	<u>674</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash funds, we noted that four of the eight fund reconciliations and three of the eight bank reconciliations for the Administration petty cash account were not completed within thirty days after the end of the month. Additionally, four of the eight bank and fund reconciliations for the Program petty cash account were not completed in a timely manner. Lastly, four of the eight bank and fund reconciliations for the Fairmount Park Commission petty cash account were also not prepared in a timely manner.</p>	<p>Failure to perform monthly bank and fund reconciliations timely increase the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101619.01].</p>	<p>The department agrees with the recommendation. The procedure has been implemented and all petty cash bank and fund reconciliations are being done timely within 30 days after the end of the month.</p>
<p><u>For the fourth consecutive year, we have reported that the department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not properly prepared for the department's petty cash account for the Program Fund. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> • Five petty cash checks totaling \$868, dating back to July 2011, have not been submitted for reimbursement. The department could not provide adequate documentation supporting these disbursements. • Two bank fees totaling \$182, have not been submitted for reimbursement. The department could not provide adequate documentation supporting these fees. • A long-standing shortage of \$148 has not been addressed according to accounting procedures. 	<p>Failure to reconcile the account properly has resulted in a net shortage of \$1,198. Not submitting expenditures for reimbursement timely increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>Management should ensure that petty expenditures are properly documented and submitted for reimbursement in a timely manner [101616.05]. Additionally, any overages or shortages should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101616.03].</p>	<p>We agree with the recommendation and will handle any variances according to the standard accounting procedures. All current reimbursement is done in a timely manner. The expenditures in question were submitted for reimbursement and returned by Finance. We are in the process of clearing all outstanding variances and have been in touch with Finance and Treasury Dept.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth consecutive year, we have reported that long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the Administrative and the Program Division's petty cash funds, dating back to 2004, totaling \$461, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order for each long outstanding check and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance standard accounting procedures of the city's Finance Office [101615.02].</p>	<p>We agree with the recommendation and process for unclaimed monies and will issue stop payment orders and deposit the appropriate amount into the city's Unclaimed Monies Fund.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were still not properly authorized by supervisory personnel.</u> Timecards for two of the five employees selected for testing were approved by a unit supervisor prior to the end of the work week. In addition, one of the five employees had a timecard approved by a supervisor who was not present on the dates that the employee worked.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees only after the time has been worked and only for days for which they are present. [101618.02]. Additionally, the payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [101619.02].</p>	<p>The department acknowledges this finding and will continuously work with supervisors to ensure they are following the proper procedures for approving time. A reference document for proper timesheet submission and approval protocols was drafted and sent to all employees in October of 2019.</p>
<p><u>For the fourth consecutive year, we have reported that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [101616.06].</p>	<p>The department acknowledges this finding and will continue to strive for 100% compliance. For the 2018 performance cycle, PPR is currently at a 78% compliance rate with evaluations still being submitted.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>For the fifth consecutive year, we have reported that employee attendance records are not properly used to document employee attendance.</u> We noted that three out of five employees we selected for testing completed their weekly time reports before the time had been worked.	Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.	Require employees to contemporaneously complete their weekly time reports [101615.06].	The department acknowledges this finding and will continue working with the payroll staff and supervisors to ensure proper protocol is being followed. Reference documentation was sent to all employees in October 2019 to aid in this effort.
<u>For the seventh consecutive year we are reporting that the city's sick leave policy was not enforced.</u> Four out of eight civil service employees we tested continued to use and be paid for uncertified and certified sick leave after being placed on the excessive use of sick leave list in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence and subject to discharge after the fifth occurrence. Additionally, seven out of the eight employees tested were retroactively placed on the excessive use of sick leave list, effectively shortening the mandated twelve-month placement period. We also noted that for two employees the department did not issue the eight-day notification letter in a timely fashion.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101612.01].	The department acknowledges this finding and will continue to improve our enforcement efforts as it relates to the sick leave policy.

¹ According to the city's on-line payroll system, there were 15 employees who used 8 or more undocumented sick days during calendar year 2018.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Unclaimed checks were not promptly returned to the City Treasurer's Office.</u> On our testing date, we observed one unclaimed payroll check dated July 25 th , 2014.	The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.	Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [101618.01].	Implemented.
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The department could not provide formal approved leave requests for three of the five employees we selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101610.03].	Implemented.

City of Philadelphia
Department of Public Property
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Public Property was established by the Philadelphia Home Rule Charter to centralize a variety of functions related to the city government's physical plant, communications, power systems, and city-owned transit facilities. Within the scope of its functions under the Charter, the Department of Public Property exercises the following powers and performs the following duties: supervision over the construction, maintenance, and repair of city facilities; acquisition and disposition of city-owned or leased real estate; assignment of space in city buildings to executive and administrative agencies; and supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city's managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
Bridget Collins-Greenwald, Commissioner
Department of Public Property
City Hall, Room 790
Philadelphia, PA 19107

Appropriations:
General Fund \$199,955,763
Water Fund 4,265,847
Aviation Fund 26,900,000
Capital Fund 55,627,000
Total Appropriations \$286,748,610

Estimated Revenues:
Non-Tax Revenue \$6,350,000
From Other Governments 18,000,000
Total Estimated Revenues \$24,350,000

Number of Full Time Employees:
Civil Service 147
Exempt 15
Total Employees 162

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>OTHER EXPENDITURES</p> <p><u>The department overpaid for contracted janitorial services by failing to confirm that the employees on the invoice had worked all of the hours charged by the vendor.</u> We noted three instances where the hours on the sign-in sheets for the janitorial services did not agree to the hours invoiced by the vendor resulting in an overpayment in the amount of \$6,300.</p>	<p>Failure to adequately review the supporting documentation for vendor invoices could result in underpayments or overpayments to the vendor.</p>	<p>We recommend that the department thoroughly review all invoices to ensure that they are accurately calculated and that the supporting detail for the invoices agrees to the amounts billed [102019.01].</p>	<p>The department has developed a policy to ensure that invoices are accurately calculated and the invoice details match the work order details.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee travel expenses over \$100 were disbursed from petty cash.</u> The department reimbursed an employee for travel expenditures exceeding the authorized limit. Travel Reimbursement Limits specified in Standard Accounting Procedure 4.1.1.d (Rev. 1) states that reimbursements to employees for travel expenses previously incurred are allowable out of petty cash up to \$100. If the expenses incurred by an employee exceed \$100, the employee shall not receive any reimbursement through petty cash but may be reimbursed using the employee reimbursement form.	Petty cash funds were used for unallowable expenditures. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	Management should reimburse employees for travel expenses through petty cash only if the total reimbursement is under \$100 in accordance with standard accounting procedures of the city's Finance Office [102017.01].	Implemented.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed that the department disbursed petty cash funds for monthly services for an alarm monitoring service. Even though the city's Finance Office approved the expenditure, payments for services made on a recurring basis should either be made through a direct purchase agreement or through a contract with an existing city vendor.	The improper use of petty cash funds circumvents the city's budgeting controls included in the procurement process and increases the risk that unauthorized expenditures could occur without detection.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [102017.02].	Implemented.
<u>Duties for performing the petty cash fund reconciliation were still not adequately segregated.</u> During our review of the petty cash records for the Department of Public Property's Capital Program Division, we noted that the petty cash custodian also prepared the fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash fund reconciliations had still not been independently reviewed and approved.</u> During the review of the petty cash records for the Department of Public Property's Administration Division, we noted that the petty cash custodian also reviewed and approved the fund reconciliations.	Failure to independently review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a time manner.	Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.02].	Implemented.

City of Philadelphia
Office of Homeless Services
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Homeless Services (OHS), was established to provide the leadership, planning, and resource mobilization to make homelessness in Philadelphia rare, brief and non-recurring. These services encompass prevention efforts, shelter care, comprehensive case management, and referral services to a variety of assistance programs dealing with problems such as substance abuse, mental-health ailments, and life-skill deficiencies. Services can range from providing one night of shelter to victims of fire to year-round housing for chronically needy individuals. Many of the services are provided by third parties with which OHS contracts. The overall goal of OHS is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OHS also operates Riverview, a personal care boarding home for low income people with physical or mental disabilities that require assistance with the activities of daily living. OHS is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Elizabeth Hersh, Director
Office of Homeless Services
1030 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 52,761,498
Grants Revenue Fund	44,700,757
Capital Fund	<u>3,949,000</u>
Total Appropriations	<u>\$101,411,255</u>

Estimated Revenues:

Non-Tax Revenue	\$ 780,000
From Other Governments	<u>44,660,000</u>
Total Estimated Revenues	<u>\$45,440,000</u>

Number of Full Time Employees:

Civil Service	132
Exempt	<u>32</u>
Total Employees	<u>164</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for two expensive coffee makers. The purchase of the unallowable expenditure totaled \$339.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under the standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [102419.01].</p>	<p>Going forward, OHS will refer to city policies and procedures regarding petty cash expenditures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>The department's petty cash fund had not been reconciled.</u> During our review of the department's petty cash records for the Riverview account, we noted that the fund reconciliations were not properly prepared. The fund had an outstanding shortage in the amount of \$133 that could not be identified by the department.	Failure to investigate shortages or overages increases the risk that missing funds will remain unrecovered as well as complicate the reconciliation process.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102419.02].	The department will provide petty cash reconciliation training to the custodian to ensure reconciliations are prepared timely and accurately. OSH will prepare a memorandum to Finance to have these funds restored.
<u>A shortage existed in the agency's petty cash account.</u> During our review of the department's petty cash, we noted that the Adult Services account had a shortage in the amount of \$199 due to unreimbursed disbursements and reimbursements for uncashed checks from prior years that have not been resolved.	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102417.02]. In addition, we recommend that receipts be timely submitted for reimbursement [102418.01].	This shortage is a combination of a check written to pay for our Pitney Bowes subscription that was not reimbursed, with 2 checks vouchered but eventually returned to OHS, and a check that was vouchered for \$2 more than the written amount. OHS will prepare a memorandum to Finance to have these funds restored.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Supervisory and executive approvals of payroll time record entries were not always segregated.</u> During five of the twenty pay periods we tested, the same individual performed supervisory and executive level approvals of the bi-weekly payroll in the on-line payroll system.	Failure to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the supervisory and executive approvals of the bi-weekly payroll [102418.02].	Implemented.

City of Philadelphia
Department of Licenses and Inspections
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Licenses and Inspections (L&I) was established by the Philadelphia Home Rule Charter of 1951. It has the power and duty to perform the following functions: administer and enforce all statutes, ordinances, and regulations pertaining to building safety, sanitation, signs, and zoning; issue all licenses required to be obtained from the City of Philadelphia; conduct all inspection functions to determine whether any person or owner of any property is violating the conditions of any license, or whether any property owner is violating any statute, ordinance or regulation; train and maintain a competent force of inspectors; enforce violations found as a result of any inspection; revoke, suspend or cancel any license when the holder is violating the conditions thereof; and make special inspections on request where unlawful conditions are believed to exist. The department is headed by a commissioner appointed by the managing director with the approval of the mayor.

In connection with the powers and duties of L&I, the Charter also established three boards; the Board of License and Inspection Review, the Zoning Board of Adjustment, and the Board of Building Standards. The Board of License and Inspection Review provides citizens adversely affected by the issuance, refusal, suspension, revocation, or cancellation of any license, an orderly due process for a review of actions taken against them. Upon hearing the evidence, the Board renders its decisions in writing. The Zoning Board of Adjustment hears and decides appeals on zoning matters and on special exceptions to the zoning ordinance and authorizes variances from zoning ordinances when conforming to the ordinances will result in unnecessary hardship. The Board of Building Standards advises the Commissioner of L&I on the interpretation of the city's building code and any regulations relating to building safety and sanitation; suggests changes to regulations; and proposes new and substitute materials for building construction, as well as new methods of construction. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
David Perri, Sr., Commissioner
Department of Licenses and Inspections
11th Floor, Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1687

Appropriations:
General Fund \$37,756,015
Community Development Fund 514,818
Total Appropriations \$38,270,833

Estimated Revenues:
Non – Tax Revenue \$59,711,000
From Other Governments 515,000
Total Estimated Revenues \$60,226,000

Number of Full Time Employees:
Civil Service 375
Exempt 30
Total Employees 405

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>REVENUE</p> <p><u>Daily payment totals are not reconciled to the revenue amounts posted to the city's financial accounting system.</u> The daily posting of housing inspection license renewal revenue is not reconciled to the city's financial accounting system (FAMIS). For the 15 sample days tested, we noted differences between the amounts posted by the Revenue Department and FAMIS totaling \$314,810. The total housing inspection license renewal revenue was \$16.4 million for the 2019 fiscal year.</p>	<p>Failure to reconcile the daily cash receipts to the city's financial accounting system increases the risk of misstatement of revenues as well as providing opportunities for the misappropriation of funds.</p>	<p>Validated deposit summaries should be compared to the FAMIS system daily in order to properly reconcile the cash receipts [102618.01].</p>	<p>The department will implement this recommendation. L&I will be working with the Project eCLIPSE vendor to improve the reporting functionality for online payments, which will assist with reconciliation and tracking between payment initiation and payment clearance.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for three of the five employees tested. For two employees, final pay period on-line attendance records were adjusted after separation, resulting in one employee being underpaid and another being overpaid based on the online records. For one employee, leave time taken during the final pay period was not properly paid.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$135. Additionally, two employees were underpaid a total of \$478 at separation.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated [102619.01].</p>	<p>The department will implement this recommendation.</p>
<p><u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not agree to the on-line payroll records for three of the five employees we selected for testing.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [102619.02].</p>	<p>The department will implement this recommendation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> We noted that the department did not properly enforce the sick leave policy for any of the five civil service employees we tested. For four out of five employees tested, the department failed to properly apply the sick abuse penalties. For one of these four employees, the department retroactively adjusted original entries to reflect the sick abuse penalties before the employee was placed on the sick abuse sick list. These employees continued to use and be paid for sick leave in violation of the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. Additionally, two employees received the eighth day placement letter in an untimely manner and one employee was issued the fifth- and eighth-day letters and placed on the sick abuse list after separation from the city.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend 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 [102612.02].</p>	<p>The department is committed to enforcement of the Citywide Sick Leave Policy. The department recently increased the payroll unit staff to ensure that all necessary sick leave policy enforcement is conducted. The department will implement this recommendation.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for two of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [102616.01].</p>	<p>Implemented.</p>

¹ According to the city's on-line payroll system, there were 19 employees who used 8 or more undocumented sick days during calendar year 2018.

City of Philadelphia
Department of Records
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Records was established by the Philadelphia Home Rule Charter and charged with the creation, maintenance, retention, and disposition of city records. More specifically, it is responsible for: establishing standards and procedures for record keeping and records systems for all departments, boards, commissions, and agencies of the City of Philadelphia; recording legal documents, maintaining real property database records, maintaining the city's tax maps, collecting city and state realty transfer taxes, collecting various fees, and providing copies of police and fire records; managing the citywide acquisitions of reprographic and filing equipment, conducting records-management studies, creating and managing citywide records-retention schedules, designing and controlling city forms, and managing the city's archives and records center; and creating and maintaining photo records of city activities, providing official city identification cards, providing quick-copy duplicating services, and producing engineering-size reproductions. A commissioner, appointed by the mayor, heads the department. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

James Leonard, Commissioner
Department of Records
Room 160 City Hall
Philadelphia, PA 19107

Appropriations:

General Fund	\$4,768,507
Capital Fund	<u>3,766,000</u>
Total Appropriations	<u>\$8,534,507</u>

Estimated Revenues:

Non-Tax Revenue	<u>\$32,810,000</u>
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Number of Full Time Employees:

Civil Service	52
Exempt	<u>3</u>
Total Employees	<u>55</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> For four of the twenty pay periods tested in fiscal year 2017, duplication was evident among the data entry, supervisory, or executive approvals of payroll time records entries. In three pay periods, the same individual performed the supervisory and executive-level approvals of the bi-weekly payroll in the on-line system. While in another pay period, the same individual performed the data entry and the supervisory approval.	Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [103117.01].	Implemented.

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide a department and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. The Office of the Director of Finance supports a number of department divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor's Office of Grants, and the Administrative Systems Modernization project (OnePhilly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The office of the Director of Finance established a dedicated administrative service center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the department. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director whose salary is budgeted in the Office of the City Treasurer. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, 13th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Matthew Bowman, Executive Director
Sinking Fund Commission
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

Finance

General Fund	\$1,703,757,733
Water Fund	146,640,401
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	250,000,678
Aviation Fund	70,608,249
Community Development Fund	24,152,814
Acute Care Hospital Fund	342,592
Capital Fund	<u>68,875,000</u>
Total Finance	<u>\$2,265,377,467</u>

Sinking Fund Commission

General Fund	\$ 295,032,504
Water Fund	212,992,336
Aviation Fund	163,801,936
Car Rental Tax Fund	<u>7,000,000</u>
Total Sinking Fund	<u>\$ 678,826,776</u>

Total Appropriations \$2,944,204,243

Estimated Revenues:

Finance

Non-Tax Revenue	\$ 7,595,000
From Other Governments	889,325,000
Revenue From Other Funds	<u>20,074,000</u>
Total Estimated Revenues	<u>\$916,994,000</u>

Number of Full Time Employees:

Finance

Civil Service	130
Exempt	<u>39</u>
Total Employees	<u>169</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p>The department's petty cash fund had not been <u>properly reconciled</u>. During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliation:</p> <ul style="list-style-type: none"> The beginning book balance from the bank reconciliation did not agree to the beginning balance of the checkbook. The department's cash balance in the fund reconciliation did not agree to the reconciled cash balance from the bank reconciliation. 	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103519.01].</p>	<p>Petty cash reconciliations can experience timing issues. There could be timing discrepancies and irregularities because the monthly bank statement is issued and determined on the last day of the month/cycle. For example, checks that are written on the last days of the month, but aren't cashed, won't post to the bank account/statement for that month, yet they will be recorded in our/Finance's bank reconciliation, as a reduction. For further research and clarity, Finance is requesting the petty cash records and documentation that were used in these findings, thus concluding that the department's petty cash fund had not been properly reconciled</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed refers to routine fund reconciliation procedures, rather than monthly reconciling items.]</p>
<p>IMPREST FUNDS</p> <p>The department's imprest fund had not been <u>properly reconciled</u>. During our current review, we noted that monthly fund reconciliations were not accurately prepared for the department's Workers' Compensation Fund. The reconciled bank balance per the fund reconciliation did not match the reconciled bank balance per the bank reconciliation. Additionally, an overage in the amount of \$15,433 had not been corrected for five months.</p>	<p>Failure to accurately reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly imprest fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103519.02].</p>	<p>The department will investigate the matter and work to ensure that the fund reconciliations are properly prepared and that the overage will be corrected.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly imprest account's bank and fund reconciliations had not been performed in a timely manner.</u> During our review, we noted that five bank reconciliation for the Risk Management account and four bank reconciliations for the Risk Funding account were not performed in a timely manner. We also noted that six fund reconciliations for the Risk Management account were not prepared in a timely manner.</p>	<p>Failure to perform monthly bank and fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly imprest account's bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103519.03].</p>	<p>Management is ensuring to the best of its ability to prepare, review and obtain appropriate signatures for bank reconciliation in a timely manner. When lateness occurs, it is due to appropriate individuals not being in the office at the time signatures are required. Going forward we will make all efforts to have all bank reconciliations submitted timely.</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that 20 records (40%) showed the supervisor approving his/her own time. Two of these records evidenced signatures of approval from supervisors who were not present on the dates of the attendance records.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [103517.04]. Additionally, supervisors should only approve daily attendance records on the days they were present and can properly account for their employees' time [103519.04].</p>	<p>This issue has been resolved due to the implementation of OnePhilly in April of 2019. Supervisors/staff at a higher level are reviewing and formally approving timecards on a weekly or biweekly basis for employees listed on the daily attendance record.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>OTHER EXPENDITURES</p> <p><u>For the fourth consecutive year, we have reported that travel expenses using the city's American Express account, were not properly reviewed and approved.</u> City departments use the American Express account to pay for travel expenses incurred for city business. The Finance Office is responsible for reviewing and approving the travel authorization forms that collectively support the monthly payment to American Express. We noted that the Finance Office did not sign the two payment vouchers selected for testing to document their review and approval of the disbursements totaling \$69,869.</p>	<p>Failure to properly review and approve travel vouchers increases the risk of undetected errors and provides opportunities for employees to incur unpermitted and/or unauthorized travel expenses.</p>	<p>All travel authorization forms should be reviewed and approved by Finance officials prior to payment. This review should include ensuring that department officials properly approve the travel forms and verifying that the American Express account is used for valid purposes [103516.04].</p>	<p>The Finance Department's current process is that Financial Verification staff reviews and approves all travel authorizations. After review of the source document and completion of the upload into the city's accounting system, Finance employee indicates the voucher numbers, date and payroll number on the upper left-hand corner (Finance Use Only) of the payment authorization form. They also ensure all charges on the invoices were supported.</p> <p>[Controller's Office Evaluation of Department's Response: The payment authorization forms we reviewed indicate the voucher number, batch date, and the payroll number of the employee who entered the data. There was no evidence that the forms were reviewed or approved by a Finance official.]</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Increase in petty cash reimbursement limit was not properly communicated to city departments.</u> The Office of Finance verbally communicated to city departmental management and staff an increase in the spending limit for petty cash purchases effective in July of 2017 via a training class held in May of 2017. The material distributed at the training class indicated that the standard accounting procedure (SAP) would be amended to reflect the change. However, as of our last date of field work, the SAP had not been amended.</p>	<p>Failure to establish official written communication for the increase in the petty cash spending limit could create ambiguity about the correct spending limit within city departments.</p>	<p>Create an official written communication that addresses the increased petty cash spending limit or revise SAP 4.1.1.d (Rev1), which defines the proper procedures and regulations for petty cash funds [103518.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide formal approved leave requests for two of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103518.02].</p>	<p>Implemented.</p>
<p><u>Petty cash account balances were not updated in FAMIS to reflect department level changes.</u> The Mayor's Office of Community Empowerment and Opportunity submitted documentation to the Financial Verification Unit of the Finance Department requesting a \$1,750 increase to their authorized petty cash balances in accordance with the standard accounting procedures of the city's Finance Office. The additional funds were provided to the department; however, the requested change was not made to the city's accounting system. According to Finance's procedures, the department head is required to notify the city's Finance Office of any request to change the amount of the department's petty cash balance.</p>	<p>Failure to appropriately track changes to petty cash account balances increases the risk that the funds are not accounted for properly. In additions, errors and irregularities may go unnoticed.</p>	<p>Management should promptly update FAMIS to reflect changes from properly submitted Agency Request for Petty Cash and Imprest Changes forms whenever the petty cash balances change, in accordance with standard accounting procedures of the city's Finance Office [103517.03].</p>	<p>Implemented.</p>
<p><u>Payroll supervisory and executive approvals of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for three of the twenty pay periods tested.</p>	<p>Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [103516.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Incorrect use of an IRS tax form may contribute to untimely payments to vendors.</u> To ensure that individuals or entities such as the City of Philadelphia obtain the Taxpayer Identification Number (TIN) of vendors for which they must report amounts paid to the IRS, entities must require vendors to complete IRS form W-9 – <i>Request for Taxpayer Identification Number and Certification</i> (W-9 Form). The city's Finance Office (Finance) inappropriately uses Form W-9 when vendors use a lockbox address or other remittance address to receive payments in lieu of the official business address indicated on the form, which is required by the IRS. Specifically, Finance was requiring contractors to change their official business address on their W-9 Form to their payment address if their payment address did not match what is in the city's accounting system and contract. If the contractor did not comply, they would not get paid. Since the W-9 Form is used to complete the informational return to the IRS, the corporate address should be the address of record on the form. Finance was unable to provide auditors with a policy or procedure on remittance address changes.	The city is at risk of losing established and competent business partners due to unnecessary payment delays. Moreover, if businesses anticipate payment delays, they may factor these delays in their rates and fees.	We recommend that Finance immediately discontinue the practice of requiring vendors to resubmit a W-9 Form when their remittance address is different from their official business address. They should link the remittance address to the official business address within its accounting system so that all payments, regardless of where remitted, are linked to the TIN of the vendor. We further recommend that Finance create a policy to address remittance address changes and consider creating its own form, as well as work with the city's Law department to add language to city contracts that would include remittance address change requirements [103516.03].	Implemented.

City of Philadelphia
Department of Revenue
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Revenue was established by the Philadelphia Home Rule Charter to be responsible for: billing and collecting real estate taxes; collecting income and other taxes; reading water meters and billing and collecting water and sewer rents due to the city; and collecting fees for all city licenses and permits. Under the 1965 Supplement to the Charter, the Department of Revenue is charged with collecting taxes receivable for the benefit of the School District of Philadelphia. The director of finance with the approval of the mayor appoints the revenue commissioner. The department was designated as Tier 2 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Frank Breslin, Commissioner	General Fund	\$30,707,541	Tax Revenue	\$3,611,319,000
Department of Revenue	Water Fund	16,664,500	Non-Tax Revenue	676,375,000
Municipal Services Building, 6 th Floor	Grants Revenue Fund	26,425,000	From Other Governments	<u>42,915,000</u>
1401 John F. Kennedy Boulevard	Acute Care Hospital Fund	<u>45,000</u>	Total Estimated Revenues	<u>\$4,330,609,000</u>
Philadelphia, PA 19102	Total Appropriations	<u>\$73,842,041</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	536
			Exempt	<u>77</u>
			Total Employees	<u>613</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PETTY CASH <u>Monthly petty cash fund reconciliations were not prepared in a timely manner.</u> During our review of the department's petty cash records for the Legal Services account, we noted that two of the eleven fund reconciliations selected for testing were not performed in a timely manner.	Failure to timely perform monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103619.01].	In July 2019, the department implemented new procedures to ensure that the monthly reconciliations are prepared and submitted by the 10 th of each month.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank reconciliations were not properly prepared. The following items were erroneously recorded in the bank reconciliation:</p> <ul style="list-style-type: none">• The beginning balance per books, receipts and other increases for the period, checks drawn and other decreases, and ending balance per books from the bank reconciliation did not agree to the amounts in the checkbook for the Legal Services account.• The beginning balance per books and ending balance per books from the bank reconciliation did not agree to the amounts in the checkbook for the General account.	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected.</p>	<p>Management should ensure that monthly petty cash bank reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103619.02].</p>	<p>In July 2019, the department implemented new procedures in accordance with standard accounting procedures.</p>
<p><u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash funds.</u> The employee responsible for issuing checks from the department's Legal Services and Water Revenue petty cash accounts was not the individual listed in the city's accounting system (FAMIS). The department completed Petty Cash Change of Custodian Forms for these accounts, however, the individual listed on the form is not the individual responsible for the funds. In addition, we noted that the same individual handles the funds for two of the three petty cash accounts.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should assign a different individual as custodian for each of the three petty cash accounts. An Agency Request for Petty Cash and Imprest Changes form should be submitted to Finance, listing the individual who is responsible for each of the petty cash accounts [103618.01].</p>	<p>In July 2019, the department segregated duties to ensure proper internal controls according to S.A.P. There is a petty cash custodian who is assigned to write checks and input information into Quick Books. A different person reconciles the account and then one of the two authorized signers signs the checks. The checkbooks are secured in the department's safe. The custodian and reconciler do not have access to the safe. Only the authorized signers of the account have access to the safe.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fourth consecutive year, we have reported that long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year in the amount of \$165, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the check outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [103616.02].</p>	<p>Controller's Office recommendations were implemented in January 2020.</p>
<p>PERSONAL PROPERTY</p> <p><u>The department did not maintain proper documentation for the removal of personal property items.</u> During our testing of disposed personal property items, we noted that the Revenue Department failed to provide the Procurement Department with the proper documentation required for the removal of disposed personal property items. The department could not provide disposal forms, signed authorizations, or settlement reports supporting the five disposed items, valued at \$9,013, we selected for testing.</p>	<p>Failure to provide the proper documentation for disposed, lost/stolen, or transferred personal property items increases the risk of misappropriation and could result in an inaccurate valuation of the department's assets in the personal property database.</p>	<p>Management should ensure that disposed, lost/stolen, or transferred items are supported with the proper documentation and sent to the Procurement Department, in order for the city's database to be updated [103619.03].</p>	<p>Controller's Office recommendations were implemented in June 2019.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 12 items valued at \$125,293 which were reported as “cannot locate” items for over three years.	Allowing items that have not been located for over three years to remain in the city’s database overstates the value of the personal property assets and unnecessary complicates the physical count process.	Management should maintain accurate inventory records that identify the proper field locations for all personal property. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and reconcile their records to the database [103618.02].	Controller’s Office recommendations were implemented in June 2019.
<u>Duties for safeguarding personal property assets were not adequately segregated.</u> The same individual was responsible for maintaining departmental inventory records and performing physical counts of personal property assets.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign to separate individuals, the duties of maintaining departmental records, and performing physical counts of personal property assets [103618.03].	Controller’s Office recommendations were implemented in August 2019.
<u>Personal property could not be located in the department.</u> Five of the 15 items selected for testing, valued at \$6,630, could not be located at their specified locations.	When departments cannot locate personal property, or departmental records do not accurately reflect their field locations, the risk of misappropriation of these assets increases.	Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment, where possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office [103618.04].	Controller’s Office recommendations were implemented in August 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Personal property owned and used by the department was not always accurately accounted for in either the city's or the department's personal property records.</u></p> <p>During our testing, we noted that seven items selected for testing from the city's database, the department's detailed listing of expenditures, and through observation, valued at \$46,526, were not listed on the department's personal property records. We also noted that three observed personal property items were not listed on the city's database and one item listed as "cannot locate" on the departmental records was observed by the auditors.</p>	<p>Failure to maintain accurate records increases the risk of misappropriation and misstatement of personal property inventory values.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment, where possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office [103618.05].</p>	<p>Controller's Office recommendations were implemented in August 2019.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Department failed to deposit petty cash overage.</u> During our review of the department's petty cash records, we noted that the petty cash account had an unexplained overage in the amount of \$147.71 which was not deposited with the city's Finance Office.</p>	<p>Failure to return excess petty cash funds resulted in an overage in the amount of \$147.71. In addition, carrying a fund overage unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management deposit the overage in accordance with standard procedures of the city's Finance Office [103617.01].</p>	<p>Implemented.</p>

City of Philadelphia
Office of the City Treasurer*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the City Treasurer was established by the Philadelphia Home Rule Charter to be the official custodian of all city cash and securities. The powers and duties of the Treasurer's Office include: maintaining control and managing deposits with banks designated by City Council; disbursing funds upon proper authorization and overseeing the distribution of checks; reconciling city bank accounts; generating reports on receipts, deposits, transfers, withdrawals and investments; investing funds in excess of immediate requirements; and overseeing and managing the city's debt. The city treasurer, appointed by the finance director, manages the department. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Christian Dunbar
City Treasurer
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1681

Appropriations:

General Fund	<u>\$1,692,315</u>
Total Appropriations	<u>\$1,692,315</u>

Estimated Revenues:

Non-Tax Revenues	\$4,090,000
From Other Governments	<u>4,909,000</u>
Total Estimated Revenues	<u>\$8,999,000</u>

Number of Full Time Employees:

Civil Service	8
Exempt	<u>8</u>
Total Employees	<u>16</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>CASH</p> <p><u>Long outstanding payroll checks were not properly escheated to the state.</u> The Office of the City Treasurer failed to transfer \$152,385 of the \$895,000 total amount of outstanding payroll checks, into the City of Philadelphia's Unclaimed Monies Fund as required by the city's standard accounting procedure (SAP) No. 7.1.3b. The Unclaimed Monies Fund is administered by the Finance Office who is then responsible for remitting the unclaimed amounts to the state in accordance with Pennsylvania's escheatment act for the disposition of unclaimed property.</p>	<p>Failure to follow the SAP increases the risk that outstanding checks would not be remitted timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that the Office of the City Treasurer draw a transfer check payable to the City of Philadelphia-Unclaimed Monies Fund, for the sum of the outstanding payroll checks in accordance with standard accounting procedures of the city's Finance Office. In addition, the Finance Department should then remit the amount to the state as required by the state's escheatment act for unclaimed property [104018.01].</p>	<p>City Treasury has transferred long outstanding payroll checks dating back to 2010 into the city of Philadelphia's Unclaimed Monies Fund. The \$152,385 outstanding payroll checks were included in a February 12, 2020 transfer of \$895,411.77 from the city's payroll account into the city of Philadelphia's Unclaimed Monies Fund.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eight of the twenty pay periods tested. For another two pay periods, the individual who entered the payroll data into the on-line payroll system also perform the supervisory review.	Failing to segregate incompatible duties and combining multilevel approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104016.01].	Implemented.

City of Philadelphia
Office of the Director of Commerce*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Director of Commerce (Commerce) was established by the Philadelphia Home Rule Charter. The power and duties of Commerce include: promoting and developing the city's commerce and industry and encouraging the increased use of port and airport facilities; maintaining and operating the city's port and airport facilities; and when authorized by City Council, acquiring or constructing additional facilities. Commerce carries out many of its economic development activities through contracts with various quasi-public agencies. The mayor appoints a commerce director to head the department. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately. The department was designated as Tier 2 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Sylvie Gallier-Howard, Acting Director of Commerce	General Fund \$ 23,410,662	Non-Tax Revenue \$ 302,000
Director of Commerce	Hotel Tax Fund 73,868,000	From Other Governments 19,453,000
1515 Arch Street – 12 th Floor	Grants Revenue Fund 10,000,000	Hotel Room Rental Tax <u>73,868,000</u>
Philadelphia, PA 19102	Community Development Fund 9,452,618	Total Estimated Revenues <u>\$93,623,000</u>
	Capital Fund <u>153,480,000</u>	
	Total Appropriations <u>\$270,211,280</u>	<u>Number of Full Time Employees:</u>
		Civil Service 12
		Exempt <u>55</u>
		Total Employees <u>67</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide approved leave requests for 20 of the 35 sample dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104219.01].	The pre- authorization of leave for the Commerce Department is a process that is done via email and by phone and is reflected as approved in timesheet entries by the managers. The Commerce Department has been under the understanding that email or phone approval was allowable for its exempt employees.

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>[Controller's Office Evaluation of Department's Response: The department's decision not to require formal employee requests for compensated absences is contrary to most other city departments. In our opinion, requiring employees to formally submit leave requests assists management in workforce performance and aids in the proper recording of employee leave time.]</p>
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of nine bi-weekly attendance records, we noted that six records did not evidence the approval of a supervisor.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve time worked by employees. Additionally, the payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [104217.01].</p>	<p>Corrected manager assignments are a reported technical service ticket in the Oracle Management System since the launch of the revised system. In the audit period in question the issue was known and reported for a fix. We are still awaiting a fix for some of these assignments to properly account for the authorizations.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee performance evaluations for two of the four civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104215.03].</p>	<p>Implemented.</p>

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Year 2019

Functions

The Free Library of Philadelphia (Library), initially created through private donations, was established as a nonprofit corporation under state law in 1891. In 1894, the City of Philadelphia established a public library system as a branch of city government. This action permitted the existing library system to receive city appropriations. Because the Library consists of two distinct entities, the nonprofit corporation and the city department, it is organized under two governing boards: The Board of Directors of The Free Library of Philadelphia Foundation and the Board of Trustees of The Free Library of Philadelphia. The Board of Directors manages the affairs of the corporation and controls several collections and the major portion of all endowments benefiting the Library. The Board of Trustees is the public board responsible for the operation of the city's library system. The mission of the city department is to: provide to all segments of the city's diverse population a comprehensive collection of recorded knowledge, ideas, artistic expression, and information in a variety of media, including current technology; assure ease of access to these materials; and provide programs to stimulate the awareness and use of these resources. A president/director is appointed by and serves at the discretion of the Board of Trustees. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Siobhan A. Reardon, President and Director
The Free Library of Philadelphia
1901 Vine Street
Philadelphia, PA 19103-1189

Appropriations:

General Fund	\$41,286,517
Grants Revenue Fund	8,613,803
Capital Fund	<u>17,513,000</u>
Total Appropriations	<u>\$67,413,320</u>

Estimated Revenues:

Non-Tax Revenue	\$1,297,000
From Other Governments	<u>8,614,000</u>
Total Estimated Revenues	<u>\$9,911,000</u>

Number of Full Time Employees:

Civil Service	666
Exempt	<u>7</u>
Total Employees	<u>673</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>An overage existed in the department's petty cash account.</u> During our review of the department's petty cash fund, we noted an unexplained overage of \$276.</p>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [105219.01]</p>	<p>Agreed. Procedures are followed to ascertain the correct recording. The delay in processing was a result of the Commonwealth of Pennsylvania's rejection and late return of payment method (check) for storage tank. Currently, the payment is handled by Public Property.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>City sick leave policy was not enforced.</u> The department did not properly enforce the city's sick leave policy for any of the eight civil service employees selected for testing. Although all the employees tested were placed on the excessive use of sick leave list, the department failed to enforce the sick abuse penalties for six of the eight employees. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. Consequently, these employees received \$2,648 in sick leave benefits that they would not have been entitled to had the department properly enforced the sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. Additionally, the department did not timely issue the fifth day warning letter for one of the employees and three employees did not timely receive the eighth day letter notifying them of their placement on the excessive use of sick leave list.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time. ¹	We recommend that city's sick leave policy, including timely notification of excessive usage, as well as employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management. [105218.01].	Agreed. The department will continue to enforce the city-wide sick leave policy with the aim of achieving greater efficiency with regards to providing employee notification and issuing disciplinary sanctions. The department will assign a second individual to work with the payroll supervisor to accomplish this initiative.
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105218.02].	Agreed. Every departmental manager and supervisor are directed to prepare an annual performance evaluation for the employees that are under their direction. The HR office will actively engage in a proactive manner to ensure compliance with this initiative on a division by division basis beginning in March 2020.

¹ According to the city's on-line payroll system, there were 11 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll attendance records were still not properly authorized by supervisory personnel.</u> During our review of 52 daily attendance records, we noted 29 instances in which the individual approving the daily timesheet approved his/her own time, three instances in which the individual approving the timesheet was not present at work on the day of approval, and one instance in which there was no evidence of supervisory approval on the daily timesheet.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [105217.01].</p>	<p>Agreed. At each branch location the supervisor's name is on the timesheet with the employees they supervise. We will add an additional signature line for the designated Administrative Librarian I who is responsible for reviewing and approving the time sheets for all the employees working at each Library Branch. In addition, this review outcome will also be achieved as the department rolls out the employee self-serve time entry process within the OnePhilly system beginning later in 2020.</p>
<p><u>For the fifth consecutive year, we have reported that employee overtime was not properly authorized.</u> In our review of the department's overtime records, we noted that overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide evidence of overtime authorization for 13 of the 25 dates selected for testing. Five employees in particular, earned between \$14,000 and \$32,000 in overtime pay during fiscal year 2019, totaling \$101,000.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [105215.02].</p>	<p>Agreed. The department will attempt to ensure that overtime is approved prior to being worked by providing overtime authorization slips to each division head and require that these forms be signed-off by the Supervisor for each overtime assignment in non-emergency situations. A departmental directive will be issued requiring overtime authorization slips to accompany each non-emergency overtime work assignment. Failure to comply with this directive can be grounds to disqualify employees from working additional overtime assignments.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide properly authorized leave requests for eight of the twenty dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105217.02].	Implemented.
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$46, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105216.01].	Implemented.

City of Philadelphia
Office of Human Resources and Civil Service Commission*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Human Resources (OHR) and the Civil Service Commission carry out the central personnel functions of the City of Philadelphia. Although the two agencies interact with one another, they each have separate and distinct functions. The OHR, which was established by the Philadelphia Home Rule Charter, carries out the specific tasks of the city's centralized personnel program. In this capacity, the office assists other city agencies in such matters as: attracting and developing a well-qualified and diverse workforce; planning for current and future workforce needs; developing and implementing programs to improve human resource management in city government; maintaining accurate employee records, both electronic and paper-based; maintaining lists of candidates for civil service employment to supply on-going needs; and promoting workforce diversity by conducting recruitment and developing outreach programs for disabled and minority job candidates. A human resources director, appointed by the Civil Service Commission, manages the department.

Established by the Home Rule Charter as an independent commission, the Civil Service Commission oversees the system of personnel administration governing the appointment, promotion, demotion, transfer, lay-off, removal, and discipline of city employees. Its primary responsibility is to advise both the mayor and the human resources director on human resources management issues, but other responsibilities include: ruling on proposed civil service regulations and any modifications to existing regulations, position classifications and pay plans; serving as an appellate tribunal for employee appeals involving demotion, lay-off, or disciplinary action; and ruling on requested exemptions from civil service regulations. The Civil Service Commission consists of three members. The mayor appoints each member from a list submitted by a nominating panel to serve a six-year term. These terms are overlapping with one member appointed every two years. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
Michael Zaccagni, Acting Director
Office of Human Resources
Municipal Services Building, 15th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Doris A. Smith, Chairperson
Civil Service Commission
Municipal Services Building, 16th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:
Office of Human Resources
General Fund \$6,343,869

Civil Service Commission
General Fund \$16,645,428

Estimated Revenues:
Office of Human Resources
Non-Tax Revenue \$2,000

Number Full Time of Employees:
Office of Human Resources
Civil Service 68
Exempt 5
Total Employees 73

Civil Service Commission
Civil Service 2

Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
IMPREST FUNDS <u>Monthly imprest fund reconciliations have not been performed in a timely manner.</u> During our review of the department's Prescription Imprest Fund records, we noted that six of the 11 fund reconciliations were not performed in a timely manner. Three fund reconciliations were prepared over 50 days past the due date.	Failure to perform monthly fund reconciliations timely increase the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total fund balance may not be properly accounted for.	Management should ensure that monthly fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105619.01].	We will better coordinate monthly reconciliations with Finance Administrative Cluster to assure timely processing.
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the six civil service employees we selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective action.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [105619.02].	In the future the department will conduct an annual review of all submitted reports to identify any missing documents.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Supervisory and executive approvals of payroll time record entries were not always segregated.</u> For six of the twenty pay periods we tested in fiscal year 2018, the same individual performed both the supervisory and executive level approvals of the bi-weekly payroll.	Combining multi-level approvals undermines the objective of the review process. Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [105618.01].	Implemented.
<u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed that three separated employees, in the Procurement Department, the Mayor's Office of Education, and the Managing Director's Office, were incorrectly paid after their termination dates. While the errors were subsequently corrected, we deem these incidents as a weakness in the department's internal control process.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll.	Require the employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries to ensure that the payroll time records accurately reflect the status of all separated employees [105616.02].	Implemented.

City of Philadelphia
Office of Property Assessment*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Property Assessment (OPA) was created by City Council Ordinance Number 090706, approved by the mayor on January 23, 2010. The OPA is responsible for assessing and valuing all real property within Philadelphia, while the Board of Revision of Taxes handles appeals of those assessments. Other duties of the OPA include ensuring the annual revision and equalization of all assessments; certifying all assessments after their revision and equalization; determining tax exemptions, administering the city's tax abatement programs; and maintaining an addressed-based property information database. A Chief Assessment Office, appointed by the mayor and approved by City Council, directs the operation of the department. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
James Aros, Chief Assessment Officer
Office of Property Assessment
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

Appropriations:
General Fund \$14,216,425

Estimated Revenues:
Non – Tax Revenue \$2,000

Number of Full Time Employees:
Civil Service 181
Exempt 13
Total Employees 194

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>REVENUE RECEIPTS</p> <p><u>For the seventh consecutive year, we have reported that instructions to standardize the real estate valuation assessments process (precepts) were still not issued annually.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be re-issued annually. The last year precepts were issued was for tax year 1992. While the department has made an effort to update this process, at the conclusion of our fieldwork, the documents were pending approval by the Office of Finance.</p>	<p>Without clear guidance, improper re-assessments may occur without detection.</p>	<p>Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania's legislative code at 72 P.S. §5341.7 [105912.01].</p>	<p>The Precepts for FY 2019 are finished. The OPA will setup a process to ensure all efforts are made to review and issue Precepts for FY 2020 and on an annual basis moving forward.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for one of the five employees tested. One separated employee was removed from the payroll system while possessing a negative vacation balance at the time of her termination. Subsequently, the department failed to submit a Payroll Credit Advice in a timely manner for the resulting overpayment.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$960.76 due to a negative vacation balance.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated [105918.01].	Implemented.
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the eight civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [105918.02].	Implemented.

City of Philadelphia
Office of the Chief Administrative Officer*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Chief Administrative Officer (CAO) works to modernize city government and improve the efficiency and effectiveness of city services. The CAO oversees ten city departments and offices, innovating and strengthening their administrative functions and supporting their resident-facing operations to evaluate, plan, and continually improve their service delivery. The ten departments and offices that report to the CAO include: The Office of Innovation and Technology, Public Property, Fleet Management, Records, Procurement, Contracts Unit, the Office of Administrative Review, the Bureau of Administrative Adjudication, the Office of Open Data and Digital Transformation, and Human Resources and Talent. In fiscal 2017, The Office of the Chief Administrative Officer was included in the Office of Mayor for reporting purposes. This department is now reported separately. Prior year conditions which were noted in the Office of the Mayor in 2017, are now included in the Office of the Chief Administrative Officer. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Stephanie Tipton, Chief Administrative Officer
1401 JFK Boulevard Room 630
Philadelphia, PA 19107

Appropriations:

General Fund	\$6,619,329
Grants Revenue Fund	<u>102,307</u>
Total Appropriations	<u>\$6,721,636</u>

Estimated Revenues:

Non-Tax Revenue	<u>\$10,352,000</u>
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Number of Full Time

Employees:

Civil Service	15
Exempt	<u>42</u>
Total Employees	<u>57</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash fund, we noted that the custodian for the account prepared all eight bank and fund reconciliations tested.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare and review the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106519.01].</p>	<p>CAO assigned an individual separate from the custodian to prepare and review the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> According to standard accounting procedure of the city's Finance Office, if the petty cash custodian changes, the department head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit an Agency Request for Petty Cash and Imprest Changes form and a New Custodian form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [106519.02].	CAO completed a petty cash Change of Custodian form in accordance with standard accounting procedures of the city's Finance Office.
<u>Monthly petty cash fund and bank reconciliations have not been performed in a timely manner.</u> Three out of eight bank and fund reconciliations tested during fiscal year 2019 were not prepared within thirty days after the end of the month.	Failure to timely perform monthly fund and bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash fund and bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [106519.03].	CAO has consistently and timely prepared petty cash reconciliations in FY20 in accordance with standard accounting procedures of the city's Finance Office.
<u>Monthly petty cash bank reconciliations have not been performed correctly.</u> During our review of the department's records, we observed that September and December bank reconciliations were not performed correctly. <ul style="list-style-type: none"> The September bank reconciliation contained check number 001060 which was written on October 5th, 2018. The December bank reconciliation contained check numbers 001067, which was written on January 3rd, 2019, and 001068, which was written on January 9th, 2019. 	Failure to properly prepare bank reconciliations increases the risk that errors or irregularities may have occurred and remain undetected.	Management should provide training to the individual preparing the department's petty cash reconciliations to ensure they are properly performed in accordance with standard accounting procedures of the city's Finance Office [106519.04].	The individual responsible for preparing the department's petty cash in FY20 has knowledge of and experience with the standard accounting procedures of the city's Finance Office.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for Wawa gift cards for One Form citizen testing. The unallowable expenditure totaled to \$250.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under the standard accounting procedures of the city's Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [106519.05]	CAO disagrees with this finding. SAP E-4401 (Rev 8) does not specifically prohibit the purchase of gift cards. CAO believes this expenditure is consistent with the SAP because it was within the spending limit, not available for purchase through a contract, and is necessary to perform its department function. The Discover Benefits usability testing with city residents is part of the overall workstream for a project managed by the department and, as such, is "necessary for the department to perform its functions". The department maintained records of the names and contact information of all participants to ensure these individuals were not city employees.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Employee evaluations were not recently performed.</u> The Office of the Chief Administrative Officer could not provide a recent performance evaluation for four of the seven civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [100517.01].</p>	<p>In FY 20, the department will ensure that all employee evaluations are timely completed and submitted to HR. The supervisor responsible for the four missing evaluations was out on leave when these reports were due and did not complete the evaluations. The department has implemented a tracking and notification system to ensure when employees and supervisors are out on leave so that follow up once they return to work.</p>
<p><u>For the fourth consecutive year, we have reported that payroll data entries were not adequately checked.</u> We noted that employee attendance records did not correspond to the on-line payroll records for two of the five employees selected for testing for the Office of the Chief Administrative Officer.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100516.05].</p>	<p>The employee attendance records that were tested during this audit were due for an adjustment at the time when the city changed from the MOIS payroll system to the inclusive OnePhilly system. Once the system change occurred there was no way to go back to the MOIS to correct the record. The record was correctly updated in the OnePhilly system creating the mismatch of records.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The on-line payroll records were not reviewed to ensure that separated employees were removed in a timely manner.</u> Our testing of the Office of the Administrative Officer's payroll records revealed a separated employee remained on the city's payroll and was paid for sixteen days after his termination date. The department subsequently detected the error and was able to recover a portion of the overpayment from the employee's terminal leave payment and initiated recovery of the additional amount from the employee's pension.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. The separated employee was erroneously overpaid by \$1,789.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [100517.02].</p>	<p>Implemented.</p>
<p><u>Payroll attendance records were still not authorized by appropriate supervisory personnel.</u> We observed that six out of the ten weekly records we tested from the Office of the Chief Administrative Officer showed evidence of employees approving their own attendance records.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [100513.01]. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [100513.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)																			
Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action																
<p>For the fifth consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated. In our review of twenty pay periods during fiscal year 2017, we noted that the Mayor's Office and certain departments under the Mayor's Office, failed to segregate bi-weekly payroll duties. Table 1 shows the number of pay periods where the duties were not segregated:</p> <table> <tr> <th colspan="4">Table 1: Segregation of Duties Exceptions</th></tr> <tr> <th colspan="4">Number of Occurrences</th></tr> <tr> <th>City department</th><th>Data Entry and Supervisory Review</th><th>Supervisory Review and Executive Approval</th><th>Performing all three functions</th></tr> <tr> <td>Office of the Chief Administrative Officer</td><td>1</td><td>3</td><td>13</td></tr> </table> <p>Source: Prepared by the Office of Controller</p>	Table 1: Segregation of Duties Exceptions				Number of Occurrences				City department	Data Entry and Supervisory Review	Supervisory Review and Executive Approval	Performing all three functions	Office of the Chief Administrative Officer	1	3	13	<p>Failure to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].</p>	<p>Implemented.</p>
Table 1: Segregation of Duties Exceptions																			
Number of Occurrences																			
City department	Data Entry and Supervisory Review	Supervisory Review and Executive Approval	Performing all three functions																
Office of the Chief Administrative Officer	1	3	13																

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>For the fifth consecutive year, we are reporting that documentation supporting, and authorizing employee leave time was not routinely prepared.</u> The Office of the Chief Administrative Officer was unable to provide leave requests for four of the eight dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100512.01].	Implemented.

City of Philadelphia
District Attorney's Office
Findings and Recommendations
Fiscal Year 2019

Functions

The District Attorney's Office (DA) represents the citizens of Philadelphia and the Commonwealth of Pennsylvania in criminal proceedings throughout the Philadelphia and Commonwealth court system. On behalf of the City and County of Philadelphia, the DA prosecutes trial and appellate level litigation of all criminal and some ancillary civil matters that arise within the jurisdiction. Together with the Police Department and the Courts, the DA represents one facet of Philadelphia's criminal justice system. The DA is also responsible for preparing an annual County Asset Forfeiture Report and a Federal Drug Forfeiture Report of confiscated property obtained through drug seizures. The department was designated as Tier 2 for the 2019 fiscal year.

Name and address of department head

Honorable Lawrence Krasner
District Attorney
Three South Penn Square
Philadelphia, PA 19107-3499

Appropriations:

General Fund	\$41,792,293
Grants Revenue Fund	<u>16,852,029</u>
Total Appropriations	<u>\$58,644,322</u>

Estimated Revenues:

Non-Tax Revenue	\$8,030,000
From Other Governments	<u>8,978,000</u>
Total Estimated Revenues	<u>\$17,008,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	26
Civil Service - Civilian	83
Exempt	465
Total Employees	<u>574</u>

Observation Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Daily attendance record postings were not always properly authorized by supervisory personnel.</u> In our review of 64 daily attendance records there were 46 occasions where the individual approving the daily timesheet approved his/her own time and on six of these occasions, the individual approving the timesheet was not present at work on the date of approval. In addition, the department was unable to locate 4 daily attendance records.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>The payroll units should be required to review the employee/daily attendance records for evidence that the appropriate level of approval was obtained [106918.01]. In addition, management should appoint other individuals to approve attendance records in the absence of unit supervisors [106918.02].</p>	<p>Implemented consistent with OnePhilly's approval requirements.</p> <p>[Controller's Office Evaluation of Department's Response: The condition we observed occurred between July 2018 and March 2019, prior to the implementation of the OnePhilly system. We will review the effect of the OnePhilly system's implementation on this condition in the fiscal year 2020 departmental audit.]</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The department could not provide a recent performance evaluation for two of the three civil service employees tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [106917.02].	Implemented.
<u>Duties for preparing the fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also reviewed the monthly fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to review the fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106916.02].	Implemented.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed \$665.50 of petty cash funds on refreshments for training sessions attended only by city employees.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases which are not permitted under standard accounting procedures of the city's Finance Office.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [106916.03].	Implemented.

City of Philadelphia
Office of the Sheriff *
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Sheriff was created by Article 9, Section 4 of the Pennsylvania constitution and established as part of the Philadelphia city-county government through the adoption of the Home Rule Charter of 1951. The sheriff is the highest elected law-enforcement official of the city and is also a member of the Jury Selection Board. The responsibilities of the Sheriff's Office include the following: transporting and escorting prisoners to and from Philadelphia courtrooms; providing courtroom security for Municipal and Common Pleas Courts; conducting real and personal property sales, as well as collecting and disbursing fees and funds related to such activities; and serving and executing writs and warrants and enforcing injunctions. The sheriff, with the assistance of an executive staff, oversees various organizational divisions that include: Internal Affairs, Criminal Operations, Civil Operations, Training, Finance, and Human Resources. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Honorable Rochelle Bilal, Sheriff
Office of the Sheriff
100 South Broad Street – 5th Floor
Philadelphia, PA 19110

Appropriations:

General Fund

\$26,150,422

Estimated Revenues:

Non-Tax Revenue

\$11,296,000

Number of Full Time Employees:

Civil Service

333

Exempt

24

Total Employees

357

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p>For the fourth year, we have reported that the <u>department's petty cash continued to remain missing</u>. In previous years, the Sheriff's Office paid employees for travel expenses by making advances from its petty cash account. No documentation for these costs was ever submitted from these employees. In our fiscal years 2006 and 2005 audit report, we recommended that action should be taken to recover the amounts directly from the employees. Our current year testing found the \$10,000 of petty cash funds remained missing and that resolution of the missing funds is pending litigation.</p>	<p>By not holding someone accountable for the department's petty cash fund, \$10,000 remains missing.</p>	<p>We recommend that the Sheriff's Office solicit the city Finance Office's assistance to resolve the missing petty cash funds [107015.01].</p>	<p>We strongly agree that the missing petty cash funds represent a serious offense and will investigate the matter as well as work with the Finance Office officials to establish policies to safeguard petty cash funds in the future.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Payroll attendance records were not adequately authorized by supervisory personnel.</u> Out of 53 timesheets reviewed, there were seven occasions where the individual approving the daily timesheet was not present for work on the date of approval.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Management should appoint other individuals to approve attendance records in the absence of unit supervisors. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [107019.01].	It is our hope that the use of electronic time clock technology, enforcement of attendance policies, and new managerial oversight will address issues identified with attendance records, sick leave policy, and payroll data entry moving forward.
<u>The city sick leave policy was not properly enforced.</u> The Office of the Sheriff did not properly enforce the city sick leave policy for six of the seven civil service employees tested. The department did not issue the fifth day warning letter in a timely manner for two of the seven employees, while another five employees did not timely receive their eighth day sick leave placement letters. Three employees were never placed on the excessive sick leave list. Two employees were placed on the list, however the department failed to properly enforce the sick abuse penalties. Consequently, these employees were paid \$15,542 in sick leave benefits that they would have not been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence with a fifth occurrence subject to discharge.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanction may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and subsequent sanctions set forth in the policy, be adopted and enforced by management [107019.02].	It is our hope that the use of electronic time clock technology, enforcement of attendance policies, and new managerial oversight will address issues identified with attendance records, sick leave policy, and payroll data entry moving forward.

¹ According to the city's on-line payroll system, there were 18 employees who used 8 or more undocumented sick days during calendar year 2018.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entries were not adequately checked.</u> Attendance records for three of five employees tested had a combined total of four days that did not reconcile with the time recorded on the on-line payroll records.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [107018.02].</p>	<p>It is our hope that the use of electronic time clock technology, enforcement of attendance policies, and new managerial oversight will address issues identified with attendance records, sick leave policy, and payroll data entry moving forward.</p>
<p>OTHER EXPENDITURES</p> <p><u>Employee travel reimbursements were not properly reviewed for propriety.</u> Newly hired deputies in the Sheriff's Office are required to travel to Penn State for 760 hours of basic training in accordance with the Sheriff and Deputy Sheriff Education and Training Act (1984 Act 2) of the Commonwealth of Pennsylvania. In a prior report, we tested six deputies' travel reimbursements for this training, and noted that:</p> <ul style="list-style-type: none"> • Routes traveled did not reflect the shortest distance between travel points or official mileage points (when toll roads are used), as required by the city's Administrative Board regulations for travel reimbursement. • The reimbursement vouchers and supporting expense worksheets did not contain evidence of prior management approval, as required by the city's Administrative Board for travel outside of the city and costing over \$500. • Travel reimbursements were not submitted timely, often delayed by up to ten months after the training was received. 	<p>Failure to properly review employee reimbursements increases the risk of undetected errors and provides opportunities for a person to misrepresent expenses on the reimbursable expense vouchers. We found that the six deputies received mileage reimbursements exceeding what was allowed by Administrative Board regulations totaling \$4,032.</p>	<p>Prior to reimbursement, vehicle expense worksheets supporting the mileage recorded on an employee expense voucher should be reviewed by the Sheriff's accounting unit to ensure that the correct rates and mileage calculations are used [107016.01]. Additionally, approval for travel outside of the city should be pre-approved by management in accordance with Administrative Board Rule #2 [107016.02]. Travel reimbursements should also be submitted on a timely basis to ensure that the expenditures are paid with the correct year's appropriations [107016.03]. Finally, Sheriff management should maintain a list of deputies attending basic training, and the dates they are scheduled, so that they can match the list against all travel reimbursements to ensure that deputies are only requesting reimbursements for required training and only legitimate expenses associated with using their own vehicle [107016.04].</p>	<p>The report reviewed employee travel reimbursement associated with new deputies and their trips to Penn State University for their basic training. To rationalize the travel process and reduce travel costs, the Sheriff's Office now utilizes a van to transport deputies to their training, which should eliminate most, if not all of the issues associated with excess reimbursement identified by the findings in the report.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
(continued) Additionally, Sheriff's Office management was unable to provide us with a comprehensive list of employees attending this training by date, which made it difficult to determine if the employees were incurring travel expenses or carpooling with other deputies.		In May 2017, the department implemented new policies and procedures to address the conditions noted in our FY 2016 report. Although the department provided us with documentation of these policies and procedures, they were unable to provide us with sufficient documentation to support the activities associated with their implementation.	
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For three of the twenty pay periods tested in fiscal year 2018, the same individual performed the supervisory and executive-level approvals of the bi-weekly payroll in the on-line payroll system. For one pay period, the same individual performed both the posting and supervisory approvals.	Combining multi-level approvals undermines the objective of the review process. Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [107018.01].	Implemented.

City of Philadelphia
Department of Planning and Development
Findings and Recommendations
Fiscal Year 2019

Functions

The Department of Planning and Development was created in fiscal 2018 to ensure that Philadelphia has well-planned neighborhoods with affordable housing options and access to public art. The department also oversees historic preservation to honor the city's unique history as well as helping developers move projects forward by creating citywide and neighborhood plans and implement zoning. The department represents a merging of the following city agencies and departments: The Office of Planning and Development, City Planning Commission, Historical Commission, Art Commission, Zoning Board of Adjustment, Development Service and the Division of Housing and Community Development. The department also partners with the Philadelphia Housing Development Corporation, Philadelphia Land Bank and the Philadelphia Redevelopment Authority. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Anne Fadullon, Director
Department of Planning and Development
1515 Arch Street, 13th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 12,811,669
Grants Revenue Fund	56,258,222
Community Development Fund	61,665,177
Housing Trust Fund	<u>40,000,000</u>
Grand Total	<u>\$170,735,068</u>

Estimated Revenues:

Non- Tax Revenue	\$ 2,937,000
From Other Governments	<u>135,597,000</u>
Total Estimated Revenues	<u>\$138,534,000</u>

Number of Full Time

Employees:

Civil Service	82
Exempt	<u>25</u>
Total Employees	<u>107</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
No exceptions were noted during our testing.			

City of Philadelphia
City Commissioners Office
Findings and Recommendations
Fiscal Year 2019

Functions

The City Commissioners Office was originally created as a county office under Article 9, Section 4 of the State Constitution. It became part of city government by way of the 1951 City-County Consolidation Amendment to the State Constitution. In addition, the 1963 amendment to the First Class City Home Rule Act gave City Council the power to pass legislation with regard to operations of the City Commissioners Office. These enactments were further enabled by the 1965 City-County Consolidation Ordinance of City Council. The City Commissioners Office is responsible for voter registration and conducting local elections. Its three commissioners, two of whom currently serve as chair and vice-chair, are elected to a four-year term. The commissioners are also members of the County Board of Elections. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head

Honorable Lisa Deeley, Chair
City Commissioners Office
City Hall, Room 132
Philadelphia, PA 19107

Appropriations:

General Fund	\$10,351,881
Grants Revenue Fund	<u>925,000</u>
Total Appropriations	<u>\$11,276,881</u>

Estimated Revenues:

Non-Tax Revenue	\$ 25,000
From Other Governments	<u>925,000</u>
Total Estimated Revenues	<u>\$950,000</u>

Honorable Al Schmidt, Vice-Chair
City Commissioners Office
City Hall, Room 134
Philadelphia, PA 19107

Number of Full Time Employees:

Civil Service	77
Exempt	<u>14</u>
Total Employees	<u>91</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PETTY CASH</p> <p><u>Monthly fund reconciliations lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that five of the seven fund reconciliations tested did not have any indication of that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidence by a signature in accordance with the standard accounting procedures of the city's Finance Office [107319.01].</p>	<p>A third person other than the custodian and the preparer will review and sign future reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for the services and training of non-city employees working as polling inspectors. In addition, the department maintains a separate election payroll account which should be used for voter registration training and election compensation. The unallowable expenditures totaled \$2,154.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash for unallowable purchases [107319.02].</p>	<p>We understand the concern however we often have payroll issues that necessitate paying the poll workers in this manner. We would gladly adopt this recommendation if Finance would allow us more flexibility in paying the poll workers when errors require correcting. Additionally, the expected implementation of electronic poll books will greatly eliminate the rate of election board workers payroll errors.</p>
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the fund reconciliations were not properly prepared. The following items were erroneously recorded in the fund reconciliation:</p> <ul style="list-style-type: none">• The department's cash balance in the fund reconciliation did not agree to the reconciled cash balance from the bank reconciliation.• Of the \$2,831 listed as bills to be vouchered, \$269 were over a year old and could not be substantiated by supporting documentation and \$2,562 were reimbursed in the fiscal year 2018 and should not be included as a reconciling item for the fund reconciliation.	<p>Failure to properly reconcile the account resulted in the department incorrectly reporting a shortage of \$42 rather than the actual shortage of \$2,324. In addition, the shortage could be as high as \$2,593 if the old unsupported bills are not eligible for reimbursement.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [107317.01]. All disbursements made from the petty cash should be supported by appropriate documentation, and timely submitted for reimbursement in accordance with the relevant city standard accounting procedures [107318.04]. Finally, the petty cash custodian should be trained in the proper procedures for performing a fund reconciliation [107318.05].</p>	<p>We intend to have executive staff investigate this matter. All disbursements made from the petty cash will be supported by appropriate documentation, and timely submitted for reimbursement in accordance with the relevant city standard accounting procedures. The custodian will be trained.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL PROPERTY <u>Personal property owned and used by the department was not always accurately accounted for on either the city's or the department's personal property records.</u> During our review of the department's detailed listing of expenditures, we noted that three of the five personal property sample items we selected for testing could not be located. One of the items valued at \$1,017, could not be located at the specified location. The other two items with a value of \$4,374 were never included in the city's database or the department's records. Therefore, a proper field location could not be identified, and the items could not be located by the auditor or the department.	Failure to maintain accurate records increases the risk of misstating personal property inventory values and misappropriation of assets.	Management should maintain accurate inventory records that identify the proper field locations on all equipment. Items which cannot be located should be removed from the department's records as well as the city's database after three years. Management should work with the Procurement Department to correct the department's inaccuracies in the city's database and periodically reconcile their records to the database [107319.03]	We agree with the recommendation and will investigate.
<u>Personnel property items reported as "cannot locate" items were still not properly removed from the city's database after three years.</u> During our review of the city's database, we noted 79 items valued at \$89,119 which were reported as "cannot locate" items for over three years.	Allowing items that have not been located for over three years to remain in the city's database, overstates the value of personal property assets and unnecessarily complicate the physical count process.	Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the database after three years and periodically reconcile their records to those on the database [107318.01].	The appropriate staff will investigate and correct the issue.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Duties for safeguarding personal property assets were still not adequately segregated.</u> One employee is responsible for maintaining departmental records, approving disposals, and performing physical counts of personal property assets.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign to separate individuals the duties of maintaining departmental records, approving disposals, and performing physical counts of personal property assets [107318.02].	We implemented this recommendation last year. We will investigate the observation. [Controller's Office Evaluation of Department's Response: The condition was noted during our interview with department management, in June of 2019.]

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Personal property with a value of \$750 or more was not tagged.</u> Three out of 17 personal property sample items tested, totaling, \$18,288, were not tagged. In addition, one personal property sample item we selected from the city's expenditure records, valued at \$25,092 could not be found on the personal property database, the department's records, or physically observed at the department.	Failure to tag personal property increases the risk of misappropriation, theft, and misplacement of personal property.	Management should ensure that all personal property items with a value of \$750 or more are properly tagged [107318.03].	Implemented.

City of Philadelphia
First Judicial District of Pennsylvania
Findings and Recommendations
Fiscal Year 2019

Functions

The Philadelphia court system originates in various Commonwealth of Pennsylvania laws. The Pennsylvania Constitution of 1968 and the Judiciary Act of 1976 established the Common Pleas and Municipal Courts. In June 2013, the Pennsylvania General Assembly abolished the Philadelphia Traffic Court and transferred its jurisdiction to the Municipal Court. These courts are part of the state's unified judicial system and constitute Pennsylvania's First Judicial District (FJD). Among the primary responsibilities of the FJD are trial jurisdiction for civil and criminal cases and adjudication of traffic violations. Other responsibilities include domestic relations matters, juvenile cases, estate and trust matters, landlord and tenant matters, and code enforcement cases. An eight-member administrative governing board is responsible for the daily operations of the FJD. The department was designated as Tier 2 for fiscal year 2019.

Name and address of department head
Honorable Idee Fox, President Judge
First Judicial District of Pennsylvania
City Hall, Room 386
Philadelphia, PA 19107

Appropriations:

General Fund	\$109,556,573
Grants Revenue Fund	<u>52,126,071</u>
Total Appropriations	<u>\$161,682,644</u>

Estimated Revenues:

Non-Tax Revenue	\$40,375,000
From Other Governments	<u>56,715,000</u>
Total Estimated Revenues	<u>\$97,090,000</u>

Number of Full Time Employees:

Civil Service	2
Exempt	<u>2,354</u>
Total Employees	<u>2,356</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide approved leave requests for three of the seven sample dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [108419.01].	FJD has a separate time and attendance policy and tracking system from the city's Finance Office. FJD Human Resources requires our employees to submit all leave requests through the FJD time and attendance system. Supervisors officially approve or deny leave time through the system. Last minute requests that are not able to be entered in the system must be submitted in writing to the supervisor for approval.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were still not authorized by appropriate supervisory personnel.</u> In our review of fifty daily attendance records, we noted that 14 records showed a supervisory employee approving his/her own time, two records that were incomplete, as there was no indication of the times the employees signed in and out for the day, and one record that did not indicate a supervisory approval.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [108417.03]. Additionally, at the minimum, time records should be completed to indicate hours worked by each employee [108418.01].	Implemented.

**TIER 3
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
Mayor's Office of Community Empowerment and Opportunity
Findings and Recommendations
Fiscal Year 2019

Functions

The Mayor's Office of Community Empowerment and Opportunity (CEO), was established on January 15, 2013 by executive order of the mayor. The CEO's function is to implement and administer the City of Philadelphia's anti-poverty program. The CEO delivers services to individuals and families living in poverty, with a goal of helping them achieve self-sufficiency. The CEO directly provides or supports with grants the following programs and services: the Community Engagement Unit facilitates and supports a range of activities designed to strengthen families and communities, and carries out mayoral initiatives by providing city residents with referrals to emergency services and other facilities to meet their needs; the Fatherhood Initiative Program offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program utilizes older adults by mobilizing them to serve in local schools and community based organizations; and the Work Wise Program provides job readiness classes and job placement for low income individuals who are referred by the County Assistance Office. The CEO oversight board serves to hold the CEO accountable for meeting key targets in support of the city's anti-poverty goals. The oversight board is composed of no fewer than 15 members and no more than 27, appointed by the Mayor. The membership shall consist of elected officials, city departments, community stakeholders, advocates, business, academic, and foundation leadership, along with representatives of low-income communities and individuals. An executive director, appointed by the mayor, oversees the day to day operations of the CEO. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

Mitchell Little
Executive Director
Mayor's Office of Community Empowerment and Opportunity
1234 Market Street, 16th Floor
Philadelphia, PA 19107

Appropriations:

General Fund	\$ 90,000
Grants Revenue Fund	<u>18,545,224</u>
Total Appropriations	<u>\$18,635,224</u>

Estimated Revenues:

Non-Tax Revenues	\$ 312,000
From Other Governments	<u>18,233,000</u>
Total Estimated Revenues	<u>\$18,545,000</u>

Number of Full Time Employees:

Exempt	<u>22</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No significant variances which might have been an indication of a material error or irregularity were noted.			

City of Philadelphia
Procurement Department
Findings and Recommendations
Fiscal Year 2019

Functions

The Procurement Department was established by the Philadelphia Home Rule Charter to function as a centralized purchasing department with the responsibility for purchasing all goods and services for all departments, agencies, boards and commissions that are supported by funds from the city treasury. The department is also responsible for awarding contracts on all public works projects, arranging for disposal of surplus and unserviceable personal property, and maintaining records of all equipment (personal property) owned by the city. The Procurement Department commissioner is appointed by the finance director with the approval of the mayor and is responsible for the department's operations. The department was designated as Tier 3 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Monique Nesmith-Joyner, Commissioner	General Fund	\$4,938,442	Non-Tax Revenues	<u>\$353,000</u>
Procurement Department	Water Fund	93,093		
120 Municipal Services Bldg.	Grants Revenue Fund	<u>3,000</u>		
1401 John F. Kennedy Boulevard	Total Appropriations	<u>\$5,034,535</u>	<u>Number of Full Time Employees:</u>	
Philadelphia, PA 19102 - 1685			Civil Service	38
			Exempt	<u>5</u>
			Total Employees	<u>43</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
No conditions were noted during our testing.			

City of Philadelphia
Office of the City Representative
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the City Representative was established by the Philadelphia Home Rule Charter. The Charter provides that the Office of the City Representative shall have the following powers and duties: giving wide publicity to any items of interest reflecting the accomplishments of the city and its inhabitants and the growth and development of its commerce and industry; and acting as the ceremonial representative of the city and the mayor. A city representative, appointed by the mayor, heads the department. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

Sheila Hess, City Representative
Office of the City Representative
One Parkway Building - 12th Floor
1515 Arch Street
Philadelphia, PA 19102

Appropriations:

General Fund

\$1,158,249

Estimated Revenues:

\$ -0-

Number of Full Time Employees:

Civil Service	1
Exempt	<u>8</u>
Total Employees	<u>9</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No significant variances which might have been an indication of a material error or irregularity were noted.			

City of Philadelphia
Law Department
Findings and Recommendations
Fiscal Year 2019

Functions

The Law Department was established by the Philadelphia Home Rule Charter to serve as the legal advisor to the mayor, City Council, and all agencies of city government in civil matters. Other responsibilities include representing the city in litigation, preparing and approving contracts and bonds, investigating alleged violations of statutes and ordinances, and drafting ordinances. The Home Rule Charter mandates that the city solicitor shall be a lawyer admitted to practice before the Supreme Court of Pennsylvania and shall have at least five years of experience in the active practice of law. The city solicitor is appointed by the mayor, with the advice and consent of the majority of the members of city council. The city solicitor, with the written approval of the mayor, appoints the first deputy city solicitor, and the chairs of the corporate and tax group, the social services group, and the litigation group. The department was designated as Tier 3 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Marcel S. Pratt, City Solicitor	General Fund \$15,835,164	Non-Tax Revenue \$ 800,000
Law Department	Water Fund 3,240,830	From Other Governments <u>396,000</u>
17 th Floor, One Parkway Building	Grants Revenue Fund 200,000	Total Estimated Revenues <u>\$1,196,000</u>
1515 Arch Street	Aviation Fund 1,563,803	
Philadelphia, PA 19102	Community Development Fund <u>195,573</u>	
	Total Appropriations <u>\$21,035,370</u>	<u>Number of Full Time Employees:</u>
		Civil Service 30
		Exempt <u>152</u>
		Total Employees <u>182</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PETTY CASH <u>An overage existed in the department's petty cash account.</u> During our review of the department's petty cash fund, we noted that fund had an overage of \$55. The overage consisted of two voided checks that the department had previously submitted for reimbursement.	Failure to properly reconcile and investigate shortages or overages in the petty cash account increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [104419.01].	According to the petty cash SAP, the funds are reconciled monthly. Any overages or shortages are investigated at the time of reconciliation and handled per policy. Checks that are voided after a reconciliation are handled during the next month's reconciliation.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<p><u>For the fifth year, we are reporting that the city's sick leave policy was not enforced.</u> The Law Department still has not designed and implemented a sick leave policy for its staff, most of whom are classified as exempt employees. Although the Law Department's exempt employees are not subject to the same policy enforced against civil service employees, we noted five exempt employees who used more than twenty undocumented sick days during the 2018 calendar year. These five employees received over \$42,000 in paid sick leave that they would not have been entitled to had the department enforced the city's sick leave policy against its exempt employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce such a policy may lead to some employees abusing sick time.¹</p>	<p>We continue to recommend that the Law Department implement and enforce a sick leave policy for its exempt employees. The policy for exempt employees should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [104413.01].</p>	<p>Law's payroll staff monitor leave balances and ensure that all staff are in the correct leave category and that staff are not using sick time that they have not earned. We are committed to following any standardized sick leave policy that is developed for city-wide exempt employees.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$390.43, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place stop payment orders on the long outstanding checks and draw a transfer check payable to the City of Philadelphia Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [104417.01].</p>	<p>Implemented.</p>
<p><u>Revenue was not properly recorded in the city's accounting system.</u> A deposit summary for \$1,516.32 was incorrectly recorded under the source code for Court Awarded Damages.</p>	<p>Revenue recorded for Court Awarded Damages was overstated by \$1,516.32.</p>	<p>Management should reconcile the revenue recorded in the city's accounting system with their department records to ensure that all revenue is properly recorded [104417.03].</p>	<p>Implemented.</p>

¹ According to the city's on-line payroll system, there were 83 employees who used 8 or more undocumented sick days during calendar year 2018.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>The department's petty cash fund has not been properly reconciled. During our current review, we noted that monthly fund reconciliations were not properly prepared for the department's Program Fund petty cash account. The following items were erroneously recorded in the fund reconciliation:</p> <ul style="list-style-type: none"> Twenty-four voided, but reimbursed checks totaling \$1,482.25 were not returned to the Department of Revenue. Twenty-three petty cash checks totaling \$3,139.18, dating back to February 2011, have not been submitted for reimbursement. 	<p>Failure to reconcile the account properly has resulted in a net shortage of \$1,656.93. Not submitting expenditures for reimbursement timely increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicating the reconciliation process.</p>	<p>Management should ensure that petty cash expenditures are submitted for reimbursement in a timely manner. Also, if any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office. Finally, the \$1,482.25 in reimbursed voided checks should be returned to the Department of Revenue [104416.01].</p>	<p>Implemented.</p>
<p>For the sixth consecutive year documentation supporting and authorizing employee leave time was not routinely prepared. The department was unable to provide formal approved leave requests for three of the five employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104411.02].</p>	<p>Implemented.</p>

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2019

Functions

The Board of Ethics was established by an amendment to the Philadelphia Home Rule Charter approved by the voters on May 16, 2006. The Board of Ethics is responsible for enforcing city campaign finance, financial disclosure, prohibited political activity, lobbying and conflict of interest laws, as well as rendering advice, investigating complaints and issuing fines. The Board is also responsible for providing guidance and education on ethics rules to the entire city workforce, as well as to city vendors. In addition, the Board promotes greater transparency in government by overseeing financial disclosures of city officials and by publishing campaign finance disclosures of elected officials and candidates and information on lobbying activity in Philadelphia. The Board consists of five, non-paid members appointed by the mayor with the advice and consent of the majority of City Council. The members, who serve staggered terms of five years, elect a chair and such other officers as they deem necessary. The Board appoints an executive director, counsel, and such other staff members as may be required to exercise its powers and fulfill its obligations. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

J. Shane Creamer, Jr., Esquire
Executive Director
Board of Ethics
One Parkway Building
1515 Arch Street, 18th Floor
Philadelphia, PA 19102-1504

Appropriations:

General Fund

\$1,074,792

Estimated Revenues:

Non-Tax Revenue

\$15,000

Number of Full Time Employees:

Civil Service	3
Exempt	<u>6</u>
Total Employees	<u>9</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested. The employee's terminal leave payment erroneously included the compensatory time balance. The separated employee was an exempt employee not covered by the Fair Labor Standards Act and therefore, should not have received the compensatory time payment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, a separated employee was erroneously overpaid by \$24.75.</p>	<p>Require that employees assigned to approve bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated [104519.01]. In addition, Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment to the separated employee [104519.02].</p>	<p>The Board was unaware that compensatory time balances should not be included in the terminal leave worksheet for a separating exempt employee and will submit a Payroll Credit Advice to the Finance Office to recover the \$24.75 overpayment from the separated employee.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Separations from the payroll system were not affected through adequately reviewed formal authorizations.</u> We noted that a formal separation report was not prepared for a terminated employee.	Failure to prepare a formal separation report authorizing the termination of an employee could result in a separated employee remaining in the payroll system after termination.	Separations from the payroll system should be affected through adequately reviewed formal authorizations [104516.01].	Implemented.

City of Philadelphia
Office of the Inspector General*
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of the Inspector General (OIG) was established by Executive Order in May 1984 to constitute an investigative arm within the executive branch of Philadelphia government. The OIG is designated as an independent executive office with authority to receive and investigate criminal and/or serious integrity-related complaints of fraud, corruption, and abuse involving city employees and officials, and others doing business with the City of Philadelphia. The OIG's mission is to enhance public confidence in the integrity of the city government by establishing and implementing procedures for reporting, investigating, and resolving complaints of fraud, corruption, and abuse of office; to provide leadership and guidance in recommending programs and policies which educate and raise awareness of all city officials and employees to integrity and ethics-related issues; and to provide assistance to the respective department and department heads on all integrity and ethics-related matters through its support of the City-wide Integrity Officer System. An inspector general, who is appointed by and reports directly to the mayor, manages the department. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head
Alexander F. DeSantis, Inspector General
Office of the Inspector General
The Curtis Center
601 Walnut Street, Suite 300 East
Philadelphia, PA 19106

Appropriations:
General Fund \$1,636,311

Estimated Revenues: \$-0-

Number of Full Time Employees:
Exempt 19

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll time records were not always checked to ensure that separated employees were removed from the payroll system.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for ten days after their termination date. The agency discovered the error and was able to deduct the overpayment from the employee's termination pay.	Errors occurred and were not detected by the agency during the normal process of preparing the bi-weekly payroll. This resulted in the erroneous bi-weekly payroll payment to a separated employee.	Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [104815.01].	Implemented.

City of Philadelphia
Office of Sustainability
Findings and Recommendations
Fiscal Year 2019

Functions

The Office of Sustainability (OOS) works with partners around the city to improve quality of life in all Philadelphia neighborhoods, reduce the city's carbon emissions, and prepare Philadelphia for a hotter, wetter future. OOS is responsible for implementing Greenworks Philadelphia, the city's comprehensive sustainability plan which is made up of eight visions: access to healthy, affordable, and sustainable food and drinking water; breathing healthy air inside and outside; efficiently using affordable clean energy; prepare for climate change and reduce carbon pollution; benefit from parks, trees, storm water management, and healthy waterways; access to safe, affordable, and low-carbon transportation; waste less and keep neighborhoods clean; and benefit from sustainability education, employment, and business opportunities. OOS programs are Energy Benchmarking, Food Policy Advisory Council, and Greenworks. The department was designated as Tier 3 for fiscal year 2019.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Christine Knapp, Director	General Fund	\$ 949,327	Non-Tax Revenue	\$ 50,000
One Parkway Building	Water Fund	93,874	From Other Governments	<u>169,000</u>
1515 Arch Street, 13 th Floor	Grants Revenue Fund	218,673	Total Estimated Revenues	<u>\$219,000</u>
Philadelphia, PA 19102	Aviation Fund	93,873		
	Capital Fund	<u>1,575,000</u>	<u>Number of Full Time Employees:</u>	
	Total Appropriations	<u>\$2,930,747</u>	Exempt	<u>9</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry, supervisory, and executive approvals of payroll time record entries were not always segregated.</u> There was duplication in payroll signoff for four of the twenty pay periods we tested. During two pay periods, the same individual performed supervisory and executive-level approvals of the bi-weekly payroll in the on-line system. For another pay period the same individual performed posting and supervisory reviews of the payroll time records. Finally, for one pay period the same individual performed the data entry as well as the supervisory and executive-level approvals of the bi-weekly payroll in the on-line system.	Failure to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104917.02]	Implemented.

City of Philadelphia
Commission on Human Relations
Findings and Recommendations
Fiscal Year 2019

Functions

The Commission on Human Relations (CHR) consists of two separate and distinct commissions: Human Relations Commission (HRC) and the Fair Housing Commission (FHC). The HRC has nine commissioners appointed by the mayor. It was established under the 1951 Philadelphia Home Rule Charter to enforce the Philadelphia Fair Practices Ordinance. The ordinance prohibits discrimination in the areas of employment, housing, public accommodations, and the provision of city services. The ordinance makes it unlawful to discriminate in these areas because of race, color, gender, religion, age, sexual orientation, national origin, ancestry, disability, marital status, and gender identity. In housing, the Philadelphia Fair Practices Ordinance makes it unlawful to additionally discriminate because of the source of income and the presence of children. The FHC has five commissioners appointed by the mayor. It was created by the Philadelphia Code and empowered to enforce the city's Fair Housing Ordinance. That ordinance prohibits landlords from engaging in unfair housing practices. Such practices may include evicting a tenant or raising a tenant's rent if a property where a tenant is living violates the city's housing code. An executive director, appointed by the mayor, heads the CHR. The CHR has four major divisions: Community Relations, Compliance, Administration, and Fair Housing. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

Rue Landau, Esquire
Executive Director
Commission on Human Relations
601 Walnut Street, Suite 300 South
Philadelphia, PA 19106

Appropriations:

General Fund \$2,202,336

Estimated Revenues:

From Other Governments \$125,000

Number of Full Time Employees:

Civil Service 30
Exempt 3
Total Employees 33

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No significant variances which might have been an indication of a material error or irregularity were noted.			

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2019

Functions

The Board of Revision of Taxes was created by the Pennsylvania legislature and charged with providing market valuations of all real estate within Philadelphia and administering the tax assessment process. As a result of a Reorganization Ordinance passed by City Council in 2009, and a subsequent Pennsylvania Supreme Court decision, the city's Office of Property Assessment was made responsible for assessing and valuing all real property; and the Board of Revision of Taxes was made responsible for hearing and rendering decisions on appeals of those assessments. The Board of Revision of Taxes also supports a three-member Board of View that hears and renders decisions for condemnation (eminent domain) appeals. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

Carla Pagan, Executive Director
Board of Revision of Taxes
601 Walnut Street, Suite 325 East
Philadelphia, PA 19106

Appropriations:

General Fund

\$1,046,903

Estimated Revenues:

Non – Tax Revenue

\$1,000

Number of Full Time Employees:

Civil Service

3

Exempt

12

Total Employees

15

Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No significant variances which might have been an indication of a material error or irregularity were noted.			

City of Philadelphia
Mayor's Office of Education
Findings and Recommendations
Fiscal Year 2019

Functions

The Mayor's Office of Education (MOE) provides leadership to improve education in the City of Philadelphia. To achieve this mission, the MOE creates policies and programs to expand access to quality pre-K for Philadelphia families, support students and residents through community schools, facilitate collaboration and partnership among many stakeholders to strengthen the local education landscape and advance key educational policy. The MOE works with public and private partners to support local schools and make educational opportunities more accessible for all. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head

Otis Hackney
Chief Education Officer
1515 Arch Street- 3rd Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$24,949,452
Grant Revenue Fund	<u>301,860</u>
Total Appropriations	<u>\$25,251,312</u>

Estimated Revenues:

From Other Governments	<u>\$302,000</u>
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Number of Full Time Employees:

Exempt	<u>29</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No significant unexplained variances which might have been an indication of a material error or irregularity were noted.			

City of Philadelphia
Register of Wills*
Findings and Recommendations
Fiscal Year 2019

Functions

The Register of Wills was incorporated into city government through the City-County Consolidation Amendment to the Pennsylvania Constitution adopted November 6, 1951. The Register of Wills, who is elected to a four- year term, has the following responsibilities: probating wills; granting letters testamentary appointing executors of wills and letters of administration appointing administrators for estates of persons who died without leaving a will; approving and filing the accounts of executors and administrators; and recording all wills, accounts, inventories and appraisals of estates. In addition, the Register of Wills also serves as the Clerk of Orphans' Court, a division of the Court of Common Pleas. As the Clerk of Orphans' Court, the Register supervises the Marriage License Bureau and issues marriage licenses; keeps a record of Orphans' Court proceedings; and performs associated administrative duties. The department was designated as Tier 3 for fiscal year 2019.

Name and address of department head
Honorable Tracey L. Gordon
Register of Wills
City Hall, Room 180
Philadelphia, PA 19107

Appropriations:
General Fund

\$4,438,881

Estimated Revenues:

Non – Tax Revenue

\$4,150,000

Number of Full Time Employees:

Exempt

71

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
The department's revenues and expenditures were reviewed on a comparative basis with amounts from the prior fiscal year for their potential effect on the city's financial statements. No unexplained, significant variances which might have been an indication of a material error or irregularity were noted.			

APPENDIXII: SUMMARY OF FINDINGS

	City Council	OIT	Office of the Mayor	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBHIDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OHS	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	OIG	Office of Sustainability	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	CAO	Office of Education	Register of Wills	District Attorney's Office	Sheriff's Office	Dept of Planning and Dev	City Commissioners	First Judicial District				
Cash																																															
Inadequate accounting of the fund			✓				✓	✓			✓		✓	✓	✓			✓		✓	✓						✓				✓						✓			✓							
Inadequate documentation of disbursements			✓				✓											✓																													
Inadequate segregation of duties			✓										✓					✓																			✓										
Unauthorized custodian													✓								✓															✓											
Untimely performance of reconciliations			✓				✓				✓		✓								✓	✓											✓			✓											
Inadequate approval of reconciliations														✓													✓																✓				
Improper safeguarding/commingling of funds			✓																																												
Improper disbursements			✓				✓								✓																					✓						✓					
Checks not deposited in Unclaimed Monies											✓		✓								✓		✓																								
Untimely deposits									✓																																						
Inadequate policy and procedures									✓																																						
Personal Property																																															
Items not properly removed from city's records		✓				✓	✓	✓	✓													✓				✓																		✓			
Inadequate segregation of duties																					✓																							✓			
Improper documentation for removal of items						✓	✓	✓						✓							✓																										
Inaccurate department records		✓				✓	✓	✓	✓	✓			✓	✓				✓		✓						✓																		✓			
Revenue and Receipts																																															
Inadequate reconciliation																	✓																														
Untimely deposits					✓																																										
Inadequate policy and procedures																																			✓												
Personal Services																																															
Inadequate documentation of paid leave	✓					✓	✓	✓	✓	✓				✓		✓		✓							✓																					✓	
Accuracy of payroll not checked										✓							✓									✓											✓				✓						
Incomplete documentation								✓	✓	✓	✓																																				
Improper supervisory review	✓					✓	✓	✓		✓	✓			✓		✓				✓					✓							✓									✓	✓					
Employee overtime not properly authorized						✓	✓			✓				✓				✓								✓					✓		✓														

APPENDIX I: SUMMARY OF FINDINGS CONTINUED

	City Council	OIT	Office of the Mayor	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBHIDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OHS	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	OIG	Office of Sustainability	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	CAO	Office of Education	Register of Wills	District Attorney's Office	Sheriff's Office	Dept of Planning and Dev	City Commissioners	First Judicial District		
Inadequate segregation of duties			√					√						√												√						√													
Sick leave policy was not enforced		√			√		√	√	√	√	√		√	√		√	√	√								√														√					
Lack of exempt employee sick policy	√	√			√																					√						√													
Employee evaluations not performed		√						√	√	√	√		√					√													√		√			√									
Improper handling of unclaimed checks							√							√																															
Payments made to separated employees					√	√	√									√	√	√										√																	
Other Expenditures																																													
Disbursements not properly reviewed												√																													√				
Unauthorized travel reimbursements																				√																									