



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

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For immediate release: Tuesday, February 9, 2021

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## **Controller's Office Releases Single Audit Findings on Grant Compliance**

**Philadelphia, PA** – The Office of the City Controller released its report on compliance for federal grant programs and review of internal controls over compliance for fiscal year 2019 (FY19). The report, which must be completed annually, was transmitted to the Kenney Administration and for submission to the Federal Audit Clearinghouse, as required. The report details four instances of non-compliance for the City's major federal programs, including one significant deficiency.

"The review of compliance with federal grant programs serves as an important check on internal control over grant administration and management," said City Controller Rebecca Rhynhart. "With the ongoing COVID-19 pandemic, the City will be relying on significant grants and it's crucial that these funds are being properly managed. The City should take steps now to improve grant compliance to help protect future grant dollars the City may receive."

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

Report findings are as follows:

- **Significant Deficiency & Noncompliance Over Reporting** – The Finance Department's Grants Accounting and Administrative Unit (GAAU) did not accurately disclose the total payments to subrecipients in the preliminary SEFA. The Office of the Controller's review of records indicated that subrecipient expenditures for major programs, including Block Grants for Community Mental Health Services and Medical Assistance Program, were understated by \$5.3 million. Failure to completely and accurately report subrecipient expenditures can result in noncompliance with terms and conditions of federal awards. This has been a finding for three years without remediation.
- **Special Tests for Noncompliance** – The Department of Human Services (DHS) reported salaries and benefits costs that exceeded the maximum allowable amounts dictated by the Commonwealth of Pennsylvania by \$457,716. The Pennsylvania Department of Human Services reimburses DHS for salary and benefit costs up to the rate of similar positions at the state level. However, these ineligible costs led the City to receive an additional \$366,499 in grant funds, calling into question costs distributed to

programs such as the Stephanie Tubbs Jones Child Welfare Services Program and Adoption Assistance program.

- **Noncompliance Over Reporting** – DHS used the incorrect percentage to calculate expenditures on its Act 148 Invoice, resulting in improperly reporting \$3,566,773 of Central Service Costs (indirect costs). Because DHS is reimbursed a percentage of the expenditures it reports to Pennsylvania Department of Human Services, auditors determined that ineligible costs had resulted in an excess reimbursement of \$2,602,006. Moreover, DHS did not identify this error during its review of submitted expenditures.
- **Noncompliance Over Reporting** – DHS improperly reported unsupported expenditures and encumbered funds totaling \$1,946,882 in its fiscal year 2019 Act 148 County Children and Youth Fiscal Summary submitted to the Pennsylvania Department of Human Services. These ineligible costs resulted in an excess reimbursement request of \$1,201,065. Additionally, DHS did not identify these errors during its review of submitted expenditures.

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