



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

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**Controller's Office Releases Internal Control Report;  
Finds OnePhilly Issues Persist**

*Controller Rhyhart calls on administration to stabilize OnePhilly before moving forward with new financial management system project.*

**Philadelphia, PA** – The Office of the City Controller released the Report on Internal Control and On Compliance and Other Matters Fiscal Year 2020. While the report found the City's financial statements to be fairly presented, in all material respects, it identified three material weaknesses and six significant deficiencies in internal controls over financial reporting. Specifically, the Controller's Office found that breakdowns in the City's new payroll system, a first time finding last year, continued to present a risk for material payroll errors in fiscal year 2020.

"Given the seriousness of the OnePhilly findings, I had hoped the administration would make a concerted effort to resolve them, investing necessary resources and efforts to improve the functionality and internal controls of the system. That doesn't appear to be the case," said City Controller Rebecca Rhyhart. "Despite the on-going problems with OnePhilly, the Administration has begun moving forward with a more than \$100 million IT project to replace the City's current financial management system. While I agree that the City needs to modernize this system, it must be done strategically and thoughtfully. OnePhilly's implementation, and the Administration inability to fix it, does not give me confidence that that will happen."

In the Fiscal Year 2020 Report on Internal Control and On Compliance and Other Matters, the Controller's Office identified one material weakness and two significant deficiencies related to the OnePhilly System.

**Material Weakness: Breakdowns in the functionality and application IT controls of the OnePhilly system continue to increase the risk for material payroll errors.** Most of the breakdowns in the functionality and application IT controls of the OnePhilly system that were identified in the previous year's report were not remediated during fiscal year 2020. Only four of

13 previously reported conditions were corrected. As a result, there was a potential for the payroll expense and other related liability accounts to be materially misstated in the ACFR. Additionally, individual employee pay may be inaccurate and/or unauthorized.

The significant deficiencies include a deficiency in the OnePhilly system's IT General Controls that creates vulnerabilities and a failure of departments to properly and timely approve biweekly payrolls, which increases the risk for improprieties and undetected errors.

"I first called on Mayor Kenney to focus on fixing OnePhilly rather than begin work on another major IT project more than a year ago. I've continued to privately urge the administration to pause the financial management system replacement project since then. Despite the OnePhilly team's efforts, the system is still not functioning properly or with adequate controls. I am again urging Mayor Kenney to do what should have been done last year - halt the replacement project for the city's financial management system until OnePhilly is stabilized," added Controller Rhyhart.

#### Other Key Findings

**Material Weakness: Inadequate staffing levels, lack of technological investment, and insufficient oversight have led to undetected material misstatements.** The audit disclosed a number of conditions that impact Finance accountants' ability to prepare a timely, accurate, and completed ACFR without Controller's Office staff recommending significant adjustments. The Controller's Office found \$167 million in errors in the ACFR submitted for audit that Finance accountants did not detect during its preparation. While improved from the more than \$900 million in errors identified in fiscal year 2017, undetected material misstatements could result in financial statements that cannot be used a reliable source of information regarding the status of the city's finances. Auditors notified Finance accountants who subsequently corrected most, but not all, of the errors. Errors in the CAFR preparation have been a finding in the internal control report since fiscal year 2007 without remediation.

**Material Weakness: Untimely preparation of the Schedule of Expenditures of Federal Awards (SEFA) resulted in the late submission of the Single Audit reporting package to the Federal Audit Clearinghouse.** The Finance Office's Grants Accounting and Administrative Unit (GAAU), which is responsible for preparing the SEFA, did not prepare and provide for audit a preliminary SEFA for fiscal year 2020 until March 13, 2021, only three months prior to the June 30 submission deadline. The untimely and inaccurate preparation of the SEFA caused delays in audit planning and subsequent testing of the SEFA and major programs. As a result, the City did not submit a Single Audit reporting package to the Federal Audit Clearinghouse by the federally required deadline. Non-compliance with the reporting requirements is a violation of federal grants terms and conditions. The City's continued failure to meet this filing requirement could affect future federal funding.

"Overall, the City continues to have the worst internal controls over financial reporting of the top ten cities. Nominal progress has been made on long-standing findings and the Administration

seems content to continue with the status quo. I'm calling on the mayor and finance director to take immediate and necessary steps to remediate all of these findings," said Controller Rynhart.

A material weakness is a deficiency, or combination of deficiencies, in internal control resulting in a reasonable possibility that a material misstatement of the City's financial statements may not be prevented or detected and corrected on a timely basis. A significant deficiency, while less severe than a material weakness, is a deficiency, or a combination of deficiencies, that warrants attention.

All findings are detailed in the [full report](#), as well as the administration's response and the Controller's Office comment on the administration's response. A quick guide to the report, including the length of time for each finding and a comparison of Philadelphia's internal controls over financial reporting to the other top ten largest cities in the country, is available [here](#).