

Report On Internal Control and On Compliance and Other Matters City of Philadelphia Fiscal Year 2020



City Controller
Rebecca Rhynhart
July 2021



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

Thursday, July 15, 2021

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

Dear Mayor Kenney,

Please find the Office of the City Controller's annual report on internal control and on compliance and other matters for fiscal year 2020. Our report's findings regarding internal control over financial reporting shows Philadelphia continues to be the worst of the top ten largest cities.

Our office found that the city's fiscal year 2020 financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. However, the audit procedures identified three material weaknesses and six significant deficiencies, as well as other conditions, in the city's internal control over financial reporting.

Specifically, I want to draw your attention to the continued issues with the OnePhilly system. As part of this report, we followed up on the breakdowns in the functionality and application IT controls of the OnePhilly system identified in last year's report. Despite the seriousness of the problems identified with OnePhilly and the many statements that the system is functioning better by the administration, minimal improvement was made to these findings – of the 13 conditions we followed up on, only four were corrected. In total, the report details one material weakness and two significant deficiencies related to the OnePhilly system.

In addition to these outstanding issues, my office has become aware of new problems with the system and its potential impact on employee pay. Appropriate resources and focus must be directed to stabilize the OnePhilly system immediately. These findings cannot become another decades long non-remediated problem. With this in mind, I want to reiterate the request I issued last year: pause the FAMIS replacement project until the OnePhilly system is fully stabilized and a proactive plan for future issue identification is developed. My office agrees that a replacement for FAMIS is necessary – a new comprehensive financial management system has been a recommendation by my office for years – however, the city must learn from the mistakes of the OnePhilly system. The FAMIS replacement project should not continue until implementation and governance plans, rooted in best practices including a pre-implementation assessment, are developed for the new system.

Our office recommends several changes to the processes in place to improve the internal control over financial reporting. The findings and recommendations contained in the report were shared with management, and we included management's written response to the findings and recommendations as part of the report. *Government Auditing Standards* state that auditors should evaluate the validity of the auditee's response to a report's findings. Auditors are required to report instances in which the auditee's comments to the auditor's findings, conclusions, or recommendations are not, in the auditor's opinion, valid or do not address the recommendation. Our comments to management's response, when deemed necessary per these auditing standards, are also included in the report.

We would like to express our thanks to the management and staff of the City of Philadelphia for their cooperation as we conducted our audit.

Despite the serious nature of the conditions detailed in this report, many of the findings have been reported on for years with little to no remediation. Strong internal controls over financial reporting are critical to good financial management, and as such, a comprehensive plan to address these findings should be paramount to the administration. Mayor Kenney - I request that you prioritize improving internal control over financial reporting and financial management. Taxpayers deserve your action.

Sincerely,

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

Rebecca Rhynhart
City Controller

CC: Honorable Darrell L. Clarke, President, City Council
Honorable Members of City Council
Rob Dubow, Finance Director
James Engler, Chief of Staff, Office of the Mayor
Members of the Mayor's Cabinet



CITY OF PHILADELPHIA FISCAL YEAR 2020 REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS EXECUTIVE SUMMARY

Why the Controller's Office Conducted the Audit

In accordance with the Philadelphia Home Rule Charter, the Office of the City Controller (Controller's Office) audited the City of Philadelphia's (city) basic financial statements as of and for the fiscal year ended June 30, 2020, issued as part of the city's Annual Comprehensive Financial Report (ACFR)¹. To help plan and perform the audit, which occurs annually, the Controller's Office reviews the city's internal control over financial reporting and examines the city's compliance with certain provisions of laws, regulations, contracts, and grant agreements to identify any noncompliance that could have a direct and material effect on financial statement amounts.

The Controller's Office reports on any identified significant deficiencies and material weaknesses in the city's internal controls. Significant deficiencies are less severe than material weaknesses, yet important enough to merit attention by those charged with governance. Material weaknesses identified in financial reporting result 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. If a material misstatement on the city's financial statements occurred, the statements would be an ineffective tool for assessing the city's financial health.

Fiscal Year 2020 Report Findings

While the Controller's Office found that the city's financial statements were presented fairly, in all material respects, our review identified three material weaknesses and six significant deficiencies in the city's internal controls over financial reporting. The fiscal year 2020 report on internal control and on compliance and other matters discusses the material weaknesses and significant deficiencies in depth. Key findings include:

Material Weakness: Breakdowns in the functionality and application IT controls of the OnePhilly system continue to increase the risk for material payroll errors. Several conditions, which combined are considered a material weakness, were identified as part of a prior year evaluation of the IT application and general controls related to the OnePhilly workforce management system, including issues with the assumed time program, changes to employee timecards without approval, inaccuracies in the Overpaid/Underpaid report, and more. Most of the breakdowns in the functionality and application IT controls of the OnePhilly system were not remediated during fiscal year 2020. Only four of 13 previously reported conditions were corrected. As a result, the potential for the payroll expenditures and other related liability accounts to be materially misstated in the ACFR remains. Individual employee pay may be inaccurate and/or unauthorized.

In addition to this material weakness, two significant deficiencies related to the OnePhilly system were also identified. All OnePhilly findings were first reported in fiscal year 2019.

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

(Continued on next page)

¹ The Annual Comprehensive Financial Report was previously referred to as the Comprehensive Annual Financial Report. Throughout the Report on Internal Control and Other Matters, the ACFR is called Comprehensive Annual Financial Report, but is referred to as the ACFR in management's response.

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 as a reliable source of information regarding the status of the city's finances. Auditors notified Finance Office accountants of the errors who subsequently corrected most, but not all, of the errors. Errors in the ACFR 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) may result 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,² which is insufficient time for completion. 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 may not submit a Single Audit reporting package to the Federal Audit Clearinghouse by the federally required deadline.³ 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. This finding has been reported on as a material weakness since fiscal year 2018.

What the Controller's Office Recommends

The Controller's Office developed recommendations to address the findings in this report. Some of the more significant recommendations to the above findings are noted below.

To improve the OnePhilly system's functionality and application IT controls, Finance Office management and the OnePhilly team should evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing necessary modifications to the OnePhilly system. When applicable, Finance Office and OnePhilly team should focus on resolving the issue prospectively, as well as completing any necessary retrospective corrections.

To improve controls over the preparation and review of the city's ACFR, the Finance Office should follow through with its plan to use an accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the ACFR and the development of a ACFR review checklist for the full accrual financial statements. While we support Finance Office's use of the accounting firm as a short-term remedy, the appropriate long-term solution is for Finance Office management to either hire more accountants or invest in a new financial reporting system to reduce the current labor-intensive procedures needed to prepare the ACFR. It should be noted that the investment in a new financial reporting system must be strategic and thoughtful.

To improve the timeliness of the SEFA, the Finance Office's GAAU should allocate adequate resources to ensure the timely preparation and submission of the SEFA for audit purposes. GAAU should also proactively enforce the existing policies and procedures requiring departments to complete expenditure reconciliations by the due date.

Additional recommendations developed by the Controller's Office can be found in the body of this report.

² The federal submission deadline for the Single Audit Reporting Package is March 31st annually, however the fiscal year 2020 deadline was extended to June 30, 2021 due to COVID-19.

³ The Single Audit Reporting Package for fiscal year 2020 was not submitted by the June 30, 2021 deadline.

**AUDITOR'S REPORT ON INTERNAL
CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

CITY OF PHILADELPHIA

FISCAL 2020



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City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements, and have issued our report thereon dated February 25, 2021. Our report includes a reference to other auditors who audited the financial statements of the following entities, as described in our report on the City of Philadelphia, Pennsylvania's financial statements.

Primary Government

Municipal Pension Fund
Philadelphia Gas Works Retirement Reserve Fund
Parks and Recreation Departmental and Permanent Funds
Philadelphia Municipal Authority
Pennsylvania Intergovernmental Cooperation Authority

Component Units

Community College of Philadelphia
Philadelphia Parking Authority
Philadelphia Redevelopment Authority
Community Behavioral Health
Philadelphia Authority for Industrial Development
Philadelphia Gas Works
Philadelphia Housing Authority

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Philadelphia Parking Authority were not audited in accordance with *Government Auditing Standards*. Also, the reported amounts for the Philadelphia Housing Authority (PHA) include PHA's discretely presented component units whose financial statements (except for St. Ignatius Senior Housing I, L.P., St. Ignatius Senior Housing II, L.P., St. Francis Villa Senior Housing, L.P., 1952 Allegheny Associates Limited Partnership, Spring Garden Development Associates, L.P., Uni-Penn Housing Partnership II, and Mantua Phase II, L.P.) were not audited in accordance with *Government Auditing Standards*.

We have also audited the basic financial statements of the School District of Philadelphia, a component unit of the City of Philadelphia, in accordance with *Government Auditing Standards* and issued a separate report on the School District's internal control over financial reporting and on compliance and other matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Philadelphia, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying report, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying report as items 2020-001 to 2020-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying report as items 2020-004 to 2020-009 to be significant deficiencies.

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Philadelphia, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Conditions

We noted certain other conditions that represent deficiencies in internal control described in the accompanying report as items 2020-010 to 2020-013. Also, during our annual examination of the financial affairs of city departments, we identified other internal control and compliance deficiencies which will be communicated to management in a separate report.

City of Philadelphia, Pennsylvania's Response to Findings

The City of Philadelphia, Pennsylvania's written response to the findings identified in our audit is described in the accompanying report. The City of Philadelphia, Pennsylvania's written response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. We have also included our comments to the City of Philadelphia, Pennsylvania's responses that we believe do not adequately address our findings and recommendations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 25, 2021

CONTENTS

Page

MATERIAL WEAKNESSES

2020-001	Inadequate Staffing Levels, Lack of Technological Investment and Insufficient Oversight Led to Undetected Material Misstatements	1
	Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors.....	1
	While Improvement Was Noted, Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of Comprehensive Annual Financial Report.....	3
	Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of Comprehensive Annual Financial Report.....	4
2020-002	Untimely Preparation of Schedule of Expenditures of Federal Awards May Result in Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse.....	5
2020-003	Breakdowns in the Functionality and Application IT Controls of the OnePhilly System Continue to Increase the Risk for Material Payroll Errors	6

SIGNIFICANT DEFICIENCIES

2020-004	Deficiency in OnePhilly System's IT General Controls Require Continued Improvement to Minimize Vulnerabilities	9
2020-005	OIT's IT General Controls Continue to Require Strengthening.....	11
2020-006	Treasurer's Bank Reconciliation Procedures Still Require Improvement.....	12
2020-007	Failure of Departments to Properly and Timely Approve Biweekly Payrolls Increases Risk for Improprieties and Undetected Errors.....	15
2020-008	Capital Asset Control Deficiencies Increase Risk of Reporting Errors	16
	Lack of a Comprehensive Capital Asset System Hampered Reporting Process.....	16
	Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records.....	17
2020-009	SAPs Require Updating to Ensure Accurate and Consistent Application of Accounting Rules and Regulations.....	18

OTHER CONDITIONS

2020-010	Accounts Payable Reporting Still Needs Improvement	20
2020-011	City's Accounting System Not Utilized for Posting Enterprise Funds' Year-End Journal Entries	22
2020-012	Certain Other General IT Controls for OnePhilly System Still Need Improvement ...	23
2020-013	Certain Other General IT Controls for OIT Still Need Improvement.....	23

CORRECTIVE ACTIONS TAKEN BY MANAGEMENT

Transfers Between City Bank Accounts Have Improved.....	24
---	----

APPENDICES

Appendix I: Remediation Status of Prior Year Findings for General IT Controls Review of OnePhilly.....	25
Appendix II: Remediation Status of Prior Year Findings for General IT Controls Review of OIT.....	29

RESPONSE TO AUDITOR’S REPORT

Rob Dubow, Director of Finance.....	33
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AUDITOR’S COMMENTS ON AGENCY RESPONSE	55
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MATERIAL WEAKNESSES

2020-001 INADEQUATE STAFFING LEVELS, LACK OF TECHNOLOGICAL INVESTMENT AND INSUFFICIENT OVERSIGHT LED TO UNDETECTED MATERIAL MISSTATEMENTS

Philadelphia's Home Rule Charter places responsibility for the City of Philadelphia's (city's) accounting and financial reporting functions with the Office of the Director of Finance (Finance Office). In that capacity, the Finance Office prepares the city's Comprehensive Annual Financial Report. To complete these tasks, Finance Office accountants collect, analyze, and summarize enormous amounts of financial and grant-related data, as well as other information obtained from the city's accounting system (FAMIS⁴), numerous city agencies, and assorted quasi-government units, such as the Philadelphia Gas Works and the Philadelphia Redevelopment Authority.⁵ Our current audit again disclosed a number of conditions, which collectively we consider to be a material weakness, that impede the ability of Finance Office accountants to prepare a timely, accurate, and completed Comprehensive Annual Financial Report without significant adjustments recommended by the City Controller's audit staff. More specifically, we observed that:

- Staff reductions in the Finance Office, as well as a lack of a comprehensive financial reporting system, have compromised the timely and accurate preparation of the Comprehensive Annual Financial Report;
- While improvement was noted, the Division of Aviation's (DOA's) late submission of its financial statements and compilation delayed preparation and audit of the Comprehensive Annual Financial Report; and
- Late receipt of component unit financial reports hampered the Comprehensive Annual Financial Report preparation.

Each of these conditions is discussed in more detail below.

Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Condition: Errors totaling \$167 million were not detected by Finance Office accountants during preparation of the city's fiscal year 2020 Comprehensive Annual Financial Report.

Criteria: Financial statements should be prepared to communicate relevant and reliable information. Accordingly, the statements should be free of all errors that might affect a reader's ability to make confident and informed decisions.

Effect: Because Finance Office accountants corrected the most significant errors we identified, the city's publicly issued fiscal year 2020 Comprehensive Annual Financial Report can be relied upon for informative decision making.

⁴Financial Accounting and Management Information System

⁵These quasi-government units are considered component units for purposes of the city's Comprehensive Annual Financial Report.

Cause: Ongoing inadequate staffing, along with the lack of a comprehensive financial reporting system, have hindered the ability of the Finance Office to produce a timely and accurate Comprehensive Annual Financial Report for audit. More specifically:

- The Finance Office has continued to operate with reduced staff size. Since fiscal year 2000, the number of Finance Office accountants has declined by over 23 percent (from 64 full-time employees in fiscal year 2000 to 49 in fiscal year 2020). Inadequate staff size has resulted in significant and complex parts of the Comprehensive Annual Financial Report, such as the preparation of the full accrual government-wide financial statements, being performed by Finance Office accounting management. These factors have made the task of completing the Comprehensive Annual Financial Report more difficult and compromised the ability of Finance Office management to perform adequate reviews of the financial statements and related financial disclosures.
- Accountants in the Finance Office lacked a comprehensive financial reporting system to prepare the Comprehensive Annual Financial Report. Instead, accountants produce the Comprehensive Annual Financial Report using numerous Excel and Word files with various links between the files. Using multiple linked files creates a cumbersome process that can adversely affect the accuracy and completeness of the Comprehensive Annual Financial Report. During our current audit, we determined that the Finance Office has now converted to Excel all remaining files created with Lotus 1-2-3, a program that had been discontinued and unsupported since 2014.

During the current audit, we observed that the Finance Office continued to work with the accounting firm they have worked with in prior years to help with the preparation and review of the Comprehensive Annual Financial Report. Although the initial plan (as it had also been since fiscal year 2017) was for the accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the financial statements, the Finance Office was again unable to implement that plan for the fiscal year 2020 Comprehensive Annual Financial Report. In the prior year, we noted the accounting firm assisted the Finance Office with the preparation of a Comprehensive Annual Financial Report review checklist which provided accountants with detailed instructions for verifying the accuracy and completeness of the fund financial statements. However, we continued to note the checklist has not yet been updated to include guidelines for review of the full accrual government-wide financial statements. Also, the accounting firm assisted with the calculation and recording of the compensated absences sick leave accrual, and the related footnote disclosures in the Comprehensive Annual Financial Report.

Despite the improvement noted, we still found that the Finance Office failed to detect significant errors in the Comprehensive Annual Financial Report submitted for audit and did not provide finalized footnotes until very late in the audit process. Examples of undetected errors included:

- The Finance Office did not include the longevity, stress pay, and tax liabilities for prior and current periods in the other long-term liabilities (termination compensation payable) for

governmental activities. As a result, this liability was understated by \$48.1 million.

- A \$30.1 million overstatement of taxes receivable due to the Finance Office including receivables that were previously written off by the city's tax review panel.

An example of an untimely provided footnote was the disclosure for the governmental activities capital asset depreciation, for which we did not receive a substantially completed version for audit until February 16, 2021, just over a week before we issued the audit opinion.

Recommendations: Without sufficient accounting staff and a comprehensive financial reporting system to prepare and review information needed for the Comprehensive Annual Financial Report, the risk increases that significant errors can occur and not be timely discovered and corrected. We continue to recommend that Finance Office management either hire more accountants, or invest in a new comprehensive financial reporting system that will reduce the current labor-intensive procedures needed to prepare the city's Comprehensive Annual Financial Report [50107.01]. The Finance Office, in conjunction with the Office of the Chief Administrative Officer and Office of Innovation and Technology (OIT), have continued a project which is expected to modernize core financial, grants, procurement, and supply chain business processes, known as the Optimize Procurement and Accounting Logistics Enterprise Resource Planning (OPAL ERP) project. The OPAL ERP project is expected to replace financial accounting systems such as FAMIS.

In the meantime, we recommend that, for the fiscal year 2021 Comprehensive Annual Financial Report, management follow through with its plan to use the accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the Comprehensive Annual Financial Report [500118.01]. Additionally, Finance Office accountants should utilize the accounting firm to assist with developing a Comprehensive Annual Financial Report review checklist for the full accrual government-wide financial statements [500119.01]. While we support the Finance Office's hiring of the accounting firm as a short-term remedy to improve the Comprehensive Annual Financial Report preparation and review process, we believe the appropriate long-term solution is to either hire more accountants or invest in a comprehensive financial reporting system, as recommended above.

While Improvement Was Noted, Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of Comprehensive Annual Financial Report

Condition: The Aviation Fund financial statements and supporting compilation were again completed late, with the DOA not submitting them to the Finance Office until December 28, 2020. While this was nine days earlier than the prior year, the late submission contributed to the city's financial statements not being entirely updated until January 6, 2021. While the DOA submitted a draft version of the financial statements to the Finance Office on October 22, 2020, those statements were very preliminary with various open items. The DOA made significant financial statement changes between the October 22, 2020 and December 28, 2020 versions.

Criteria: In preparing the city’s Comprehensive Annual Financial Report, Finance Office accountants must collect, analyze, and summarize financial information from numerous sources, including the DOA. It is essential that the DOA promptly complete and submit the Aviation Fund financial statements and compilation to the Finance Office, so they have adequate time to review and incorporate those statements into the Comprehensive Annual Financial Report.

Effect: The DOA’s failure to provide the Aviation Fund financial statements and compilation on time can result in delays in timely completing the financial reporting and auditing processes for the city’s Comprehensive Annual Financial Report. It also increases the risk for Comprehensive Annual Financial Report errors, as Finance Office accountants have less time to adequately review the statements.

Cause: The delay in the DOA’s submission of the Aviation Fund financial statements and compilation appeared to be the result of the DOA’s discovery of reconciling items needed from the Finance Office to complete the compilation. The resulting delay for reconciling items was due to accounting errors by new Finance Office staff.

Recommendation: To improve the timeliness of its financial reporting, we continue to recommend that the DOA management work with the Finance Office to establish an earlier deadline for the completion of the Aviation Fund financial statements and compilation, which includes the compilation review checklist [500118.04].

Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of Comprehensive Annual Financial Report

Condition: As we have reported for the last several years, late receipt of component unit financial reports continued to delay preparation and audit of the city’s Comprehensive Annual Financial Report. As shown in Table 1 below, five of the city’s 10 component units still did not submit their final reports by the due dates requested by Finance Office accountants.

Table 1: Late Submission of Component Unit Financial Reports			
<u>COMPONENT UNIT</u>	<u>DUE DATE</u>	<u>DATE RECEIVED</u>	<u>DAYS LATE</u>
Philadelphia Authority for Industrial Development	10/31/2020	1/7/2021	68
Philadelphia Housing Authority	10/31/2020	11/16/2020	16
Philadelphia Parking Authority	10/31/2020	1/21/2021	82
Philadelphia Redevelopment Authority	12/31/2020	2/12/2021	43
School District of Philadelphia	11/01/2020	2/17/2021	108

Note: Community Behavioral Health, Community College of Philadelphia, Pennsylvania Intergovernmental Cooperation Authority, Philadelphia Gas Works, and Philadelphia Municipal Authority submitted their financial reports timely.
Source: Prepared by the Office of the City Controller

The greatest challenge to the timely completion of the Comprehensive Annual Financial Report came from the Philadelphia Parking Authority, the Philadelphia Redevelopment Authority, and the School District of Philadelphia. These three agencies submitted their reports very late (January 21, 2021, February 12, 2021, and February 17, 2021, respectively), leaving the Finance Office accountants and the Controller's Office auditors very little time to ensure that they were accurately included in the city's Comprehensive Annual Financial Report before it was issued on February 25, 2021.

Criteria: An essential element of timely financial reporting is that it promotes management accountability and communicates information early enough to allow users of the financial statements to make informed decisions.

Effect: The failure of component units to submit their financial statements on time increases the risk for errors or omissions, as Finance Office accountants become limited in the amount of time available to adequately review the reports. The risk of error also increases as accountants must make significant changes to the financial statements and footnote disclosures each time a component unit's financial information is added to the report. Additionally, each series of changes requires considerable audit time to ensure that accountants have correctly changed previous amounts and footnotes presented for audit.

Cause: There is no incentive for component units to submit their final financial statements timely to the city and no consequences for those who do not meet the required deadline.

Recommendation: We again recommend that, early in the Comprehensive Annual Financial Report preparation process, Finance Office accountants solicit the assistance of the director of finance to secure the cooperation of all component unit management in the timely submission of their respective final financial reports to the city's Finance Office [50102.01].

2020-002 UNTIMELY PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS MAY RESULT IN LATE SUBMISSION OF THE SINGLE AUDIT REPORTING PACKAGE TO THE FEDERAL AUDIT CLEARINGHOUSE

Condition: Because the city expends more than \$750,000 of federal awards, Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a single audit of grant activities to be performed each year. Finance Office's Grants Accounting and Administrative Unit (GAAU) is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA), which serves as the primary basis that the auditors use to determine which programs will be tested. For fiscal year ending June 30, 2020, a preliminary SEFA was not prepared and provided for audit until March 13th of the following calendar year, which is three months prior to the deadline to submit the reporting package and insufficient time to complete the audit by the June 30th deadline⁶.

⁶ OMB's December 2020 Compliance Supplement Addendum allows recipients that received COVID-19 funding an extension for up to three months beyond the normal due date of March 31st for the completion and submission of the Single Audit reporting package.

Criteria: OMB’s Uniform Guidance, Title 2, Part 200, Subpart F Audit Requirements, paragraph .512 requires the single audit to be completed and the data collection form and reporting package to be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Effect: 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.

Cause: The untimely preparation and submission of the SEFA caused delays in planning the audit and subsequent testing of the SEFA and major programs for the fiscal year ending June 30, 2020. Specifically, GAAU personnel employ a manual process to enter grant expenditures from the city’s accounting system into the SEFA through a fund schedule, which is adjusted based on mandatory grant reconciliations provided by the city departments responsible for grants (departments). For fiscal year 2020, GAAU sent requests for these reconciliations in September 2020. Multiple follow-ups, untimely, and inaccurate responses from the departments further delayed the preparation and submission of an accurate SEFA for audit.

Recommendation: We recommend that GAAU allocate adequate resources to ensure timely preparation and submission of the SEFA for audit purposes [500118.05]. We also recommend the proactive enforcement of the existing policies and procedures requiring departments to complete the FAMIS expenditure reconciliations by the due date [500114.12].

2020-003 BREAKDOWNS IN THE FUNCTIONALITY AND APPLICATION IT CONTROLS OF THE ONEPHILLY SYSTEM CONTINUE TO INCREASE THE RISK FOR MATERIAL PAYROLL ERRORS

Condition: As part of our audit of the city’s fiscal 2020 Comprehensive Annual Financial Report, we reviewed the OnePhilly team’s remediation efforts to address the control deficiencies identified during a prior year evaluation⁷ of the information technology (IT) application and general controls related to the city’s Oracle eBusiness Suite/PeopleSoft Workforce Management System (the OnePhilly system). The OnePhilly system replaced the legacy Human Resources (HR), Benefits, Payroll, and Time and Attendance systems. In December 2018, the HR and Benefits modules went live. The next rollout was in March 2019 with the Payroll and Time and Attendance modules. An additional module for pensions remains outstanding. The Finance Office oversees the OnePhilly team, whose role is to manage the OnePhilly system project.

While some conditions that existed during fiscal 2019 have been corrected, multiple breakdowns remain with the functionality and application controls of the OnePhilly system. Our current year review noted that nine out of thirteen previously reported conditions remained and only four conditions have been corrected. We continue to consider these breakdowns to be a material weakness. Specifically, the following was noted:

⁷ During the fiscal year 2019 audit, we engaged an independent accounting firm to perform an assessment of the information technology (IT) application and general controls of the OnePhilly system.

- Assumed time continued to be automatically recorded by the OnePhilly system if an employee's timecard was short of the employee's scheduled hours. This time is automatically added to the timecard under the assumption that the employee worked their minimum scheduled hours in the pay period if the time entered into OTL is insufficient. The departments are now provided an Assumed Time Reconciliation report to retroactively change assumed time to a proper time category. However, insufficient controls exist to ensure these retroactive changes occur at the department level.
- Changes continue to be made to employee timecards by the OnePhilly team or the Finance Office's Central Payroll Unit without documented authorization or approval.
- Employee timecards continue to show hours types, such as regular time or on-call time, that are not appropriate for the employee's position, increasing the likelihood of erroneous or fraudulent time entry.
- The OnePhilly team continues to use an automated process to change unapproved timecards to approved status. Departments are responsible for retroactively examining timecards and making corrections. However, insufficient controls exist to ensure this post-pay review and correction occur at the departmental level.
- The OnePhilly team has reduced the overall number of issues causing inaccurate accrual of leave. However, an accrual defect from 2019 remains in need of correction.
- We previously reported that the Timecard Status Summary Dashboard (including the Missing Timecard Report) is not restricted by department. The Super Timekeepers are able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard does not reflect the total population of timecards as the missing timecards are not included. During our testing the OnePhilly team indicated that there were no changes to this condition.
- The Overpaid / Underpaid report continues to have known inaccuracies according to the OnePhilly team and requires a full review each week. The report was created for each payroll cycle to identify employees which may have been overpaid or underpaid based upon employee type, scheduled hours, and hours entered. The OnePhilly team has made significant improvements reducing the number of known inaccuracies. The largest per diem over/under report examined had 234 lines requiring review, as compared to over 3,000 lines in the prior year. However, instances continue to occur where over/underpayments were not adequately explained, or where documentation of correction was not available.
- Many outbound files sent to various third parties including city employee unions, benefits providers, and insurance providers, continue to lack formalized monitoring controls over their completeness and accuracy.

- Supervisory and executive approvals of payroll continue to be recorded and submitted on paper reports.⁸

Our current year review disclosed that the following previously reported conditions have been corrected. We found that employees who enter their own time through the manager self-service function are no longer able to authorize their own timecards. These timecards are now submitted to their direct supervisor for approval. Additionally, the OnePhilly team has corrected a defect with Timelink, which transfers recorded start and end times from an electronic time clock to OnePhilly system timecards. Timelink had previously transferred incomplete entries resulting in inaccurate timecards. Also, we previously reported a difference of \$.06 in the hourly rate recalculation of one employee's pay. Our current year testing did not disclose such differences and therefore, this condition is deemed resolved. Initially, OnePhilly Oracle Time & Labor (OTL) self-service and timekeeper time entry was not available on Mondays or portions of Tuesday while payroll was being processed. The OnePhilly system no longer has blackout periods for self-service functionality, however, timecards are not available while they are being processed to ensure the accuracy of the payments.

Criteria: Application controls should be adequately designed to ensure the completeness, accuracy, and validity of processing data, as well as the confidentiality and availability of data. Also, controls should be sufficiently tested to ensure that they are operating effectively.

Effect: There is increased risk for the payroll expense and other related liability accounts as reported in the city's Comprehensive Annual Financial Report to be materially misstated due to the controls breakdown. In addition, individual employee pay may be inaccurate and/or unauthorized.

Cause: The scope of our review was to assess the progress of the remediation of deficiencies identified in the application controls in place when the OnePhilly system was in production, supporting the city's HR, Benefits, Payroll, and Time and Attendance processes. As many of these conditions continue to be in existence from the time of the OnePhilly system Go-Live, it appears that the city may still not have dedicated sufficient resources to identifying, prioritizing, testing, and implementing necessary modifications to the OnePhilly system.

Recommendation: Finance Office management and the OnePhilly team should continue to evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing necessary modifications to the OnePhilly system. A formalized framework should be established and leveraged for identifying, prioritizing, and resolving system issues. Where applicable, this should include resolving the issue prospectively, as well as any necessary retrospective corrections. Finally, the identification and tracking to the resolution of the issues should be communicated periodically to applicable stakeholders or departments [303519.01].

⁸ Supervisory and executive approvals of payroll were still physical signatures on a paper report during the audit period. This condition was subsequently corrected, and payroll approvals are now recorded and submitted electronically. As this change occurred in fiscal year 2021, we will test and report upon our findings during the fiscal year 2021 audit.

SIGNIFICANT DEFICIENCIES

2020-004 DEFICIENCY IN ONEPHILLY SYSTEM'S IT GENERAL CONTROLS REQUIRE CONTINUED IMPROVEMENT TO MINIMIZE VULNERABILITIES

In addition to the material weakness⁹ we again noted in application controls, we previously reported several deficiencies¹⁰ in the OnePhilly system's IT general controls which were identified during a prior year review¹¹. As part of the current audit, we reviewed the status of the following previously reported deficiencies:

- There was no formal, documented monitoring of the third parties which significantly support the OnePhilly system.
- Authorization of OnePhilly elevated access for new users and transferred users was not performed using a formal, documented format. In addition, periodic user reviews had not been performed, and there was no formally documented Segregation of Duties policy.
- Passwords were not configured to meet city requirements, including complexity, minimum length, and expiration after 90 days.
- Go-Live approvals were not formally documented and maintained. In addition, meeting minutes or reports, used to support the steering committee's decision to go live, were also not maintained.

Our current testing revealed that the OnePhilly team has made corrections and improvements to three of the four conditions noted above.

In response to our prior year recommendation, the OnePhilly team has appropriately implemented formal review and evaluation of the Ciber Oracle Managed Services (COMS) Service Organization Control (SOC) 2 report, and the CenturyLink Managed Network and Hosting Services SOC 2 report¹². This review and evaluation included an additional risk survey to address control gaps. Physical access and environmental controls for CenturyLink's data center located in Sterling, Virginia were evaluated in the 2019 COMS SOC2 report, and considered in the risk survey conducted by the OnePhilly team. Since the OnePhilly team is sufficiently monitoring the third party performance of both Ciber and CenturyLink, we consider this condition to be resolved [303519.02].

Additionally, the OnePhilly team has made improvements in the configuration of password requirements. Regarding the Go-Live approvals not being formally documented and maintained, while no Go-Live event took place during fiscal year 2020, we found that the OnePhilly team had maintained steering committee

⁹ See pages 6 to 8 of this report for more detail on the material weakness in OnePhilly IT application controls.

¹⁰ Our prior review also disclosed other deficiencies in OnePhilly IT general controls with lesser impact. The remediation status of those other deficiencies is discussed on page 23 and Appendix I of the report.

¹¹ During the fiscal year 2019 audit, we engaged an independent accounting firm to perform an assessment of the information technology (IT) application and general controls of the OnePhilly system.

¹² The city engaged Ciber, an HTC Global Company, (Ciber) to customize and implement the OnePhilly system. In addition, COMS has been contracted to perform the managed services of the day-to-day operations of the system. Ciber hosts the OnePhilly system with CenturyLink, a network services and managed services company.

reports for their meetings, as we recommended. Accordingly, these conditions are no longer considered significant deficiencies. The remedial status of these conditions is discussed on page 23 and Appendix I of the report.

With regard to the OnePhilly system's authorization of elevated access for new and transferred users, periodic user reviews, and a formal documented Segregation of Duties (SoD) policy, current testing found that conditions still exist that create vulnerabilities within the OnePhilly system. These conditions are discussed in more detail below.

Condition: Authorization of OnePhilly elevated access, which allows for the ability to perform transactions beyond employee self-service, for new users and transferred users continued to not be performed using a formal, documented format. Based on our testing, user provisioning/de-provisioning access requests continued to be made via email or HelpDesk. The OnePhilly team has drafted, but not finalized or approved, a design document to automate the provisioning of access for employees when newly hired, transferred, or terminated. Additionally, a formally documented SoD policy, including identification of incompatible roles, responsibilities, and permissions, had not yet been established. In response to our prior year recommendation, periodic user reviews are now being completed. However, these reviews did not include the identification and removal of SoD breakdowns, or identification of monitoring controls in place where SoD breakdowns can not be removed.

Criteria: When elevated access is requested, the request should be performed in a formal manner, indicating the specific access (roles and/or permissions) required, capturing the appropriate approval, and maintaining such in an easily accessible format. Incompatible roles, responsibilities, and permissions should be established to enforce SoD in both the provisioning and the periodic reviewing of user access.

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

Cause: Initial elevated access was required only within the OnePhilly team, which used informal requests to obtain and grant access to new team members. They have yet to finalize a formal process to provision and review users.

Recommendation: We continue to recommend that the OnePhilly team develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions. A formal process should be established to request and approve user access, which specifies the access required, considering the documented SoD requirements. Additionally, the quarterly review of user access should include the identification and removal of SoD breakdowns, or identification of monitoring controls in place where SoD breakdowns can not be removed [303519.04].

2020-005 OIT'S IT GENERAL CONTROLS CONTINUE TO REQUIRE STRENGTHENING

Condition: We previously reported several deficiencies in the Office of Innovation and Technology's (OITs) IT general controls over key financial-related applications¹³, which were identified during a prior year review¹⁴. In the current audit we again noted the following conditions:

- OIT management provided a Change Management Standard Operating Procedures (SOP) created on January 29, 2019, which still did not specifically address (1) details on the Change Advisory Board (CAB) approval process and (2) how end-user testing should be documented. As noted in prior reviews, the procedure was still inconsistently applied when performing change requests for in-scope applications. Change requests sampled by us were still not consistently supported by documented end-user testing, including detailed testing procedures, and identification that testing was completed. Also, for sampled change requests, the service tickets did not consistently document required approvals, including evidence of review and approval by the CAB, even though the SOP clearly identifies the level of approvals required for the different types of changes that are migrated to production.
- OIT still did not properly segregate duties in the following cases:
 1. Three OIT programmers continued to have development rights to Basis2 as well as database administrator access rights.
 2. Four OIT employees continued to have database administrator access as well as systems administrator access within FAMIS and ADPICS.
 3. Two OIT employees continued to have database administrator access as well as systems administrator access within Basis2.

Criteria: Change management procedures should establish clear performance and documentation standards for end-user testing and required approvals to ensure that requested application changes are adequately tested and properly approved before migration to production. Also, OIT's Information Security Administrator Acceptable Use Policy Section 5.1.1 states that IT administrators shall ensure that information systems are configured to provide the ability for segregation of duties to reduce potential damage from the actions of one person. For example, responsibility for initiating transactions, recording transactions, and custody of information systems on which the transactions have been performed are assigned to separate individuals.

Effect: Inadequate compliance with established procedures to perform end-user testing and management approval increases the possibility that unauthorized or inadequately reviewed changes will be implemented in the production environment. Also, with the combination of (a) developer access rights, which allows for the creation or modification of code, configuration, and data, along with (b) the database administrator's ability to make direct data changes to the database tables, there is an increased risk for unauthorized and improper code migrations, configuration changes, and data changes occurring without detection. Lastly,

¹³ The key financial-related applications included in the review were FAMIS, Advanced Purchasing Inventory Control System (ADPICS), Legacy Payroll (through March 18, 2019 when replaced by OnePhilly), Pension Payroll, Health and Welfare (through December 17, 2018 when replaced by OnePhilly), Taxpayer Inquiry and Payment System (TIPS), and Basis2.

¹⁴ The prior review also disclosed other findings with lesser impact. The remediation status of those other findings is discussed on page 23 and Appendix II of this report.

with the combination of (a) systems administrator access rights, which allows for the creation or modification of user rights to perform transactions or change system configurations, along with (b) the database administrator's ability to make direct data changes to the database tables, there is an increased risk for unauthorized and improper data changes occurring without detection.

Cause: OIT management has not performed adequate monitoring of the change management function to ensure that established procedures are routinely followed and that the policy clearly identifies standards for documenting end-user testing and the required approvals (including CAB) for the different change types. For the three cases discussed above, OIT management did not exercise sufficient oversight of assigned system access rights to ensure that duties were adequately segregated or, if segregation of duties was not feasible, that there was monitoring of the employees' activities.

Recommendations: To improve IT general controls over financially significant systems, we continue to recommend that OIT management:

- Review its change control procedures and implement measures to ensure that required steps for application changes are performed and documented in accordance with the policy. Also, OIT should update its change management policy to include (1) documentation standards for end-user testing and (2) information relating to how approvals for all change types should be documented in the service ticket [300413.05].
- Separate the developer/programmer function from the database administrator function for the three programmers with development rights to Basis2 as well as database administrator access rights. If segregation of duties is not feasible, OIT should monitor the activities of the three programmers to ensure they are authorized and appropriate [300419.02].
- Separate the systems administrator function from the database administrator function for the four OIT employees who have database administrator and systems administrator access within FAMIS and ADPICS. If segregation of duties is not feasible, OIT should monitor the activities of these employees to ensure they are authorized and proper [300419.03].
- Separate the systems administrator function from the database administrator function for the two OIT employees who have database administrator and systems administrator access within Basis2. If segregation of duties is not feasible, OIT should monitor the activities of these employees to ensure they are authorized and appropriate [300419.04].

2020-006 TREASURER'S BANK RECONCILIATION PROCEDURES STILL REQUIRE IMPROVEMENT

Condition: In the prior audit, we reported that the consolidated cash bank reconciliation contained numerous long outstanding reconciling items, which had been accumulating since the Treasurer resumed reconciling the consolidated cash account in June 2017. A resulting condition from the Treasurer's failure to reconcile accounts for several years was noncompliance with Pennsylvania's Disposition of Abandoned and Unclaimed

Property Act (escheat act). While the Treasurer made certain remediation efforts, deficiencies still existed in the Treasurer's bank reconciliation procedures. Specifically, the following was noted:

- Although Treasurer personnel timely prepared the fiscal year-end bank reconciliations, they were not timely in their investigation and resolution of reconciling items. Our prior year report noted numerous long outstanding reconciling items for the consolidated cash account. Current year testing of all 62 bank reconciliations prepared by Treasurer personnel disclosed 40 reconciliations with long outstanding reconciling items. As shown in Table 2 below, as of June 30, 2020, there were 1,310 bank reconciling items over 90 days old with a net total dollar amount of \$118.0 million and 2,315 book reconciling items over 90 days old with a net total dollar amount of \$37.0 million.

Table 2: Reconciling Items Over 90 Days as of June 30, 2020

Bank Balance Reconciling Items						
	Additions to Bank Balance		Reductions to Bank Balance		Net Activity	
Date of Reconciling Item (Fiscal Year =FY)	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount
Prior to FY 2018	81	\$2,507,527	11	(\$2,141,108)	92	\$366,419
FY 2018	79	1,169,093	10	(421,146)	89	747,947
FY 2019	114	3,490,748	69	(12,943,991)	183	(9,453,243)
FY 2020 ¹⁵	834	139,857,435	112	(13,498,418)	946	126,359,017
All Fiscal Years	<u>1,108</u>	<u>\$147,024,803</u>	<u>202</u>	<u>(\$29,004,663)</u>	<u>1,310</u>	<u>\$118,020,140</u>
Book Balance Reconciling Items						
	Additions to Book Balance		Reductions to Book Balance		Net Activity	
Date of Reconciling Item (Fiscal Year =FY)	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount
Prior to FY 2018	117	\$11,446,988	83	(\$9,189,147)	200	\$2,257,841
FY 2018	417	108,206,547	109	(115,521,656)	526	(7,315,109)
FY 2019	402	80,923,724	408	(61,612,417)	810	19,311,307
FY 2020 ¹⁵	390	312,717,555	389	(289,923,147)	779	22,794,408
All Fiscal Years	<u>1,326</u>	<u>\$513,294,814</u>	<u>989</u>	<u>(\$476,246,367)</u>	<u>2,315</u>	<u>\$37,048,447</u>

Source: Prepared by the Office of the Controller based upon the June 30, 2020 bank reconciliations provided by the Treasurer's Office

- Ongoing problems with reconciling revenue activity for the Department of Public Health (DPH) had not been corrected. Previous audits have noted variances between DPH's recorded collections and the amounts transferred daily to the consolidated cash account. As of June 30, 2020, there was a \$7.9 million variance between DPH's recorded collections and actual transfers. In the prior audit, the Treasurer informed us that they began a revised process for handling DPH revenue receipts. However, the current year audit disclosed that the process had not yet been fully implemented.

¹⁵ Amounts for fiscal year 2020 include reconciling items through March 31, 2020.

- Our testing still noted noncompliance with the Pennsylvania escheat act. There remains \$6.7 million in outstanding checks for calendar years 2013 to 2017 that have not been escheated to the state. Treasurer management plans to engage an accounting firm to provide escheatment services to address the current escheatable amounts and provide future support as checks become eligible for escheatment.
- In the prior audit, we reported that written procedures for the preparation of bank reconciliations and filing of reconciliation documentation have not been finalized by the Treasurer management. During the current audit, the Treasurer management provided finalized procedures named *Bank Reconciliation Policy*, effective October 1, 2019. We deem this matter to be resolved [500117.03].
- With regard to the seven deposits amounting to \$2.2 million that we previously reported could not be matched to FAMIS, Treasurer management asserted that these receipt transactions had been matched. We requested the documentation for the matching of receipts to FAMIS, but Treasurer management was unable to provide us with this evidence. Given that these unmatched receipts were likely already recorded in the city's books and did not contribute to the previously reported \$33.3 million unknown variance, which has now been resolved, we believe the risk of significant financial statement error to be low and will no longer report on this condition [500117.04].

Criteria: Standard Accounting Procedure (SAP) No. 7.1.3.b, *Reconciliation of All Bank Accounts in All City Agencies*, requires that monthly reconciliations of city bank accounts readily identify all of the specific transactions comprising the differences between book and bank balances to allow city agencies to investigate these reconciling items and determine whether they represent errors or irregularities. Effective internal controls require reconciling items to be researched promptly so that corrective action, where necessary, may be taken. Per the Treasurer's *Bank Reconciliation Policy*, effective October 1, 2019, any reconciling items must be resolved within 90 business days of the reconciled month.

SAP No. 4.1.2, *Unclaimed Monies*, instructs city departments to remit all checks outstanding for over one year to the city's Unclaimed Monies Fund, which is administered by the Finance Office who is then responsible for remitting amounts to the state in accordance with the escheat act. The Pennsylvania escheat act requires that property that remains unclaimed by the owner for a specified dormancy period (depending on property type) be remitted to the Pennsylvania Treasury. The dormancy period is two years for unclaimed wages/payroll and three years for all other unclaimed property types.

Effect: Numerous and old reconciling items complicate and prolong the bank reconciliation process. The untimely investigation and disposition of reconciling items increase the risk that errors or irregularities could occur and go undetected. The likelihood of resolving reconciling items decreases the longer they remain outstanding. Also, failure to enforce formal written policies and procedures increases the risk that critical control activities may be inconsistently applied or not applied at all and thus creates the potential for errors. Lastly, noncompliance with the Pennsylvania escheat act may subject the city to penalties.

Cause: Treasurer management failed to take adequate steps to ensure that all reconciling items were promptly investigated and resolved within 90 days in accordance with the *Bank Reconciliation Policy*. Concerning the variances related to DPH revenue receipts, Treasurer management has not finalized a revised process for

reconciliation of DPH revenue receipts. Regarding the long outstanding checks, due to staff turnover, Treasurer management had to reassign staff and prioritize other duties above the escheatment review.

Recommendations: To improve its bank reconciliation procedures, we recommend that Treasurer management take the following steps:

- Investigate and resolve all reconciling differences between the Treasurer account book and bank balances within the 90-day requirement of the Treasurer’s *Bank Reconciliation Policy* [500119.02].
- Implement the revised process for DPH revenue receipts to eliminate the problems with reconciling the DPH’s recorded collections to bank transfers [500115.06].

Lastly, the Treasurer and Finance Office management should work together to ensure that all escheatable amounts are sent to the Pennsylvania Treasury. In the future, the Treasurer should comply with SAP No. 4.1.2 in remitting all checks outstanding over one year to the city’s Unclaimed Monies Fund, and the Finance Office should send all unclaimed monies due to the Pennsylvania Treasury in accordance with the state escheat act [500117.05].

2020-007 FAILURE OF DEPARTMENTS TO PROPERLY AND TIMELY APPROVE BIWEEKLY PAYROLLS INCREASES RISK FOR IMPROPRIETIES AND UNDETECTED ERRORS

Condition: OnePhilly, the city’s payroll system, was implemented during the 4th quarter of fiscal year 2019, moving the departmental payroll approval process from electronic to manual. The manual process requires departments to evidence their review and approval of payroll by having supervisory and executive level approvers physically sign the Time Entry Detail Report and provide a scanned copy to the Central Payroll Unit by the closing date of the biweekly payroll. The executive level approver must be an authorized signer listed on the department’s signature authorization card. This process was in effect for the entirety of fiscal year 2020; however, due to the COVID-19 pandemic, departments were instructed that in lieu of physically signing the Time Entry Detail Report, the supervisory and executive level approvals could be provided to the Central Payroll Unit via e-mail.

Although improved as compared to the prior year’s results¹⁶, our testing of all fiscal year 2020 pay periods for 50 city departments disclosed 741 instances (55%) where departments did not submit the Time Entry Detail Report with the required two signatures by the payroll close deadline. Out of these 741 instances, we observed 299 reports which contained the required two approvals but were submitted after the payroll close deadline. Out of the 50 city departments, only three were in full compliance with the OnePhilly approval process for all fiscal year 2020 pay periods.

In the prior audits, we reported on a deficiency in the legacy payroll system related to the departmental approval process for payroll where the duties concerning the data entry, review, and approval of bi-weekly payroll transactions were not adequately segregated. This process was not brought forward into the OnePhilly payroll system, and therefore, we will no longer report on this condition.

¹⁶ The prior year’s testing of the 4th quarter of fiscal year 2019 disclosed 278 instances (78%) where departments did not submit the Time Entry Detail Report with the required two signatures by the payroll close deadline.

Criteria: Effective internal control procedures require that all payroll transactions are properly and timely approved by authorized employees.

Effect: Failure to ensure that payroll is reviewed and timely approved by properly authorized individuals increases the risk of undetected errors. Also, this condition provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process, which may result in fraudulent payroll payments.

Cause: OnePhilly lacked controls that require department level approvals and it did not have an electronic payroll sign-off process. Also, the Central Payroll Unit did not adequately enforce compliance with requirements for the manual payroll approval procedures for OnePhilly that were in effect during fiscal year 2020. The deputy finance director of payroll indicated that as of September 2020, the approval process in OnePhilly has since been automated.

Recommendation: To improve the departmental approval process for OnePhilly, we recommend that the OnePhilly team and Central Payroll Unit continue to work together to ensure that the now automated controls over the payroll sign-off process adequately segregate incompatible duties, particularly the functions of entering, reviewing, and approving payroll transactions. The Central Payroll Unit must remind departments of the current procedures for payroll approvals and enforce compliance with those departments that do not follow those procedures. [500119.03]

2020-008 CAPITAL ASSET CONTROL DEFICIENCIES INCREASE RISK OF REPORTING ERRORS

As previously reported during the last several audits, controls over capital assets are deficient because (1) the city does not have a comprehensive capital asset system to facilitate accounting and reporting of these assets, and (2) periodic physical inventories of real property assets are not performed. Each of these conditions is discussed in more detail below.

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

Condition: The city still lacks a comprehensive capital asset management system to better manage and account for real property assets. Instead, Finance Office accountants continue to maintain a cumbersome series of Excel files, that together with FAMIS, constitute the current fixed asset ledger. Various spreadsheet files accumulate the cost of capital assets and work in progress, while other spreadsheet files are used to calculate depreciation expense and accumulated depreciation reported in the city's Comprehensive Annual Financial Report. Real property addresses are only available in FAMIS by user code, which is identified in an Excel file called the "Proof."

Criteria: Philadelphia's Home Rule Charter¹⁷ requires management to maintain current and comprehensive records of all real property belonging to the city.

¹⁷ The Philadelphia Home Rule Charter, Section 6-501

Effect: The use of multiple files creates a burdensome and onerous process that can affect the accuracy and completeness of capital asset amounts reported in the Comprehensive Annual Financial Report and causes extensive audit effort. For example, we continued to find discrepancies between the “Proof” file and FAMIS – a \$4.5 million discrepancy in the accumulated depreciation balance for buildings and a \$1.0 million variance between vehicle categories. Further, we discovered that Finance’s conversion of the previously used Lotus 1-2-3 files to Excel caused a \$4.8 million misclassification error between asset categories in the initial version of a file that supports the “Proof.” Additionally, and unrelated to the conversion, we found that \$17.1 million of assets reported in the Philadelphia Municipal Authority’s fiscal year 2019 audited financial statements as transferred to the city were missing from this file. After bringing these errors to Finance’s attention, they were corrected in a revised file which reconciled to the “Proof.”

Cause: Finance management indicated that they agree it would be beneficial to have a comprehensive capital asset system and have previously stated that resources had not been identified to initially fund and maintain it. They further indicated that they hope to adequately address this issue with new technology in the near future.

Recommendation: To improve the accounting and reporting of the city’s capital assets, we continue to recommend that Finance Office management secure the necessary resources to design or purchase a computerized capital asset management system that will provide accurate and useful information such as the book value and related depreciation for each city-owned asset [50104.01].

Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Condition: Except for the Philadelphia Water Department (PWD) and the Division of Aviation (DOA), which both periodically check the physical existence and condition of their real property assets, this year’s audit again disclosed no evidence that the city’s other real property assets had been recently inventoried. We previously reported that, during fiscal year 2018, the Department of Public Property (Public Property) implemented the Integrated Workplace Asset Management System (IWAMS), which contains various data on the city’s real estate assets, including maintenance and improvement costs. In its response to last year’s report, Finance Office management indicated that after multiple meetings with the Office of Innovation and Technology (OIT), a framework to reconcile the city’s fixed asset ledger with IWAMS had been developed, thus enabling management to periodically validate the completeness and accuracy of the city’s fixed asset inventory. However, Finance Office management confirmed they have not yet worked with OIT in utilizing this framework to review and reconcile the IWAMS database to the city’s fixed asset ledger.

Criteria: SAP No. E-7201, *Real Property Perpetual Inventory*, specifies that the Procurement Department shall physically inspect all city-owned real property on a cyclical basis and check against the inventory listing to determine actual existence, condition, and propriety of use. Additionally, the Government Finance Officers Association (GFOA) recommends that governments periodically inventory tangible capital assets, so that all assets are accounted for, at least on a test basis, no less often than once every five years. It also recommends governments periodically inventory the physical condition of all existing capital assets so that the listing of all assets and their condition is kept current. Furthermore, the GFOA recommends that a “plain language” report on the condition of the government’s capital assets be prepared and made available to elected officials and the general public at least every one to three years.

Effect: Continued failure to perform a physical inventory increases the risk that the city's recorded real property assets could be inaccurate and/or incomplete.

Cause: This issue has not been a priority for city management. The Finance Office, Procurement Department, and Public Property – the agency responsible for acquiring and maintaining the city's real property assets – have not developed a coordinated process for physically inventorying all city-owned real property.

Recommendations: We continue to recommend that Finance Office management:

- Work with the Procurement Department and Public Property to periodically take physical inventories of all real property assets, ascertain their condition and use, and ensure that related records are timely and appropriately updated to reflect the results of this effort [50106.04].
- Develop and provide a plain language report on the condition of capital assets at least every one to three years. This report should be made available to elected officials and the general public [500109.02].
- Work with OIT to perform a reconciliation of the IWAMS database to the city's fixed asset records to identify any discrepancies and ensure the completion and accuracy of the city's records [500113.14].

2020-009 SAPs REQUIRE UPDATING TO ENSURE ACCURATE AND CONSISTENT APPLICATION OF ACCOUNTING RULES AND REGULATIONS

Condition: The city's Standard Accounting Procedures (SAPs), which serve as the basis for the city's system of internal control, continue to be long outdated and fail to reflect the automated processes and practices currently in use. The Finance Office has established over two hundred SAPs to provide city departments and agencies with guidance on how to handle various accounting related activities, including proper procedures for ensuring the accuracy of transactions and the safeguarding of assets. Over the years, as new technologies were adopted and daily practices were enhanced, the existing SAPs have not been updated accordingly, with over 50 percent of them still being more than half a century old.

Since September 2015, the Finance Office has updated 18 SAPs, with the most recent being an update of eight grant SAPs issued on February 19, 2020¹⁸ and an addendum to SAP No. 4.1.1.e, Imprest Funds, issued on March 11, 2020, which created a debit card/imprest account for DPH in response to the COVID-19 health emergency. Also, the Finance Office estimated that the update to the ninth and final grant SAP – No. G-6-1, *Budgeting Revenue from Other Governments* – would be completed by Jun 30, 2021. Lastly, in response to the new OnePhilly payroll system implemented in March 2019, the Finance Office has a target timeline of September 30, 2021 for the completion of updates to payroll related SAPs.

¹⁸ The eight grant SAPs were Nos. G 1-1, *Grant Closeouts*; G 2-1, *Collection and Deposit of Grant Receipts*; G 2-2, *Program Income*; G 3-1, *Expenditure Reconciliation*; G 5-1, *Subrecipient Monitoring Policy*; G 5-2, *Subrecipient Audit Requirements*; G 5-3, *Resolution of Subrecipient Audit Findings and Questioned Costs*; and G 5-4, *Subrecipient Unspent Funds*.

During fiscal year 2020, no additional SAPs have been updated since the grant SAP updates. We were provided with an updated project tracking schedule, which listed all existing SAPs, identified those SAPs deemed obsolete, and provided new target deadlines for completing updates. The goal is to have all SAPs updated by fiscal year 2025. We were informed that the director of compliance will be working collaboratively with the Finance Project Management Team and control and process owners, and holding regular recurring meetings to ensure that SAPs across the city are updated.

Criteria: In accordance with Philadelphia's Home Rule Charter, the city's Finance Office is required to establish, maintain and supervise an adequate and modern accounting system to safeguard city finances.¹⁹ Also, in its best practices publication, the GFOA recommends that governments perform an on-going review, evaluation, and update of accounting procedures to ensure they remain technically accurate, understandable, and compliant with current rules and regulations.

Effect: With the majority of SAPs not reflecting the automated processes and practices currently in use, there is an increased risk that critical control activities may be inconsistently applied or not performed at all, which could result in accounting errors and/or misappropriation of assets.

Cause: Over the years, the Finance Office experienced staff reductions that have compromised its ability to conduct periodic reviews and updates to the SAPs.

Recommendation: We recommend that the Finance Office continue to complete the review and update of the SAPs. Procedures no longer pertinent should be rescinded, and those that are out-of-date should be revised to reflect the automated processes and practices in use today. Once this initial update is completed, the Finance Office should develop a schedule for periodically updating SAPs on a regular basis in the future [50102.16].

¹⁹The Philadelphia Home Rule Charter, Section 6-101.

OTHER CONDITIONS

2020-010 ACCOUNTS PAYABLE REPORTING STILL NEEDS IMPROVEMENT

Condition: In the prior year, we reported that in computing the accounts payable amounts for inclusion in the city's Comprehensive Annual Financial Report, Finance Office accountants failed to record \$30.2 million of accounts payable. Although our current audit noted improvement in the reporting of accounts payable, with the number of funds which underreported payables reduced from four to two, we again found significant underreported payables amounting to \$15.5 million.

Finance Office management indicated that the extension of their accounts payable review procedures from September to the middle of October 2020, was the primary contributor to the increased accuracy and completeness of the reported payables. Further, as we recommended in the prior year, the current year version of the memorandum that Finance sent to departments requesting a list of invoices not yet vouchered included specific accounts payable thresholds for reviewing each fund, to help departments effectively focus on the identification of all significant payables.

Criteria: Generally accepted accounting principles (GAAP) require that governments report a liability in the period in which it is incurred.²⁰ Governmental entities must establish adequate control procedures over the computation of accounts payable to ensure that reported amounts are accurate and complete.

Effect: As a result of the unrecorded payables, the city's Comprehensive Annual Financial Report contained the following misstatements:

- A \$7.5 million understatement of expenditures, a \$4.7 million overstatement of beginning fund balance, and a \$12.2 million understatement of accounts payable in the Grants Revenue Fund; and
- A \$3.3 million understatement of both construction in progress and construction contracts payable in the Aviation Fund.

We proposed adjustments to both funds to correct the city's Comprehensive Annual Financial Report for these errors, but the Finance Office and DOA management elected not to book our adjustments.²¹ In addition, for the funds where fiscal year 2020 expenditures were understated as discussed above, since the city's fiscal year 2020 Comprehensive Annual Financial Report was not corrected, reported expenditures for fiscal year 2021 would be overstated by those same amounts.

Cause: Our review of the Finance Office's procedures for computing year-end accounts payable balances disclosed weaknesses that increased the risk for unrecorded payables. Finance Office accountants reviewed payment vouchers posted to FAMIS during fiscal year 2021 through August 16, 2020, to identify vouchers for goods or services received on or before June 30, 2020, but not paid until fiscal year 2021, which should be recorded as accounts payable for fiscal year 2020. Finance Office management also extended their analysis of

²⁰ There are exceptions to this standard for governmental funds, such as debt principal and interest which are recognized only when due. Also, certain specific accrued liabilities, such as pension benefits and other postemployment benefits, are recognized in governmental funds only to the extent that governments in general normally liquidate them with current financial resources.

²¹ As part of our audit procedures, for each of these funds, we combined these proposed adjustments with other uncorrected Comprehensive Annual Financial Report errors and determined that the resulting total was immaterial to the city's fiscal year 2020 financial statements.

fiscal year 2020 vendor invoices not yet vouchered through the middle of October 2020. The Finance Office then requested departments to provide a list of fiscal year 2020 invoices not yet vouchered or submitted to the Finance Office for processing as of August 16, 2020. While Finance Office management extended their review of accounts payable through mid-October, the memorandum cut-off day for the departments of August 16 was unchanged from the prior year. Finance Office management computed reported accounts payable by combining the identified payables from their review of FAMIS postings and vendor invoices not yet vouchered and the payable information received from departments.

Our audit testing for unrecorded liabilities – which involved reviewing fiscal year 2021 payment vouchers through December 31, 2020, to identify payments for goods or services received on June 30, 2020, or prior – found \$15.5 million of payables that Finance Office accountants failed to include in reported accounts payable amounts. Table 3 below presents a breakdown of this \$15.5 million in unrecorded accounts payable, showing that the vast majority of errors noted was posted to FAMIS after the Finance Office’s departmental memorandum cut-off date of August 16, 2020. Based upon our testing results, it was clear that the Finance Office’s mid-August cut-off date for the review and identification of payables was too early to detect all significant accounts payable. In fact, we found instances of large unrecorded payables pertaining to payment vouchers posted to FAMIS from early to late-October 2020.

Table 3: Unrecorded Accounts Payable by Fund and FAMIS Posting Date Before or After Finance Office’s Cut-Off Date

FUND	FAMIS POSTING DATE FOR PAYABLES OCCURRED		TOTAL
	BEFORE	AFTER	
	CUT -OFF DATE†	CUT -OFF DATE†	
Grants Revenue Fund	\$69,620	\$12,113,924	\$12,183,544
Aviation Fund	\$1,182,946	\$2,150,455	\$3,333,401
Total	<u>\$1,252,566</u>	<u>\$14,264,379</u>	<u>\$15,516,945</u>

† = The Finance Office’s cut-off date for reviewing FAMIS postings to identify fiscal year 2020 accounts payable was August 16, 2020.

The department with the largest share of the total unrecorded payables in the Grants Revenue Fund was the Department of Behavioral Health and Intellectual Disabilities Services (DBHIDS). Finance Office Management informed us that delayed invoices from not-for-profit service providers to DBHIDS hinder the department’s ability to adequately report all significant payables by the mandated cut-off date.

The DOA was responsible for the total unrecorded payables in the Aviation Fund. The DOA management stated that difficulties with prorating invoices which spanned multiple fiscal years resulted in the underreporting of significant payables to the Finance Office.

Recommendations: To improve the Finance Office’s process for computing accounts payable and decrease the risk of unrecorded accounts payable, we recommend that Finance Office management:

- Extend the cut-off date in the memorandum to departments to review accounts payables in the

subsequent fiscal year to an appropriate later date to enable them to more accurately and completely report accounts payable to the Finance Office [500119.04].

- Collaborate with departments that face unique and substantial challenges to properly reporting accounts payables to the Finance Office to develop processes to ensure sufficient and appropriate reporting going forward. Reinforce the accounts payable reporting requirements to all departments as well as the importance of providing complete and accurate accounts payable information to the Finance Office for inclusion into the Comprehensive Annual Financial Report [500119.05].

2020-011 CITY'S ACCOUNTING SYSTEM NOT UTILIZED FOR POSTING ENTERPRISE FUNDS' YEAR-END JOURNAL ENTRIES

Condition: As previously reported, accountants in the Finance Office, the Philadelphia Water Department (PWD), and the Division of Aviation (DOA) were still not utilizing the full accrual Water and Aviation Funds established in the city's accounting system (FAMIS) to post year-end adjusting journal entries to prepare the financial statements. The current audit revealed that the Finance Office only prepared entries in FAMIS to record the change in the fiscal year 2020 beginning balance for the full accrual Water Fund. As reported in the prior year, the Finance Office prepared entries in FAMIS to record the fiscal year 2018 beginning balances for the full accrual Aviation Fund. There have been no other journal entries posted since then to reflect the activity and resulting ending balances for fiscal years 2018, 2019, and 2020.

Criteria: The Finance Office, PWD, and DOA should be using the full accrual Water and Aviation Funds in FAMIS to post adjusting entries so as to provide a clear trail of adjustments between the modified and full accrual statements and decrease the risk of errors in the Comprehensive Annual Financial Report.

Effect: There is an increased risk of error in compiling the city's Comprehensive Annual Financial Report.

Cause: In the past, Finance Office accountants have indicated that more urgent priorities have precluded them from working with the PWD and DOA to utilize the full accrual Water and Aviation Funds in FAMIS. Instead, accountants from the PWD and DOA, with the assistance of consultants, each produce a compilation package containing detailed support for the financial statements, including year-end adjusting journal entries.

We observed that the entries posted to the FAMIS full accrual Water and Aviation funds were simply to record the balance (for a first-time entry) or a change in balance for each account rather than the actual year-end accrual adjustments. Finance Office accountants stated that the information in these funds has little value and is not used. However, we noted that the DOA used the balances in the Aviation full accrual fund as the beginning balances in the compilation. Since FAMIS only reflected the fiscal year 2018 beginning balances, the DOA accountants had to prepare additional journal entries to record the correct fiscal year 2020 beginning balances in compiling the Aviation Fund financial statements.

Recommendations: The city has begun a project to modernize core financial, grants, procurement, and supply chain business processes, known as the Optimize Procurement and Accounting Logistics Enterprise Resource Planning (OPAL ERP) project. The OPAL ERP project will replace systems such as FAMIS. As part of the

OPAL ERP project, we recommend that Finance Office management include a process for the PWD and DOA to utilize for recording their year-end accrual adjustments in the new accounting system [500119.06].

Since the FAMIS full accrual balances are utilized by the DOA in its compilation, we recommend that Finance Office accountants bring the balances in the FAMIS full accrual Water and Aviation funds up-to-date through fiscal year 2020 for the upcoming fiscal year 2021 financial statement preparation process and then continue to do so each subsequent year until FAMIS is replaced [500114.02].

2020-012 CERTAIN OTHER GENERAL IT CONTROLS FOR ONEPHILLY SYSTEM STILL NEED IMPROVEMENT

In addition to the deficiency discussed on pages 9 and 10 of this report, the prior audit's review of the OnePhilly system revealed several other deficiencies in IT general controls with lesser impact. As part of the current audit, we reviewed the OnePhilly team's remediation efforts to address these deficiencies. We observed that the OnePhilly team has made certain remediation efforts but had not completed corrective action on seven prior noted conditions involving (1) external penetration test findings remediation, (2) password configurations, (3) Go-Live approval documentation, (4) documentation of impacted accounts, (5) application and system patching, (6) backlog of change tickets, and (7) disaster recovery testing. Details regarding the seven prior noted conditions and their current remediation status are presented in Appendix I.

2020-013 CERTAIN OTHER GENERAL IT CONTROLS FOR OIT STILL NEED IMPROVEMENT

In addition to the deficiencies discussed on pages 11 and 12 of this report, the prior audit's review of the OIT's general IT controls over key financial-related applications²² revealed several other deficiencies with lesser impact. As part of the current audit, we reviewed the OIT's remediation efforts to address these deficiencies. For eight prior noted conditions, we observed that OIT made certain remediation efforts but had not completed corrective action. Our findings involved the following seven areas: (1) IT Policies and Procedures – Basis2 Security Policy, (2) IT Policies and Procedures – Firewall Administration, Maintenance, and Monitoring, (3) Authorization – Database Administrator Access, (4) Periodic Access Rights Review, (5) User Administration – Notification of Terminated Users, (6) Business Continuity Plan, and (7) Basis2 Disaster Recovery. Details regarding the eight prior noted conditions and their current remediation status are presented in Appendix II.

²² The key financial-related applications included in the review were FAMIS, Advanced Purchasing Inventory Control System (ADPICS), Legacy Payroll (through March 18, 2019 when replaced by OnePhilly), Pension Payroll, Health and Welfare (through December 17, 2018 when replaced by OnePhilly), Taxpayer Inquiry and Payment System (TIPS), and Basis2.

CORRECTIVE ACTIONS TAKEN BY MANAGEMENT

As part of our current audit, we followed up on the conditions brought to management's attention during our last review. We routinely monitor uncorrected conditions and report on them until management takes corrective action or until changes occur that resolve our recommendations.

Our follow-up has disclosed that the city made progress addressing several prior issues. We blended the status of a resolved prior-noted condition²³ with new observations and reported upon these matters in other sections of this report. The other resolved prior year issue is discussed below.

TRANSFERS BETWEEN CITY BANK ACCOUNTS HAVE IMPROVED

Previously, we reported that Finance Office accountants did not always timely transfer monies between city bank accounts to match activity recorded on FAMIS. When there is activity in FAMIS that requires the moving of funds between city bank accounts, Finance Office accountants must prepare a cash transfer authorization (CTA) to authorize the Treasurer to move the funds. Our review of CTAs in fiscal year 2019 disclosed several instances when Finance Office accountants did not timely prepare and submit CTAs to the Treasurer.

During the current year audit, we noted significant improvements in the preparation of CTAs. Our current year review of fiscal year 2020 CTAs noted only one exception out of seven CTAs reviewed. Specifically, a CTA authorizing the transfer of funds relating to FAMIS activity processed from June 2020 to September 2020, was not prepared until December 2020. Based on the improvements made, we consider this condition resolved [500117.08].

²³ The resolved prior-noted conditions involved (1) the OnePhilly team addressed certain application control deficiencies, as discussed on page 8 of the report, (2) the OnePhilly team has appropriately implemented formal review and evaluation of the Ciber Oracle Managed Services (COMS) Service Organization Control (SOC) 2 report, and the CenturyLink Managed Network and Hosting Services SOC 2 report, as discussed on page 9 of the report; and (3) Treasurer management finalized the written procedures for the preparation of bank reconciliation and filing reconciliation documentation named *Bank Reconciliation Policy*, effective October 1, 2019, as discussed on page 14 of the report.

APPENDICES

APPENDIX I: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF ONEPHILLY

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<p><u>SECURITY MANAGEMENT</u></p> <p>1. <u>External Penetration Test Findings Remediation:</u> The External Penetration Test Report dated 12/13/2018, performed by Cyber Security Solutions (CBI) on behalf of the city, identified seven medium risk findings. Five of the findings are still open, and a remediation plan has not been formally documented to address the findings.</p>	<p>The five remaining findings potentially expose the OnePhilly system to external vulnerabilities.</p>	<p>The OnePhilly team should develop remediation plans to address the open findings, and monitor progress against the remediation plans [303519.03].</p>	<p>Incomplete: The OnePhilly team has provided a remediation plan to address the open findings from the External Penetration Test Report dated 12/13/18. However, five of the seven findings still remain open.</p>
<p><u>ACCESS CONTROLS</u></p> <p>2. <u>Password Configurations:</u> The OnePhilly system was configured at Go-Live with a password requirement of case sensitivity and, for user accounts created after Go-Live, a password expiration of 90 days. Additionally, passwords for user accounts converted from the legacy system did not expire and thus did not meet the city's minimum expiration requirements.</p>	<p>Inadequate password configurations significantly increase the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.</p>	<p>The OnePhilly password settings should be updated to meet OIT's password requirements [303519.05].</p>	<p>Incomplete: There has been improvement in updating the OnePhilly password settings to align with OIT's Information Security Access Control Policy. As of January 2021, five of the seven requirements have been implemented. The requirement stating that passwords cannot be proper names or dictionary words has yet to be addressed. Also, the requirement regarding a unique password for each system cannot be configured.</p>

APPENDIX I: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF ONEPHILLY

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<p><u>CONFIGURATION MANAGEMENT</u></p> <p>3. <u>Go-Live Approval Documentation:</u> Documented formal approvals or sign-offs by the OnePhilly steering committee, authorizing the Go-Live of the system in December 2018 (Human Resources (HR) and Benefits and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports/ presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained.</p>	<p>Without documented approval of the Go-Live by the Steering Committee, there is no evidence that full consideration and review was performed of known risks, open tasks to be completed, completion of testing scenarios, and agreement of all Steering Committee members.</p>	<p>The OnePhilly team should maintain formal agendas and meeting minutes of the Steering Committee meetings, including capturing the results of any voting decisions by Steering Committee members. For any future module implementation, formal Go-Live approval by the Steering Committee should be obtained and documented prior to Go-Live [303519.06].</p>	<p>Incomplete: This finding could not be fully tested during fiscal year 2020, as no additional modules were released, and therefore no Go-Live authorizations were given. We will test again in future years. The OnePhilly team maintains copies of Steering Committee reports and has provided several examples.</p>
<p>4. <u>Documentation of Impacted Accounts:</u> When system issues were identified, documentation to determine all impacted city employee accounts was not maintained.</p>	<p>The lack of documentation for all impacted accounts increases the risk that uncorrected issues remain.</p>	<p>The OnePhilly team should maintain formal documentation of the accounts which are included as being impacted when system issues are identified [303519.07].</p>	<p>Incomplete: Of ten sampled issues, the OnePhilly team did not provide documentation of all impacted accounts in three instances. In four instances, the documentation of all impacted accounts was provided. Two of the remaining three issues were not actual defects and the third was addressed through an error message placed in the system to catch future issues – the two employees noted in this issue were fixed via the error message.</p>

APPENDIX I: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF ONEPHILLY

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<p>5. <u>Application and System Patching:</u> From Go-Live through June 30th, 2019, Operating System (OS) patches have not been applied to production Linux servers, and Oracle patches have not been applied to the production instance of the OnePhilly application.</p>	<p>There is an increased risk that vendor known system vulnerabilities will not be addressed, which could be exploited by unauthorized users.</p>	<p>The OnePhilly team should evaluate and where appropriate, apply outstanding system patches. In addition, the OnePhilly team should adhere to a recommended schedule of evaluating and applying patches in a timely manner [303519.08].</p>	<p>Incomplete: OnePhilly has partially implemented this recommendation. Operating System patches have been applied to Linux servers (May 2020) and Oracle patches were applied to the production instance of OnePhilly (June 2020). However, the OnePhilly team should develop a schedule with criteria detailing recommendations for how quickly a patch should be evaluated and applied.</p>
<p>6. <u>Backlog of Change Tickets:</u> For the PMRx change tickets, the web-based project control and repository workspace developed by Ciber, as of September 17, 2019, there were 403 open tickets as provided by the OnePhilly team. Over 70% (287) had been open for more than 90 days. There were 43 tickets open for over 180 days, including 16 Emergency (P1) and High (P2) tickets.</p>	<p>Depending on the nature of the issue, unresolved tickets have the potential to create operating and financial reporting issues the longer they remain unresolved.</p>	<p>The OnePhilly team should evaluate and prioritize the open change tickets, including identifying the amount of resources needed to address the backlog of tickets. In addition, continued periodic reporting of the status of open change tickets should be provided to the Steering Committee and applicable stakeholders [303519.09].</p>	<p>Incomplete: As of 12/05/20, there were 553 open tickets. Over 91% (502) had been open more than 90 days. There were 418 tickets open for over 180 days including 40 Emergency (P1) and 111 High (P2) tickets. However, the OnePhilly team did provide examples of periodic reporting of the status of open tickets to the Steering Committee in addition to an annual report.</p>

APPENDIX I: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF ONEPHILLY

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<u>CONTINGENCY PLANNING</u> 7. <u>Disaster Recovery Testing:</u> A full Disaster Recovery (DR) test has not been performed against the DR plan established for OnePhilly.	If the disaster recovery plan is not adequately tested to ensure it works, it could adversely affect the ability to restore OnePhilly operations in a timely manner.	The OnePhilly Disaster Recovery plan should be tested and the results documented in writing [303519.10].	Incomplete: As of 1/8/21, the OnePhilly team noted that they had completed partial disaster recovery testing and had plans to complete full-scale disaster recovery testing in fiscal year 2021 in accordance with the Fourth Amendment Agreement between the city and Ciber.

APPENDIX II: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF OIT

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<u>SECURITY MANAGEMENT</u> 1. <u>IT Risk Assessment:</u> OIT had not yet performed a comprehensive IT risk assessment. While OIT had a process to monitor technical risks through vulnerability scanning, a formal plan to identify and address additional IT operational, business, and compliance risks did not exist.	Without a current and comprehensive risk assessment, IT resources may be used ineffectively in addressing risk affecting OIT.	OIT should develop formal procedures to perform periodic risk assessments and monitor gaps identified. This should be a component of an enterprise-wide risk management program [300413.01].	Complete: OIT has provided both an IT Risk Assessment policy (effective 7/29/20) and a Vulnerability Management policy (effective 9/16/20).
2. <u>IT Policies and Procedures - Basis2 Security Policy:</u> As of the end of our fieldwork, the Revenue IT group did not provide a documented security policy that governs the Basis2 application. This condition was also noted in the prior year review.	Failure to formally develop and document security policies and procedures increases the risk that critical control activities for monitoring security threats may be inconsistently applied. As a result, the Basis2 application is at an increased risk for data leak and/or loss.	OIT should work with the Basis2 application owners to establish and disseminate to users a formal security policy for the Basis2 application. Once the policy is established, OIT should periodically review it to determine if it requires updating [300416.01].	Incomplete: There is no documented security policy to govern the Basis2 application. OIT management stated that it will continue its efforts to establish a final security policy for Basis2, and it will be subjected to regular review and updating.

APPENDIX II: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF OIT

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<p>3. <u>IT Policies and Procedures - Firewall, Administration, Maintenance, and Monitoring:</u></p> <p>OIT's existing documented policies do not cover firewall administration, maintenance, and monitoring requirements.</p>	<p>Failure to formally develop and document security policies and procedures around firewall management and maintenance standards increases the risk of security exposure, security breaches, and unauthorized external access to applications and data.</p>	<p>OIT should update the Information Security Access Control Policy and the Information Security Operations Management Policy to include details of the firewall management standards and the required firewall maintenance monitoring [300419.01]</p>	<p>Incomplete:</p> <p>OIT has drafted a policy to address firewall administration issues, but it has not been finalized or approved by OIT management. OIT management stated that it will work towards finalizing the draft policy as well as its approval and implementation.</p>
<p><u>ACCESS CONTROLS AND SYSTEM FILES</u></p> <p>4. <u>Authorization – Database Administrator Access:</u></p> <p>As previously reported, OIT was unable to provide evidence documenting the authorization of database access for four IT consultants functioning as database administrators for Basis2.</p>	<p>Unauthorized access to the database could lead to unapproved or inappropriate database activities and/or direct data table changes.</p>	<p>OIT management should finalize and formally approve the policy for granting database system access to IT consultants and the Basis2 access request form. This policy should require that, when granting access to consultants, OIT:</p> <ul style="list-style-type: none"> • Maintain the authorizing documentation for all users granted access. • Obtain and review the consultant's contract and confirm with the supervising manager that the consultant's access is appropriate. • Check periodically with the supervising manager that access is still appropriate, authorized, and supported by an active vendor contract [300416.04]. 	<p>Incomplete:</p> <p>OIT has not provided a formal policy for granting database system access to IT consultants or finalized a Basis2 access request form. OIT management stated that it will continue its efforts to finalize a database access policy including the appropriate controls and recommended requirements.</p>

APPENDIX II: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF OIT

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<p>5. <u>Periodic Access Rights Review:</u> As previously reported, OIT was still unable to provide evidence that periodic reviews of active users' access rights had been completed for all in-scope applications.</p>	<p>There is a risk that over time access rights will not be updated due to oversights.</p>	<p>OIT should work with the impacted departments to complete the required reviews of the active users and their associated access rights for appropriateness [300416.05].</p>	<p>Incomplete: OIT provided certain documents such as 30-day inactive users lists and summaries of what occurs during a periodic access rights review. However, sufficient examples of periodic access reviews being performed during fiscal year 2020 were not obtained for all in-scope applications. OIT management stated that it will sustain its improved efforts to complete active user access reviews periodically and ensure that user access rights are appropriate.</p>
<p>6. <u>User Administration – Notification of Terminated Users:</u> For 2 of 8 terminated employees sampled, OIT was unable to provide evidence documenting the notification to OIT's Support Center and IT Administrators requesting removal of access rights to the network and in-scope applications. For all terminated employees sampled, we noted that access to the network and all in-scope applications was properly removed. This condition was also noted in the prior review.</p>	<p>Without evidence of notification of termination to management and owners of applications, users may retain access beyond their termination date resulting in the possible unauthorized use of these accounts.</p>	<p>OIT should continue to work with the Office of Human Resources and/or the OnePhilly team to establish a formally documented process for the notification of employee terminations to OIT's Support Center and IT Administrators. Established procedures should include formal documentation requirements for notifications, including retention of those notifications so they are available for later review and audit [300416.07].</p>	<p>Incomplete: OIT has been working with the Office of Human Resources and the OnePhilly team to complete a draft policy to document procedures for the notification of employee terminations. We were provided with a copy of the draft policy. OIT management stated that they, along with the Office of Human Resources and/or the OnePhilly team, will continue working to put the current draft policy into place.</p>

APPENDIX II: REMEDIATION STATUS OF PRIOR YEAR FINDINGS FOR GENERAL IT CONTROLS REVIEW OF OIT

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)
<u>CONTINGENCY PLANNING</u> 7. <u>Business Continuity Plan:</u> As previously reported, a business continuity plan has not yet been developed for the in-scope applications.	In the event of a disruption of service, city departments may not be able to provide required services or continue limited operations until service is restored.	OIT should request the assistance of Office of Emergency Management (OEM) in obtaining the departments' Continuity of Operations Plans (COOP) in order to review the IT components of the plans. OIT should provide guidance and assistance in helping the impacted departments when establishing the plans [300413.13].	Incomplete: OIT has updated its own COOP plan. However, they have not obtained departmental COOP plans through the Office of Emergency Management (OEM) to assist with the IT components of the plans. OIT management stated that as city operations return to normal, OIT will carry on its work with OEM to aid city departments in formulating their COOPs and will provide assistance with their IT components as needed.
8. <u>Basis2 Disaster Recovery:</u> As noted in the prior report, there was no formal written disaster recovery plan that specifically addressed Basis2.	In the event of a disruption of service, the city may not be able to provide required services or continue limited operations until service is restored.	OIT management should develop a formal written disaster recovery plan that specifically addresses Basis2. Once established, OIT should periodically (at least annually) test the plan and document the tests and their results in writing [300413.14]	Incomplete: OIT has not developed a formal written disaster recovery plan to specifically address Basis2. OIT acknowledges that a documented disaster recovery plan is needed for Basis2 as well as all city systems. OIT management stated that as city operations return to normal, OIT will continue its efforts to ensure that disaster recovery procedures are provided for all city systems.

RESPONSE TO AUDITOR'S REPORT



CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE

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ROB DUBOW
Director of Finance

June 18, 2021

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

Re: Auditor's Report on Internal Control and on Compliance and Other Matters – Fiscal 2020

Dear Ms. Rhynhart:

Thank you for the opportunity to respond to the findings and recommendations reported in the City of Philadelphia's Fiscal 2020 Draft Auditor's Report on Internal Control and on Compliance and Other Matters. However, before providing our responses, I would like to thank you for noting the resolutions and improvements made to prior year findings, including: significant improvements to OnePhilly Application IT controls, correction and resolution of multiple prior year findings for OnePhilly system IT General Controls, and significant improvements in the preparation of Cash Transfer Authorizations (CTAs). Thanks for also mentioning the improvements to CTO's reconciliation process and the significant improvements made to the Office of the Director of Finance's accounts payable review process. Finally, thanks for outlining the improvements made to OIT's Risk Assessment process, including the finalization of a Risk Assessment Policy and a Vulnerability Policy.

We offer the following responses to the findings and recommendations found in the Controller's Office audit for fiscal year 2020:

2020-001 Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Finding & Recommendation: You state that ongoing inadequate staffing, determined by a comparison of current staff numbers with staffing levels in 2000, along with the lack of a comprehensive reporting system, have contributed to errors in financial statements presented for audit. You also note that errors were corrected prior to finalizing the Annual Comprehensive Financial Report (ACFR¹) and that the ACFR is a reliable document for informative decision making. You continue to recommend that Finance Office management either hire more accountants or invest in a new comprehensive financial reporting system that will reduce the current labor-intensive procedures needed to prepare the city's ACFR. Further, you recommended that management continue working with the external accounting firm to create a compilation package with detailed documentation supporting the ACFR.

Response: The Accounting Bureau (Accounting) is committed to continuing to produce an accurate and well-prepared ACFR and to continuously improving the City's financial reporting. We continue to actively work on implementing staff retention and training strategies, to focus on training, with an emphasis on the ACFR preparation process and to have senior management accountants attend the national Government Finance Officers Association (GFOA) conference so that management stays informed of current industry trends, regulatory updates, and best practices in government financial management. While budget constraints in FY20 due to COVID-19 hindered the expansion of our workforce, we continue to look for opportunities to increase human capital resources, including the use of consultants in the absence of available funds to hire new staff.

We continue to make improvements in our ACFR preparation and review, and we have maintained engagement with the external accounting firm. We continue to update a comprehensive checklist for accountants to include guidelines for review of the full accrual government-wide financial statements. We will maintain the services of the outside accounting firm to assist in the ACFR compilation efforts. Finance continues to focus on enhancing our reporting processes and increase efficiencies.

The Accounting Bureau works with departments to eliminate errors and request corrections to the reporting submitted to the Accounting Bureau and will work with the Department of Revenue to avoid tax receivable overstatement or other inaccurate reporting.

We acknowledge that a new comprehensive financial reporting system will improve the ACFR preparation process, and have begun planning for the implementation of such system through our OPAL project. This project will redesign the City's financial, grants, procurement, supply chain and business intelligence business processes, by leveraging new ERP technology that will replace the City's legacy applications: FAMIS, ADPICS, ACIS, and other ancillary systems.

Accounting has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for 40 consecutive years and has successfully addressed all GFOA recommendations presented in that process. As always, Accounting will continue to critique the errors in the drafts sent to the Controller's Office and the adjustments resulting from the most recent ACFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.

¹ In FY 2021, the Finance office renamed its *Comprehensive Annual Financial Report* to be the *Annual Comprehensive Financial Report* (ACFR). The change was made in accordance with [GASB's Exposure Draft of a Proposed Statement of Governmental Accounting Standards](#).

2020-001 While Improvement Was Noted, Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of ACFR

Finding & Recommendation: You state that the Aviation Fund financial statements and the supporting compilation were completed late, and the draft financial statements provided on October 22, 2020 required significant financial statement changes. You highlight that the Division of Aviation (DOA) provided their final submissions on December 28, 2020, nine days earlier than in the previous year. You recommend that the DOA management work with the Office of the Director of Finance to establish an earlier deadline so that the Aviation Fund Financial Statements and Compilation are completed timely.

Response: Thank you for acknowledging the strides made by DOA to provide key financial statement data on October 22, 2020 to enable audit testing to timely proceed. While the discovery of an error in the Sinking Fund and the lack of a schedule of deliverables, including a miscommunication around target deadlines, contributed to the delay in issuing the FY20 financial statements and compilation, we are pleased that our submissions in FY20 were earlier than in the prior year. The Division of Aviation has and will continue to work with the Office of the Director of Finance to submit financial statements and compilations that are timely, accurate, and include a compilation review checklist.

2020-001 Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of ACFR

Finding & Recommendation: You found that late submission of financial reports by component units is a continuing issue that delays the preparation and audit of the City's ACFR and this may increase the risk of errors and omissions. You continue to recommend that Finance accountants request the assistance of the Finance Director early in the ACFR preparation process to secure the cooperation of component unit management in the timely submission of their financial data.

Response: We agree that the timely submission of all component unit reports is critical to the timely issuance and accuracy of the City's ACFR. We will continue to meet with management and auditors of various component units concerning timely submission of financial reports, as well as have additional meetings to provide guidance and assist with problems in component units that experience issues that delay the preparation of their financial reports. Notably, after multiple meetings during the fiscal year, PMA provided timely submission. Finance continues to send initial requests for component unit financial statements and data in as early as May for all entities with March 31 FYE, with required responses no later than June 30. We also send requests for all other Component Units by end of June, with responses required by August 31. Follow-up requests are sent out to component units, with an emphasis on the importance of timely submission of financial data highlighted in all communications.

The five component units called out for very late submissions, PPA, PHA, PAID, PRA, and SDP, provided valid reasons for their delay or showed evidence of improvement. PPA (Philadelphia Parking Authority) was late due the national COVID 19 pandemic and their management team's full review of OPEB, GASB45 and GASB75. PPA anticipates meeting the FY21 deadline. PHA (Philadelphia Housing Authority) indicated their audited financial statements were delayed pending the completion of their single audit report. PAID (Philadelphia Authority for Industrial Development) submitted their audited report to the Finance Office on December 8, 2020. This delay was due to the COVID-19 pandemic challenges. However, the submission to the Controller's Office was further delayed because Finance Office accountants did not submit PAID's financial statements until January 7, 2021. PAID will work diligently towards and make every effort to meet the FY21 financial statements submission deadline. PRA (Philadelphia Redevelopment Authority) audited financial statements were delayed due to key personnel turnover, including their VP of Finance. The SDP (School District of Philadelphia) was delayed due to their audit. The Finance Office will continue to work with the component units to ensure timely submission of audited financial statements; and will continue to engage the City's Director of Finance, as needed.

2020-002 Untimely Preparation of Schedule of Expenditures of Federal Awards May Result in Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse

Finding & Recommendation: Your report states that the SEFA was not provided until March 13, 2021, three months prior to the required deadline for submission of the Single Audit reporting package to the Federal Audit Clearinghouse, which caused delays in planning the audit, and the subsequent testing of the SEFA and major programs for FYE June 30, 2020. You also note that untimely and inaccurate responses from the departments and multiple follow-ups further delayed the preparation and submission of an accurate SEFA for audit. You recommend that Finance allocate adequate resources to ensure timely preparation and submission of the SEFA for audit purposes. You also recommend the proactive enforcement of the existing policies and procedures requiring departments to complete the FAMIS expenditure reconciliations by the due date.

Response: Finance recognizes the importance of submitting a timely and accurate federal awards and major programs schedule (SEFA) to our auditors. More importantly, there is a crucial need for the timely completion of our audits, and the timely submission of an accurate Single Audit Reporting package to the Federal Audit Clearinghouse to prevent a violation of federal grant terms and conditions and to prevent the suspension of federal funding for the City's grants and programs. While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller's Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearinghouse. We also acknowledge that delayed responses to audit requests have impacted the Controller's Office audit timeline. Finance continues to work with departments and the Controller's Office to eliminate audit inefficiencies.

GAAU staff undergo a meticulous process involving numerous departments and requiring multiple follow-ups to produce a complete and accurate SEFA. We communicate the importance of providing complete and accurate information to the departments and we emphasize the need to provide timely data. GAAU provides guidance to departments and conducts numerous collaborative meetings with departments whenever necessary throughout the audit period to discuss issues and assist with resolutions. Our department continues to explore additional ways to provide a completed SEFA to our auditors in a timelier fashion. We agree that additional resources would aid in expediting the SEFA preparation, but the pandemic hindered our plans to add staff.

Another step to accelerate the preparation of the SEFA would involve fast-tracking the FAMIS reconciliation process. GAAU will attempt to begin FAMIS reconciliations earlier this year. Our goal will be to accelerate departmental revenue validations and AP accrual validations so that these are also completed earlier this year. GAAU is committed to working very closely with departments that have late expense and revenue transfers due to grantor-related issues on final award amounts. Further, our goal is to expedite the completion of the reconciliation of Grant Fund Schedules and to provide you with the fully reconciled fund schedules and the SFA version A in an accelerated timeframe. We are hopeful that maintaining this accelerated timeline would result in a timely preparation of the SEFA and we hope to continue working with departments to ensure the requirements of SAP G 3-1 and SAP G 6-1 are followed.

We maintain that certain best practices will also enable a timely submission of the Single Audit Reporting Package, including 1) The provision of a "provided by client list" with a detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes. This should include the due date for the SEFA Version 1.0; 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit; 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress; 4) The completion of audit testing for the ACFR and Single Audit at the same time; and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed on an accelerated timeline and reporting packages are submitted ahead of time.

2020-003 Breakdowns in the Functionality and Application IT Controls of the OnePhilly System Continue to Increase the Risk for Material Payroll Errors

Finding & Recommendation: You recommend Finance Office management and the OnePhilly team continue to evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing necessary modification to the OnePhilly system. You maintain your recommendation that a formalized framework be established and leveraged for identifying, prioritizing and resolving system issues. Finally, you recommend that identification and tracking to the resolution of issues be communicated periodically to applicable stakeholders and departments.

Response: The OnePhilly team continues to dedicate resources to system enhancements and the resolution of system issues. In the past year, the team has made significant progress as is evident by the findings resolved in this report and from the conditions noted as corrected, including: 1) Employees with access to Oracle Time and Labor (OTL) manager self-service are no longer able to authorize their own timecards; 2) the Timelink defect noted in prior year has been resolved; 3) No hourly rate recalculation differences in employees' pay existed in the current period; and 4) The OnePhilly team successfully eliminated black-out periods for self-service functionality for timecards that are not being processed. These are just a few of the many enhancements implemented during FY20. Shortly after Go-Live, there were 1,680 defects and enhancements logged, however the team has worked to resolve issues and implement enhancements. That work has been effective. At the time of this writing, there are only approximately 220 tickets open, which are primarily enhancements and not defects.

Finding: Assumed time continues to be automatically recorded by the OnePhilly system if an employee's timecard is short of the employee's scheduled hours. This time is automatically added to the timecard under the assumption that the employee worked their minimum scheduled hours in the pay period if the time entered into OTL is insufficient. The departments are now provided an Assumed Time Reconciliation report to retroactively change Assumed Time to a proper time category. However, insufficient controls exist to ensure these retroactive changes occur at the department level.

Response: The City of Philadelphia maintains its commitment to ensure employees get paid on time. As previously communicated, management agreed (after thoughtful discussion) to running an Assumed Time program in the event that Departments are unable to update, review and approve time captured for the period. Thank you for acknowledging our implementation of our Assumed Time reconciliation process, which ensures that timekeepers review and accurately update time in the system within three retro-periods. Departments implement controls to ensure that all retroactive changes are entered accurately into the system and occur in a timely manner. Payroll timekeepers are tasked with reviewing the time entries for their departments for accuracy. Only authorized personnel make changes to employee timecards after following the required approval steps for that specific process.

Finding: Changes continue to be made to employee timecards by the OnePhilly team or Central Payroll Teams without documented authorization or approval.

Response: The OnePhilly and Central Payroll teams perform certain Citywide and cross-functional tasks. These teams follow the appropriate steps when performing their functions, including making changes to employee timecards. Employees within Central Payroll and OnePhilly who update timecards are certified and have the level of competency required to fulfill the functions of their positions. SAPs E-9101 and I-9101 provide these employees with the authority to make corrections to erroneous employee timecard entries that are submitted by employee supervisors and timekeepers at the department level. If these corrections were not made by Central Payroll and OnePhilly, employees would be paid incorrectly.

Finding: Employee timecards continue to show hours types, such as regular time or on-call time, that are not appropriate for the employee's position, increasing the likelihood of erroneous or fraudulent time entry.

Response: Only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and Compulsory Union Code (CUC). Hours type should not be restricted at the department level. Hours types are driven by CUC and, therefore, not all hours types are available for each

employee. For example, Hazmat or Acting Out of Rank is available only for CUC 'F' or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.

Finding: The OnePhilly team continues to use an automated process to change unapproved timecards to approved status. Departments are responsible for retroactively examining timecards and making corrections. However, insufficient controls exist to ensure this post-pay review and correction occur at the departmental level.

Response: The OnePhilly team does not approve all timecards in unapproved status. Only timecards in the most current processing period that are in working status are approved in order to ensure all employees get paid. Timekeepers are then tasked with updating these timecards after the close of the processing period. In the absence of the automatic approval process and the Assumed Time program, if managers and timekeepers did not complete their review and approval of employee timecards by the payroll processing deadline, employees would not receive their paychecks. Management determined that the risks related to not paying employees were greater than the risk of paying employees and retroactively adjusting these payments if needed. Further, the number of instances in which employees' current timecards remain in unapproved status continues to decrease significantly. Departments are responsible for implementing controls to ensure that all retroactive changes are entered accurately into the system and occur in a timely manner. We continue to look for ways to enhance our processes and will explore additional controls that can be implemented at the department level.

Finding: The OnePhilly team has reduced the overall number of issues causing inaccurate accrual of leave. However, an accrual defect from 2019 remains in need of correction.

Response: Thank you for acknowledging the strides the OnePhilly team has taken to correct all issues related to inaccurate accrual leave. The one outstanding accrual leave issue being referenced from 2019 was resolved in February FY20, however a manual coding error caused this issue to resurface in December FY21. This issue was prioritized and resolved effective February FY21 and is now accurately reflected in the system.

Finding: You repeated your finding that the Timecard Status Summary Dashboard (including the Missing Timecard Report) is not restricted by department. The Super Timekeepers are able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard does not reflect the total population of timecards as the missing timecards are not included. During our testing, the OnePhilly team indicated that there were no changes to this condition.

Response: We disagree with this finding. The Timecard Status Summary Dashboard is restricted by Department. Timekeepers use this dashboard to view meaningful data during the time capture phase of payroll processing, such as timecards in approved status and timecards in working or error status. All of this information is accessed and viewed at the department level. Only one report with limited data on the dashboard has a Citywide view only access, and that is the Missing Timecard Report. Super timekeepers can view the listing of all employees across the City that have missing timecards in this report, but they do not have access to sensitive payroll and personally identifiable information (PII) of employees in other departments. We continue to work with Oracle developers to prioritize the update of the missing timecard report so that Super Timekeepers will view it at the department level only.

Finding: The Overpaid/Underpaid report continues to have known inaccuracies according to the OnePhilly team and requires a full review each week. The report was created for each payroll cycle to identify employees which may have been overpaid or underpaid based upon employee type, scheduled hours, and hours entered. The OnePhilly team has made significant improvements reducing the number of known inaccuracies. The largest per diem over/under report examined had 234 lines requiring review, as compared to over 3,000 lines in the prior year. However, instances continue to occur where over/underpayments were not adequately explained, or where documentation of correction was not available.

Response: Thank you for acknowledging the progress made by the OnePhilly Team. According to the OnePhilly Team, there are no known inaccuracies existing in the Overpaid/Underpaid Report. The Overpaid/Underpaid Report has been significantly enhanced since FY19 and continues to be instrumental in the Central Payroll review process. A team of

payroll examiners conducts the review of the Overpaid/Underpaid reports. The reduction in lines requiring review referenced above is indicative of the elimination of inaccuracies in the Overpaid/Underpaid Report during FY19 and FY20.

Finding: Many outbound files sent to various third parties, including City employee unions, benefits providers, and insurance providers, continue to lack formalized monitoring controls over their completeness and accuracy.

Response: The statement that outbound files “lack formalized monitoring controls over completeness and accuracy” is inaccurate. The OnePhilly Team has implemented controls for each type of outbound interface file. The information being sent to outside parties is different, and therefore different controls are required for monitoring accuracy and completeness for each file. There cannot be one individual standardized process for monitoring completeness and accuracy because of the customized nature of the produced files.

Finding: Supervisory and executive approvals of payroll continue to be recorded and submitted on paper reports.

Response: Central Payroll had dedicated staff that thoroughly reviewed and compared the listing of approved authorized signers and followed up with departments to ensure appropriate levels of approvals were obtained from supervisory and executive-level approvers. During FY20, the Central Payroll and OnePhilly teams made significant strides to enhance the sign-off process, and specifically, as previously communicated, Central Payroll worked with the OnePhilly Team to develop a blueprint, and then implement the automated payroll sign-off process. This new automated sign-off process was implemented in September 2020.

2020-004 Deficiency in OnePhilly System's IT General Controls Require Continued Improvement to Minimize Vulnerabilities

Monitoring of Third Parties Was Not Formally Documented:

Finding: There was no formal, documented monitoring of the third parties which significantly support the OnePhilly system.

Response: Thank you for highlighting the elimination of the four findings related to monitoring controls noted in the prior year. OnePhilly continues to maintain the numerous mechanisms in place to monitor Service Level Agreements (SLA), including Daily performance dashboard reports, weekly PMO meetings, and monthly SLA meetings. SOC report reviews, along with an accompanying risk survey, will continue to be conducted by representatives from OIT's Information Security Group (ISG), Law and Finance. Where control gaps exist, vendor due diligence checks will be conducted.

Authorization and Review of Elevated Access, Including Segregation of Duties Policy, Was Not Formalized in Writing:

Finding & Recommendation: You stated that authorization of OnePhilly elevated access, which allows for the ability to perform transactions beyond employee self-service for new users and transferred users, was not performed using a formal, documented format. You also note that user provisioning/de-provisioning access requests continue to be made via email. Finally, you maintain that a formally documented Segregation of Duties (SoD) policy, including identification of incompatible roles, responsibilities, and permissions, has not been established. You continue to recommend the OnePhilly team develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions. You also request that a formal process be established to request and approve user access, which specifies the access required, considering the documented SoD requirements. Additionally, you ask that the quarterly review of user access include the identification and removal of SoD breakdowns, or identification of monitoring controls in place where SoD breakdowns cannot be removed.

Response: Thank you for noting the elimination of verbal provisioning requests and the introduction of access requests through the help desk, which allows for tracking. Thank you also for highlighting the implementation of periodic user reviews. OnePhilly has previously provided documentation concerning separation of duties and systematic permissioning based on responsibilities across departments. Access provisioning and de-provisioning is carried out by the OnePhilly security provisioning team, which thoroughly considers systematic permissioning and segregation of duties when assigning access. The team continues to develop enhancements to the user access process and will finalize the automation of the access provisioning and de-provisioning for newly hired, transferred, or terminated employees during FY22.

Password Configurations Were Not in Compliance with City Requirements:

Finding: Passwords were not configured to meet City requirements, including complexity, minimum length, and expiration after 90 days.

Response: Thank you for highlighting the significant improvements made to the password requirements configured in the OnePhilly system. Please see additional response to this condition in Appendix I.

Go-Live Approval Documentation Was Not Maintained:

Finding: Go-Live approvals were not formally documented and maintained. In addition, meeting minutes or reports, used to support the steering committee's decision to go live, were also not maintained.

Response: The team continues to maintain that the plethora of support provided including steering committee meeting agendas and presentations, go-live timelines, and emails to the steering committee confirming Go-Live was successful, among other communications, collectively support the steering committee's decision to go live. Further, thank you for acknowledging the enhancements we made to our steering committee meeting reports. Please see additional response to this condition in Appendix I.

2020-005 OIT'S IT General Controls Require Strengthening

Finding & Recommendation: You continue to note deficiencies in OIT's IT general controls, including: failure to segregate the duties of the OIT programmer function and the database administrator function in Basis2, failure to segregate the duties of the database administrator function and the systems administrator function in FAMIS, ADPICIS and Basis2, and an incomplete Change Management Standard Operating Procedure which did not specify the Change Advisory Board approval process, and did not specify how end-user testing should be documented. You recommend that OIT review its change control procedures and implement measures to ensure that required steps for application changes are performed and documented in accordance with the policy. You also recommend OIT update its change management policy to include (1) documentation standards for end-user testing and (2) information related to how approvals should be documented in the service ticket. Finally, you recommend that OIT implement segregation of duties and if this is not feasible, monitor employees to ensure they are authorized and appropriate.

Response: OIT will assess separating the functions mentioned above and will segregate the duties associated with each among available employees where possible. Where, due to limited resources, OIT must rely on one employee to perform multiple functions, OIT will make every effort to monitor employee activity. Additionally, OIT will continue to review its change management control procedures and implement measures to ensure that the process is adhered to for application changes. OIT will also work to revise its change management policy to include the two additional recommended requirements.

2020-006 Treasurer's Bank Reconciliation Procedures Still Require Improvement

Finding & Recommendation: You state that Treasury did not timely investigate and resolve all outstanding unreconciled items within 90 days. You also note that your testing showed non-compliance with the Pennsylvania Escheatment Act. You highlight that ongoing problems with reconciling revenue activity for the Department of Public Health (DPH) still exist. You recommend Treasury investigate and resolve all reconciling differences between Treasurer account book and bank balances within 90 days in accordance with the Treasurer's Bank Reconciliation Policy, and that the Treasurer continue work with DPH to implement the revised process for revenue receipt reconciliations. Finally, you recommend that the Treasurer and Finance Office management work together to ensure that all escheatable amounts are sent to the Pennsylvania Treasury in compliance with SAP No. 4.1.2.

Response: Thank you for acknowledging the improvements made to the City Treasurer's Office's (CTO) reconciliation procedures, including the timely preparation of fiscal year-end bank reconciliations and the finalization of the Bank Reconciliation Policy. We agree that additional actions are needed to improve the timeliness of resolution to reconciling differences between the Treasurer account book and bank balances. To address this, CTO has re-engaged fiscal staff from various departments when reviewing unidentified reconciling items on a monthly basis to more timely address such items. CTO is also working with Finance to create a process to book unidentified receipts while awaiting confirmation for validation.

To address the DPH finding, CTO is revisiting the process with DPH, Revenue, and Finance to make necessary adjustments to enable DPH to recognize their revenue prior to the funds transferring to the consolidated cash account.

To address the escheatment recommendation, CTO has engaged an Accounting Firm to work with CTO and Finance to provide escheatment services to address the current escheatable amounts and provide future support as checks become eligible for escheatment.

2020-007 Failure of Departments to Properly and Timely Approve Biweekly Payrolls Increases Risk for Improprieties and Undetected Errors

Finding & Recommendation: You note that the OnePhilly payroll system did not have an electronic payroll sign-off process. You also note that Central Payroll did not adequately enforce compliance with requirements for the manual payroll approval procedures for OnePhilly that were in effect during fiscal year 2020. You recommend that the OnePhilly and Central Payroll continue to work together to ensure that the now automated controls over the payroll sign-off process adequately segregate incompatible duties. You also recommend that Central Payroll remind departments of the current procedures for payroll approvals and enforce compliance with those departments that do not follow those procedures.

Response: Thank you for highlighting that the OnePhilly system configuration included the implementation of segregation of duties concerning data entry, review and approval of bi-weekly payroll transactions. Thank you for acknowledging that improvements were made in the departmental approval process for payroll compared to prior year results. Thank you also for acknowledging our recent automation of the payroll sign-off process. We continue to send out reminder emails to departments during each pay period to ensure that payroll sign-offs are conducted timely. You state in your finding that there were 741 instances where departments did not timely submit the time entry detail reports with the two required signatures. We will work to explore multiple options for enforcement.

2020-008 Lack of a Comprehensive Capital Asset System Hampered Reporting Process

Finding & Recommendation: You repeat your finding that the City still lacks a comprehensive capital asset management system to better manage and account for real property assets. You continue to recommend that Finance Office management secure the necessary resources to design or purchase a computerized capital asset management system that will provide accurate and useful information such as the book value and related depreciation for each City-owned asset.

Response: Thank you for noting the conversion of Lotus 1-2-3 files previously used in our reconciliation process to Excel. We acknowledge that our existing process created some reconciling differences in our proof files, but we are happy that PMA assets were accurately reported, and all corrections were made to the final proof. We agree that the Office of the Director of Finance needs to implement a comprehensive capital asset management system and to eliminate the existing cumbersome process. This condition is expected to be resolved with the OPAL project implementation.

2020-008 Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Finding & Recommendation: You repeat your finding that with the exception of PWD and DOA, the physical existence of real property assets across the City are not periodically checked. You again mention the Integrated Workplace Asset Management System (IWAMS) implemented by the Department of Public Property, which contains various data on the City's real estate assets, and you mention that Finance Office management has not yet reconciled its fixed asset ledger with IWAMS. You highlight that continued failure to perform a physical inventory increases the risk that the City's recorded real property assets could be inaccurate and/or incomplete. You recommend that Finance Office management work with OIT to perform a reconciliation of the IWAMS database to the City's fixed asset records, work with the Procurement Department and Department of Public Property to periodically take physical inventories of all real property assets, and develop a periodic report on the condition of capital assets.

Response: Finance Office management have had multiple meetings with the GIS unit concerning our objective of reconciling the fixed asset ledger to IWAMS. The framework for the reconciliation process has been discussed and the hope is to perform the first reconciliation to IWAMS during FY22.

2020-009 SAPs Require Updating to Ensure Accurate and Consistent Application of Accounting Rules and Regulations

Finding & Recommendation: You repeat your finding that the City's SAPs are long outdated and fail to reflect the automated processes and practices currently in use. You state that with the majority of SAPs not reflecting the automated processes and practices currently in use, there is an increased risk that critical control activities may be inconsistently applied or not performed at all, which could result in accounting errors and/or misappropriation of assets. You recommend that the Finance Office continue to complete the review and update of the SAPs and once the initial update is completed, develop a schedule for periodically updating SAPs on a regular basis in the future.

Response: We agree with your recommendation to continue the update of the city's SAPs. We have increased Citywide engagement with control and process owners and continue to have working meetings with stakeholders to facilitate the update of SAPs. We have also made great strides to identify obsolete SAPs. Management will continue to prioritize this initiative, within budget and resource constraints.

2020-010 Accounts Payable Reporting Needs Improvement

Finding & Recommendation: You state that underreported Payables for FY20 amounted to \$15.5 million, compared to \$30.2 million in the prior year. You recommend that Finance extend the cut-off date in the memorandum to departments to review accounts payable in the subsequent fiscal year to a later date to enable more accurate and complete

reporting of accounts payable. You also recommend Finance collaborate with departments that face unique and substantial challenges that prevent accurate reporting of accounts payables to develop processes to ensure sufficient and appropriate reporting going forward. You ask that Finance reinforce the accounts payable reporting requirements to all departments as well as the importance of providing complete and accurate accounts payable information to the Finance Office for inclusion into the Comprehensive Annual Financial Report.

Response: Thank you for highlighting the significant improvements made with reporting accounts payable as a result of the Finance Office management timeline extension for accounts payable review from September to the middle of October 2020. We agree with your recommendations and will continue to work with departments with unique challenges and will consider extending the cut-off period to the extent that the Charter-mandated AFR reporting process timeline would allow.

2020-011 City's Accounting System Not Utilized for Posting Enterprise Funds' Year-End Journal Entries

Finding & Recommendation: You repeat your finding that accountants in the Finance Office, the PWD, and the DOA are still not utilizing the full accrual Water and Aviation Funds established in FAMIS to post year-end adjusting journal entries to prepare the financial statements. You recommend that as part of the OPAL ERP project, Finance Office management should include in the new accounting system a process for the PWD and DOA to utilize for recording their year-end accrual adjustments.

Response: Finance Office management will ensure that entries are posted to the full accrual fund balance sheets to reconcile to the 6/30/20 financial statements. We agree that PWD and DOA should utilize the new accounting system for recording their year-end accrual adjustments.

2020-012 Certain Other General IT Controls for OnePhilly System Still Need Improvement

See responses to conditions highlighted here in the Appendix I section.

2020-013 Certain Other General IT Controls for OIT Still Need Improvement

See responses to conditions highlighted here in the Appendix II section.

Appendix I

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	Finance Responses
<p><u>SECURITY MANAGEMENT</u></p> <p><u>1. External Penetration Test Findings Remediation:</u></p> <p>The External Penetration Test Report dated 12/13/2018, performed by Cyber Security Solutions (CBI) on behalf of the city, identified seven medium risk findings. Five of the findings are still open, and a remediation plan has not been formally documented to address the findings.</p>	<p>The five remaining findings potentially expose the OnePhilly system to external vulnerabilities.</p>	<p>The OnePhilly team should develop remediation plans to address the open findings, and monitor progress against the remediation plans [303519.03].</p>	<p>Incomplete:</p> <p>The OnePhilly team has provided a remediation plan to address the open findings from the External Penetration Test Report dated 12/13/18. However, five of the seven findings still remain open.</p>	<p>As discussed during the Audit, the OnePhilly team is scheduled to remediate remainder of the penetration test findings in FY21.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	Finance Responses
<p><u>ACCESS CONTROLS</u></p> <p><u>2. Password Configurations:</u></p> <p>The OnePhilly system was configured at Go-Live with a password requirement of case sensitivity and, for user accounts created after Go-Live, a password expiration of 90 days. Additionally, passwords for user accounts converted from the legacy system did not expire and thus did not meet the city's minimum expiration requirements.</p>	<p>Inadequate password configurations significantly increase the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.</p>	<p>The OnePhilly password settings should be updated to meet OIT's password requirements [303519.05].</p>	<p>Incomplete:</p> <p>There has been improvement in updating the OnePhilly password settings to align with OIT's Information Security Access Control Policy. As of January 2021, five of the seven requirements have been implemented. The requirement stating that passwords cannot be proper names or dictionary words has yet to be addressed. Also, the requirement regarding a unique password for each system cannot be configured.</p>	<p>OnePhilly has adopted 5 of 7 requirements that align with OIT's Security Access Control Policy. With an understanding of Oracle eBusiness Application which is different from other city applications, OnePhilly has established its own Security Control Access Policy and its password requirements are fully in alignment with the OnePhilly policy.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	Finance Responses
<p><u>CONFIGURATION MANAGEMENT</u></p> <p><u>3. Go-Live Approval Documentation:</u></p> <p>Documented formal approvals or sign-offs by the OnePhilly steering committee, authorizing the Go-Live of the system in December 2018 (Human Resources (HR) and Benefits and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports/ presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained.</p>	<p>Without documented approval of the Go-Live by the Steering Committee, there is no evidence that full consideration and review was performed of known risks, open tasks to be completed, completion of testing scenarios, and agreement of all Steering Committee members</p>	<p>The OnePhilly team should maintain formal agendas and meeting minutes of the Steering Committee meetings, including capturing the results of any voting decisions by Steering Committee members. For any future module implementation, formal Go-Live approval by the Steering Committee should be obtained and documented prior to Go-Live [303519.06].</p>	<p>Incomplete:</p> <p>This finding could not be fully tested during FY 2020, as no additional modules were released, and therefore no Go-Live authorizations were given. We will test again in future years. The OnePhilly team maintains copies of Steering Committee reports and has provided several examples.</p>	<p>As a part of stabilization, OnePhilly has established development standards, a production code release schedule, a patching schedule, communication standards/protocols, and documentation standards. We have appropriate internal controls in place to ensure that entire team follows the established standards. These standards include the necessary documentation and approvals for defects, enhancements, small projects, and large projects such as module implementation. Even though the implementation of the Pensions module was not completed, we have completed large projects that followed necessary standards. For example, a large project included the fix for Leave Accruals and the documentation and approvals were provided to the Controllers' office in the form of supporting documents.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	Finance Responses
<p><u>4. Documentation of Impacted Accounts:</u></p> <p>When system issues were identified, documentation to determine all impacted city employee accounts was not maintained.</p>	<p>The lack of documentation for all impacted accounts increases the risk that uncorrected issues remain.</p>	<p>The OnePhilly team should maintain formal documentation of the accounts which are included as being impacted when system issues are identified [303519.07].</p>	<p>Incomplete:</p> <p>Of ten sampled issues, the OnePhilly team did not provide documentation of all impacted accounts in three instances. In four instances, the documentation of all impacted accounts was provided. Two of the remaining three issues were not actual defects and the third was addressed through an error message placed in the system to catch future issues – the two employees noted in this issue were fixed via the error message.</p>	<p>Thank you for acknowledging the completeness of the documentation provided. Of the selected sample, the 2 referenced as “not actual defects” were enhancements. The three instances referenced as where documentation was not provided were the samples from FY19 when the Ciber implementation team was in charge of end-to-end defect resolution. When OnePhilly took charge of the defect/enhancement resolution process, the team established development standards that adequately document and resolve all impacted accounts.</p>
<p><u>5. Application and System Patching:</u></p> <p>From Go-Live through June 30th, 2019, Operating System (OS) patches have not been applied to production Linux servers, and Oracle patches have not been applied to the production instance of the OnePhilly application.</p>	<p>There is an increased risk that vendor known system vulnerabilities will not be addressed, which could be exploited by unauthorized users.</p>	<p>The OnePhilly team should evaluate and where appropriate, apply outstanding system patches. In addition, the OnePhilly team should adhere to a recommended schedule of evaluating and applying patches in a timely manner [303519.08].</p>	<p>Incomplete:</p> <p>OnePhilly has partially implemented this recommendation. Operating System patches have been applied to Linux servers (May 2020) and Oracle patches were applied to the production instance of OnePhilly (June 2020). However, the OnePhilly team should develop a schedule with criteria detailing recommendations for how quickly a patch should be evaluated and applied.</p>	<p>As a part of stabilization, OnePhilly established a detailed patching schedule. During the FY20 audit, the team provided the established patching schedule to the Controller's Office. This schedule was established considering Oracle scheduled patches and associated industry patching standards. During the Audit period, the Controller's Office did not request our patching schedule determination process or criteria.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	Finance Responses
<p><u>6. Backlog of Change Tickets:</u></p> <p>For the PMRx change tickets, the web-based project control and repository workspace developed by Ciber, as of September 17, 2019, there were 403 open tickets as provided by the OnePhilly team. Over 70% (287) had been open for more than 90 days. There were 43 tickets open for over 180 days, including 16 Emergency (P1) and High (P2) tickets.</p>	<p>Depending on the nature of the issue, unresolved tickets have the potential to create operating and financial reporting issues the longer they remain unresolved.</p>	<p>The OnePhilly team should evaluate and prioritize the open change tickets, including identifying the amount of resources needed to address the backlog of tickets. In addition, continued periodic reporting of the status of open change tickets should be provided to the Steering Committee and applicable stakeholders [303519.09].</p>	<p>Incomplete:</p> <p>As of 12/05/20, there were 553 open tickets. Over 91% (502) had been open more than 90 days. There were 418 tickets open for over 180 days including 40 Emergency (P1) and 111 High (P2) tickets.</p> <p>However, the OnePhilly team did provide examples of periodic reporting of the status of open tickets to the Steering Committee in addition to an annual report.</p>	<p>The OnePhilly team regularly prioritizes the defects/enhancements into monthly planned releases or emergency releases as appropriate. At the time of this writing, we have 220 logged defects/enhancements of which none are emergency tickets, and less than 50 high importance tickets.</p>
<p><u>CONTINGENCY PLANNING</u></p> <p><u>7. Disaster Recovery Testing:</u></p> <p>A full Disaster Recovery (DR) test has not been performed against the DR plan established for OnePhilly.</p>	<p>If the disaster recovery plan is not adequately tested to ensure it works, it could adversely affect the ability to restore OnePhilly operations in a timely manner.</p>	<p>The OnePhilly Disaster Recovery plan should be tested and the results documented in writing [303519.10].</p>	<p>Incomplete:</p> <p>As of 1/8/21, the OnePhilly team noted that they had completed partial disaster recovery testing and had plans to complete full-scale disaster recovery testing in fiscal year 2021 in accordance with the Fourth Amendment Agreement between the city and Ciber.</p>	<p>Since 01/08/21, the OnePhilly team has completed multiple partial DR tests. We are still on track to complete a full DR test by the end of FY21.</p>

Appendix II

<u>Prior Condition</u>	<u>Risk/Potential Effect</u>	<u>Recommendation</u>	<u>Remediation Status (Complete or Incomplete)</u>	<u>OIT Responses</u>
<p><u>SECURITY MANAGEMENT</u></p> <p><u>1. IT Risk Assessment:</u></p> <p>OIT had not yet performed a comprehensive IT risk assessment. While OIT had a process to monitor technical risks through vulnerability scanning, a formal plan to identify and address additional IT operational, business, and compliance risks did not exist.</p>	<p>Without a current and comprehensive risk assessment, IT resources may be used ineffectively in addressing risk affecting OIT.</p>	<p>OIT should develop formal procedures to perform periodic risk assessments and monitor gaps identified. This should be a component of an enterprise-wide risk management program [300413.01].</p>	<p>Complete:</p> <p>OIT has provided both an IT Risk Assessment policy (effective 7/29/20) and a Vulnerability Management policy (effective 9/16/20).</p>	<p>N/A</p>
<p><u>2. IT Policies and Procedures – Basis2 Security Policy</u></p> <p>As of the end of our fieldwork, the Revenue IT group did not provide a documented security policy that governs the Basis2 application. This condition was also noted in the prior year review.</p>	<p>Failure to formally develop and document security policies and procedures increases the risk that critical control activities for monitoring security threats may be inconsistently applied. As a result, the Basis2 application is at an increased risk for data leak and/or loss.</p>	<p>OIT should work with the Basis2 application owners to establish and disseminate to users a formal security policy for the Basis2 application. Once the policy is established, OIT should periodically review it to determine if it requires updating [300416.01].</p>	<p>Incomplete:</p> <p>There is no documented security policy to govern the Basis2 application. OIT management stated that it will continue its efforts to establish a final security policy for Basis2, and it will be subjected to regular review and updating. .</p>	<p>OIT will continue working with the IT Revenue Group to formally adopt a final policy for the Basis2 application. After a policy is adopted, it will be included with all other policies for regular review and updating.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	OIT Responses
<p><u>3. IT Policies and Procedures - Firewall, Administration, Maintenance, and Monitoring:</u></p> <p>OIT's existing documented policies do not cover firewall administration, maintenance, and monitoring requirements.</p>	<p>Failure to formally develop and document security policies and procedures around firewall management and maintenance standards increases the risk of security exposure, security breaches, and unauthorized external access to applications and data.</p>	<p>OIT should update the Information Security Access Control Policy and the Information Security Operations Management Policy to include details of the firewall management standards and the required firewall maintenance monitoring [300419.01]</p>	<p>Incomplete:</p> <p>OIT has drafted a policy to address fire administration issues, but it has not been finalized or approved by OIT management. OIT management stated that it will work towards finalizing the draft policy as well as its approval and implementation.</p>	<p>OIT will work to finalize the draft policy, have it approved and implemented.</p>
<p><u>ACCESS CONTROLS AND SYSTEM FILES</u></p> <p><u>4. Authorization – Database Administrator Access:</u></p> <p>As previously reported, OIT was unable to provide evidence documenting the authorization of database access for four IT consultants functioning as database administrators for Basis2.</p>	<p>Unauthorized access to the database could lead to unapproved or inappropriate database activities and/or direct data table changes.</p>	<p>OIT management should finalize and formally approve the policy for granting database system access to IT consultants and the Basis2 access request form. This policy should require that, when granting access to consultants, OIT:</p> <ul style="list-style-type: none"> • Maintain the authorizing documentation for all users granted access. • Obtain and review the consultant's contract and confirm with the supervising manager that the consultant's access is appropriate. • Check periodically with the supervising manager that access is still appropriate, authorized, and supported by an active vendor contract [300416.04]. 	<p>Incomplete:</p> <p>OIT has not provided a formal policy for granting database system access to IT consultants or finalized a Basis2 access request form. OIT management stated that it will continue its efforts to finalize a database access policy including the appropriate controls and recommended requirements.</p>	<p>OIT recognizes the importance of overseeing procedures for granting database access and ensuring that such access for consultants is carefully monitored. OIT will continue to work on finalizing and approving a database access policy with the necessary and appropriate controls, including the recommended requirements.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	OIT Responses
<p><u>5. Periodic Access Rights Review</u></p> <p>As previously reported, OIT was still unable to provide evidence that periodic reviews of active users' access rights had been completed for all in-scope applications.</p>	<p>There is a risk that over time access rights will not be updated due to oversights.</p>	<p>OIT should work with the impacted departments to complete the required reviews of the active users and their associated access rights for appropriateness [300416.05].</p>	<p>Incomplete:</p> <p>Incomplete: OIT provided certain documents such as 30-day inactive users lists and summaries of what occurs during a periodic access rights review. However, sufficient examples of periodic access reviews being performed during fiscal year 2020 were not obtained for all in-scope applications. OIT management stated that it will sustain its improved efforts to complete active user access reviews periodically and ensure that user access rights are appropriate.</p>	<p>OIT will continue to increase its efforts working with departments to ensure that active user access reviews are completed periodically, and user access rights are level-set as necessary.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	OIT Responses
<p><u>6. User Administration – Notification of Terminated Users</u></p> <p>For 2 of 8 terminated employees sampled, OIT was unable to provide evidence documenting the notification to OIT's Support Center and IT Administrators requesting removal of access rights to the network and in-scope applications. For all terminated employees sampled, we noted that access to the network and all in-scope applications was properly removed. This condition was also noted in the prior review.</p>	<p>Without evidence of notification of termination to management and owners of applications, users may retain access beyond their termination date resulting in the possible unauthorized use of these accounts.</p>	<p>OIT should continue to work with the Office of Human Resources and/or the OnePhilly team to establish a formally documented process for the notification of employee terminations to OIT's Support Center and IT Administrators. Established procedures should include formal documentation requirements for notifications, including retention of those notifications so they are available for later review and audit [300416.07].</p>	<p>Incomplete:</p> <p>OIT has been working with the Office of Human Resources and the OnePhilly team to complete a draft policy to document procedures for the notification of employee terminations. We were provided with a copy of the draft policy. OIT management stated that they, along with the Office of Human Resources and/or the OnePhilly team, will continue working to put the current draft policy into place.</p>	<p>OIT teams will continue to engage with the OHR and/or the OnePhilly Team to address a reporting process for updated and as near real-time notification of employee separations. These teams continue to work together to adopt the current draft policy that formally documents the reporting process and establishes a method to retain notifications.</p>

Prior Condition	Risk/Potential Effect	Recommendation	Remediation Status (Complete or Incomplete)	OIT Responses
<p><u>CONTINGENCY PLANNING</u></p> <p>7. Business Continuity Plan:</p> <p>As previously reported, a business continuity plan has not yet been developed for the in-scope applications.</p>	<p>In the event of a disruption of service, city departments may not be able to provide required services or continue limited operations until service is restored.</p>	<p>OIT should request the assistance of the Office of Emergency Management (OEM) in obtaining the departments' Continuity of Operations Plans (COOP) in order to review the IT components of the plans. OIT should provide guidance and assistance in helping the impacted departments when establishing the plans [300413.13].</p>	<p>Incomplete:</p> <p>OIT has updated its own COOP plan. However, they have not obtained departmental COOP plans through the Office of Emergency Management (OEM) to assist with the IT components of the plans. OIT management stated that as city operations return to normal, OIT will carry on its work with OEM to aid city departments in formulating their COOPs and will provide assistance with their IT components as needed.</p>	<p>As the City emerges from the pandemic, OIT will continue to coordinate with OEM in their efforts assisting city departments with developing their respective COOPs and will provide further guidance and assistance as necessary with any IT components of each plan.</p>
<p><u>8. Basis2 Disaster Recovery:</u></p> <p>As noted in the prior report, there was no formal written disaster recovery plan that specifically addressed Basis2.</p>	<p>In the event of a disruption of service, the city may not be able to provide required services or continue limited operations until service is restored.</p>	<p>OIT management should develop a formal written disaster recovery plan that specifically addresses Basis2. Once established, OIT should periodically (at least annually) test the plan and document the tests and their results in writing [300413.14]</p>	<p>Incomplete:</p> <p>OIT has not developed a formal written disaster recovery plan to specifically address Basis2. OIT acknowledges that a documented disaster recovery plan is needed for Basis2 as well as all city systems. OIT management stated that as city operations return to normal, OIT will continue its efforts to ensure that disaster recovery procedures are provided for all city systems.</p>	<p>OIT recognizes the need for a documented and periodically tested disaster recovery plan for all city systems and specifically for Basis2. As the City begins to resume normal operations, OIT will continue its work providing for disaster recovery protocols for all city systems. OIT is actively working on improving the City's resilience to events that would threaten the IT infrastructure and information assets.</p>

Thank you for the observations provided in your report and for the opportunity to respond.

Sincerely,



Rob Dubow
Director of Finance

Enclosures

cc: James Engler, Mayor's Chief of Staff
Josefine Arevalo, Accounting Director, Finance Department
Tracy Borda, Chief Financial Officer, Division of Aviation
Frank Breslin, Revenue Commissioner & Chief Collections Officer
Stephanie Tipton, Chief Administrative Officer
Kathleen Duggan, Audit Director, City Controller's Office
Christy Brady, Post-Audit Deputy Controller, City Controller's Office
Catherine Lamb, First Deputy Director of Finance
Mervisa Johnson, Director of Compliance and Internal Controls
Jacqueline Dunn, City Treasurer
Sarah Stevenson, Chief Integrity Officer
Melissa LaBuda, Deputy Commissioner, Water Department
Prachi Sathe, OnePhilly Director
Valerie D Hayes, Payroll Director
Mark Wheeler, Chief Information Officer
Sabrina Maynard, Chief of Staff, Office of the Director of Finance

AUDITOR'S COMMENTS ON AGENCY RESPONSE

Government Auditing Standards require auditors to report instances where the auditee's comments to the auditor's findings, conclusions, or recommendations are not, in the auditor's opinion, valid or do not address the recommendations. We believe this to be the case with certain statements made in the City of Philadelphia, Pennsylvania's (city's) response regarding the following:

- Financial statements sent to the Controller's Office for audit.
- Late submission of Aviation Fund financial statements delayed preparation and audit of Comprehensive Annual Financial Report.
- Untimely preparation of SEFA may result in late submission of Single Audit reporting package.
- OnePhilly system functionality and lack of application controls.
- OnePhilly's authorization and review of elevated access, including Segregation of Duties Policy, was not formalized in writing.
- Segregation of duties concerning data entry, review, and approval of bi-weekly payroll transactions in OnePhilly system.
- OnePhilly password configurations do not align with OIT's Information Security Access Control Policy.
- Lack of system patch schedule with criteria for OnePhilly system.

Financial Statements Sent to the Controller's Office for Audit

In its response on page 34, management states, "As always, Accounting will continue to critique the errors in the drafts sent to the Controller's Office and the adjustments resulting from the most recent ACFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward." We disagree with management's use of the term "drafts" when describing the financial statements submitted to us for audit. Effective internal control requires that, before the Finance Office submits the Comprehensive Annual Financial Report to us for audit, accounting management should perform a review of those financial statements for accuracy and completeness. The \$167 million of Comprehensive Annual Financial Report errors cited on page 1 of the report occurred because the city's controls over the financial reporting process failed to prevent or detect and timely correct the misstatements. In fact, we found most of the \$167 million of Comprehensive Annual Financial Report errors very late in the audit process, proposing most of our audit adjustments within the one-month period prior to the issuance of the audit opinion. The errors were identified after the Finance Office should have already completed its financial statement review procedures and finalized the statements.

Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of Comprehensive Annual Financial Report.

In its response on page 35, management states, “Thank you for acknowledging the strides made by DOA to provide key financial statement data on October 22, 2020, to enable audit testing to timely proceed.”

While we did acknowledge strides were made by the DOA, the financial statements the DOA provided to the Finance Office on October 22, 2020, did not enable us to timely proceed with audit testing. Those statements contained multiple open items and there were significant financial statement changes between the October 22, 2020 and December 28, 2020 versions. Additionally, the compilation, a key component which provides support for the amounts tested in the financial statements, was not submitted to Finance Office until December 28, 2020, resulting in the city's financial statements to not be updated until January 6, 2021.

Untimely Preparation of SEFA May Result in Late Submission of Single Audit Reporting Package

Regarding management's statements concerning the untimely preparation of the SEFA which may result in the late submission of the Single Audit reporting package, we have the following comments:

- In its response on page 36, management states, “While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller's Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearinghouse.”

The fiscal year 2020 Single Audit is currently on-going, and the key obstacle to submitting the reporting package to the Federal Audit Clearinghouse on time is the Finance Office's untimely preparation and submission of the SEFA for audit and the inaccurate and untimely responses from grantor departments to the auditors' requests. As noted on page 5 of the report, for fiscal year 2020, GAAU did not provide the preliminary SEFA for audit until March 13, 2020, which was only 15 days earlier than it was provided for audit in the prior year. As of July 7, 2021, we have not received a final SEFA, which is after the extended Single Audit submission deadline of June 30, 2021.

- In its response on page 36, management states the following:

We maintain that certain best practices will also enable a timely submission of the Single Audit reporting package, including 1) The provision of a “provided by client list” with a detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes. This should include the due date for the SEFA Version 1.0; 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit; 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress; 4) The completion of audit testing for the ACFR and Single Audit at the same time; and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed on an accelerated timeline and reporting packages are submitted ahead of time.

The best practices management listed above have been in place during our audits, including 1) notifying the Finance Office on August 14, 2020, to provide a preliminary SEFA by October 31, 2020, and submitting a provided by client list with target dates to the Finance Office on April 15, 2021; 2) holding entrance conferences between April 2021 and May 2021 with the Finance Office and the grantor departments that had major programs selected for audit; 3) conducting biweekly audit status update meetings that began on May 12, 2021, and are ongoing; 4) completing audit testing for the Comprehensive Annual Financial Report and the Single Audit at the same time would require the Finance Office to provide an accurate and timely SEFA; and 5) performing cross-cutting procedures take place however, as stated above, the audit timeline is dependent on the timely receipt of accurate financial schedules and supporting documentation for audit.

OnePhilly System Functionality and Lack of Application Controls

Regarding management's statements on the breakdowns in the functionality and application IT controls of the OnePhilly system, we have the following comments:

- In its response on page 37, management states the following with regard to the use of assumed time:

“Departments implement controls to ensure that all retroactive changes are entered accurately into the system and occur in a timely manner. Payroll timekeepers are tasked with reviewing the time entries for their departments for accuracy. Only authorized personnel make changes to employee timecards after following the required approval steps for that specific process.”

The continued reliance on individual departments to make retroactive changes to processed timecards, without ensuring these changes are made constitutes an internal control weakness. If timekeepers do not make manual corrections to these timecards, the employee may be paid erroneously. While the Assumed Time Reconciliation Report aids a departmental timekeeper in identifying changes that should be made, there is no control in place to ensure these changes are being made.

- In its response on page 37, management states the following with regard to the changes made to employee timecards without documentation or approval:

"Employees within Central Payroll and OnePhilly who update timecards are certified and have the level of competency required to fulfill the functions of their positions. SAPs E-9101 and I-9101 provide these employees with the authority to make corrections to erroneous employee timecard entries that are submitted by employee supervisors and timekeepers at the department level.”

Our finding or recommendation does not question the authority or the competency of the employees making changes to timecards. When changes must be made to a timecard by a OnePhilly or Central Payroll employee, the unit should retain documentation supporting the validity of the change and include a secondary review of the correction to reduce the likelihood of an error being made. Subsequent to making changes, OnePhilly or Central Payroll should communicate all changes made to the applicable department.

- In its response on pages 37 and 38, management states the following with regard to employee timecards continue to show hours types that are not appropriate for the employee's position:

“Hours type should not be restricted at the department level. Hours types are driven by CUC and, therefore, not all hours types are available for each employee.” “All hours types are reviewed and approved by managers and timekeepers.”

Based on our review, organizing hours type permissions by CUC continues to make inappropriate hours types available. For example, an employee, who is in a department that does not schedule shift work, may select shift differential time because shift work is available to employees in other departments with the same CUC. Restricting the availability of these hours types creates a stronger control than the continued reliance on managers and timekeepers to identify timecard errors.

- In its response on page 38, management reiterates the importance of using assumed time and automatic approval so that employees are paid in a timely manner, and states the following with regard to the continued use of an automated process to change unapproved timecards to approved status for payroll processing:

“Departments are responsible for implementing controls to ensure that all retroactive changes are entered accurately into the system and occur in a timely manner.”

Our recommendation does not suggest that timecards in unapproved status should not be approved and processed for timely payment. While the departments may be responsible for making retroactive changes, Central Payroll should establish internal controls to ensure these changes occur in all departments.

- In its response on page 38, management states the following with regard to Super Timekeeper's ability to view information on the Timecard Status Summary Dashboard from other departments, including the Missing Timecard Report:

“We disagree with this finding. The Timecard Status Summary Dashboard is restricted by Department.” “Only one report with limited data on the dashboard has a Citywide view only access, and that is the Missing Timecard Report.”

Management's response confirms that the Timecard Status Summary Dashboard is not restricted by Department. The continued ability for a Super Timekeeper to view the Missing Timecard Report from other departments remains an internal control weakness. The OnePhilly team also acknowledges their need to work with Oracle developers to prioritize the update of the Missing Timecard Report so that Super Timekeepers are able to view it at the department level only.

- In its response on page 39, management states the following with regard to many outbound files sent to various third parties that continue to lack formalized monitoring controls over their completeness and accuracy:

“The statement that outbound files “lack formalized monitoring controls over completeness and accuracy” is inaccurate. The OnePhilly Team has implemented controls for each type of outbound interface file.”

During our testing, the OnePhilly team provided documentation illustrating the progress in developing and implementing monitoring controls for outbound files. This documentation indicated that many of the outbound file controls were still in development, thus lacking formalized monitoring controls.

OnePhilly’s Authorization and Review of Elevated Access, Including Segregation of Duties Policy, Was Not Formalized in Writing

In response to our recommendation that the OnePhilly team develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions, and that a formal process be established to request and approve user access which considers the documented SoD requirements, on page 40 management states:

“OnePhilly has previously provided documentation concerning separation of duties and systematic permissioning based on responsibilities across departments. Access provisioning and de-provisioning is carried out by the OnePhilly security provisioning team, which thoroughly considers systematic permissioning and segregation of duties when assigning access.”

During the audit, the OnePhilly team provided a draft design document for systematic permissioning of user access during hiring, transfers, and termination of employees. This document does not contain sufficient internal controls that consider SoD including identification of incompatible roles, responsibilities, and permissions.

Segregation of Duties Concerning Data Entry, Review, and Approval of Bi-Weekly Payroll Transactions in OnePhilly System

In its response on page 41, management states, "Thank you for highlighting that the OnePhilly system configuration included the implementation of segregation of duties concerning data entry, review and approval of bi-weekly payroll transactions.”

The OnePhilly system continued to use a manual payroll approval process and did not require the different levels of approvals prior to processing payroll. Therefore, we were not able to test and verify whether the city has implemented segregation of duties regarding this process during the current audit. Since the approval process has now been automated during fiscal year 2021, we will test and report on this process during the fiscal year 2021 audit.

OnePhilly Password Configurations Do Not Align with OIT’s Information Security Access Control Policy

In its response on page 45, management states the following with regard to OnePhilly password settings that do not align with OIT’s password requirements:

“...OnePhilly has established its own Security Control Access Policy and its password requirements are fully in alignment with the OnePhilly policy.”

During the audit, no separate documented Security Access Control Policy specific to OnePhilly was provided to us. Any deviation from the central OIT policy should be clearly documented and the OIT Information Security Access Control Policy should note systems that deviate from the requirements stated within the policy.

Lack of System Patch Schedule with Criteria for OnePhilly System

In response to our recommendation that the OnePhilly team should develop a schedule with criteria detailing recommendations for how quickly a patch should be evaluated and applied, on page 47 management states:

“During the Audit period, the Controller's Office did not request our patching schedule determination process or criteria.”

During the audit, the OnePhilly team had several opportunities to provide the patching schedule determination process or criteria, including when we presented our findings and recommendations to the OnePhilly team for a management response upon completion of field work. To date, no patching schedule determination process or criteria has been provided to us.