



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

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**Office of the City Controller Releases Departmental Audit; Calls on Finance to Lead Work
with Departments to Address Findings**

Lack of functionality in Finance-led OnePhilly system costs City more than \$1.1 million in ineligible sick benefits; lack of internal controls for emergency COVID-19 related expenses results in overspending and questionable spending by the Department of Public Health.

Philadelphia, PA – The Office of the City Controller released findings from its Departmental Audit, a review of the financial affairs of all City departments as part of the audit of the City’s basic financial statements for fiscal year 2020. This report determines whether management has suitably designed and placed in operation internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities.

“Many of the conditions identified in the departmental audit, deficiencies in overtime and sick leave enforcement, are found year after year across multiple departments without being fixed. This is a serious issue as these policies and procedures are in place to protect taxpayer money from waste, fraud, abuse and mismanagement,” said Controller Rebecca Rhynhart. “While each department has responsibility for its management, the City Charter places primary responsibility for establishing and maintaining these internal controls, critical safeguards for city operations and finances, with the Finance Director. As such, Finance should be leading an effort with departments to ensure they remediate the findings because Philadelphians deserve better management of their tax dollars.”

As part of the FY20 Departmental Audit, the Controller’s Office found that the City’s new, multi-year, multi-million-dollar payroll system, OnePhilly, did not allow for the tracking and monitoring of sick abuse. OnePhilly is a modernization initiative to create a comprehensive payroll system led by the Finance Office. Launched in March 2019, OnePhilly lacked the sick abuse tracking and monitoring functionality available to departments in the legacy system. Without this functionality, departments struggled to enforce the city’s sick leave policy. In total, 26 of the 27 departments tested, including Finance, failed to properly enforce the City’s sick leave policy, resulting in the City paying more than \$1.1 million in sick benefits to employees in calendar year 2019 for which they were not eligible to be paid. In addition to the direct costs of not enforcing the sick leave policy, excessive sick leave usage may also drive-up overtime, especially in departments with mandatory staffing levels.

In addition to OnePhilly’s lack of functionality and the sick abuse policy enforcement, the FY2020 Departmental Audit identified another serious finding in the Finance Office. The Finance Office approved the issuance of procurement cards (p-cards) for the Department of Public Health (DPH) and the Office of Emergency

Management (OEM) to make emergency purchases during the COVID-19 pandemic, at the request of the Treasurer's Office. The Finance Office failed to implement proper controls to ensure that the p-cards were processed through the city's standard disbursement approval process, including card spending limits, utilization of the city's accounting system to record expenditures, monthly reconciliation of accounts, and restriction of card usage to the employees to whom the cards were issued.

For example, spending limits were not established when the p-cards were issued. The p-cards were set up with a revolving balance rather than a declining balance. The lack of spending controls resulted in DPH spending \$195,925 from March 19 through September 30, 2020, nearly \$96,000 more than the approved \$100,000 fund. In addition to overspending, DPH's p-card expenditures appeared questionable when compared to the stated reasons for the card. While the cards were intended to be used for urgent purchasing needs, DPH spent more than half, \$102,388, on commuting costs for 114 city employees and contractors, including \$83,188 on Uber rides and \$19,200 on parking costs. Other questionable expenditures include \$10,448 on various food purchases, including a \$602 takeout order from Maggiano's Little Italy for staff and \$2,600 in Visa and MasterCard gift cards for which no documentation of uses was provided.

Another notable condition in the report: The Controller's Office found that L&I did not reconcile housing inspection license renewal revenue, totaling \$15 million in FY20, to the City's accounting system daily, as required. This has been a finding for the last three years. Of the 24 sample days tested, the Controller's Office noted differences between revenue posted by the department and the city's accounting system totaling \$313,818. Failure to reconcile cash receipts to the City's accounting system daily increases the risk of misstatement of revenues and creates an opportunity for misappropriation of funds. Although L&I stated in the FY18 and FY19 reports that they would address this issue, it remains unresolved.

Controller Rynhart added, "The mayor and his senior leadership need to understand the importance of following the policies and procedures in place to protect taxpayer dollars and work to fix the issues across departments listed in this audit. The status quo is not acceptable."

[Findings and recommendations from the Controller's Office, as well as responses from departments, are detailed in the full report here.](#) As a complement to the report, the Controller's Office released an interactive dashboard to showcase certain departmental findings. [View the dashboard here.](#)