

Annual Auditor's Report on Philadelphia City Departments Fiscal Year 2020



City Controller
Rebecca Rhynhart
November 2021



CITY OF PHILADELPHIA

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City Controller

CHRISTY BRADY
Deputy City Controller

Tuesday, November 16, 2021

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

Dear Mr. Dubow,

The Controller's Office has examined the financial affairs of the various departments of the City of Philadelphia for fiscal year 2020 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. The examination sought to determine if management of each department has suitable internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditures. Attached is our report detailing our findings, recommendations, and the departments' responses.

While department heads and managers all have a responsibility to follow the internal controls established by the Finance Director, the City Charter places primary responsibility for establishing and maintaining internal controls on the Finance Director. These safeguards are critically important to the day-to-day operations of city government and protect taxpayer money from waste, fraud, abuse, and mismanagement. The findings throughout this report are deficiencies in internal controls across multiple departments, many of which have occurred year after year without being remedied. This indicates a lack of concerted effort from your office in leading the work with departments to fix their findings.

Additionally, the findings in this report show that the Finance-led, multi-year, multi-million dollar payroll system, OnePhilly, did not allow for sick abuse tracking and monitoring the way that the legacy system did. Because of this, departments struggled to enforce the city's sick leave policy. In total, 26 of 27 departments tested, including Finance, failed to properly enforce the City's sick leave policy, resulting in more than \$1.1 million in sick benefits being paid out that should not have been.

In total, Finance had six findings, including imprest funds conditions and personal services conditions. This is a significant number of negative findings for the office that is supposed to be leading by example for other departments. The Finance Office should work to ensure it does not have findings, and when it does, it should take steps to remediate the findings expeditiously.

Lastly, I want to draw your attention to the imprest fund conditions related to procurement cards issued to the Department of Public Health and Office of Emergency Management for emergency COVID-19 related expenses in this year's report. Finance approved the issuance of these cards without abiding by our office's approval contingency that the purchases be handled through the City's accounting system. As a result of the lax controls, Public Health overspent beyond the approved level, and the spending was not charged to the imprest fund bank account, but rather to the City's General Disbursement Account without the standard Finance Office and City Controller's Office approvals for disbursements in violation of Home Rule Charter Section 8-101. Moreover, Public Health spent more than \$102,000 on commuting costs, including \$83,188 on Uber rides for contractors and city employees and \$19,200 on parking costs. The pandemic was an unprecedented crisis that had far reaching implications on the City's finances – every step should have been taken to ensure taxpayer money was spent wisely and in accordance with the stated purpose of the cards.

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

It is our hope that you remediate your findings and address the other findings with the appropriate department heads to lead efforts to fix these issues.

Sincerely,

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

Rebecca Rhynhart
City Controller

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



ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY DEPARTMENTS EXECUTIVE SUMMARY FISCAL YEAR 2020

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

Key Findings – Fiscal Year 2020

The City of Philadelphia's sick leave policy, which addresses civil service employees, aims to reduce unnecessary use of sick leave. Under the policy, employees who miss 8 days of work due to illness in a given year without documentation should not be paid for additional sick days taken (specific conditions apply). The previous legacy payroll system had the capability to track the number of uncertified sick days used by an employee, identified the dates in which an employee reached the fifth and eighth uncertified sick days, and had fields for departments to notate whether a fifth-day warning letter was sent or an employee was placed on the sick abuse list. OnePhilly, the city's new online payroll system – a modernization initiative led by the Finance Office, did not allow for the tracking and monitoring of sick abuse. OnePhilly's lack of functionality adversely affected departments' compliance with the city's Sick Leave Rules and Regulations. As a result, the Controller's Office found that 26 of the 27 departments tested failed to properly enforce the sick leave policy for calendar year 2019, resulting in the city paying employees more than \$1.1 million of sick time for which they were not eligible to be paid. In addition to the cost, the use of sick time may increase overtime in departments or functions with mandatory staffing levels.

At the request of the Treasurer's 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.¹ While standard accounting procedures (SAPs) existed already for the OEM's imprest fund and were prepared for DPH's fund, the SAPs were designed for debit cards, not p-cards. Once the transition to p-cards occurred, Finance failed to implement proper controls to ensure that the p-cards were

¹ The City Controller's Office also approved the issuance of p-cards for DPH, however the approval was contingent upon Finance's approval and that p-card activity would be handled through the city's accounting system (FAMIS). While the p-cards were approved by Finance, the p-cards' activity was not handled through FAMIS. The p-card request for OEM was not sent to the Controller's Office for approval. Additionally, the OEM p-card was not approved by Finance in writing.

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. Instead, the p-cards were set up with a revolving balance rather than a declining balance. The lack of spending controls, combined with DPH's untimely fund and bank reconciliations and its failure to submit reimbursement vouchers, resulted in DPH spending beyond its approved limit. In total, DPH spent \$195,925 from March 19 through September 30, 2020, nearly \$96,000 more than the approved \$100,000 imprest fund total.

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 COVID-19 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. Management cited limited public transit service due to the pandemic, extended working hours, and safety concerns as necessitating these expenses. However, the Philadelphia Parking Authority did not enforce meters, kiosks, or residential parking time limits through mid-June 2020. Therefore, other, no-cost to taxpayer parking options were available for employees and contractors for at least half of the time period the p-cards were used for parking.

Per DPH, the p-card expenditures were not reimbursed by federal grants/funds as of July 29, 2021. The department stated that it was working with the city's Office of Recovery and Grants to evaluate eligibility for reimbursement.

For the third year in a row, the Controller's Office found that the Department of Licenses and Inspections did not reconcile housing inspection license renewal revenue to the city's account system on a daily basis, as required. Failure to reconcile cash receipts to the city's accounting system daily increases the risk of misstatement of revenues and creates an opportunity for misappropriation of funds. The total housing inspection license renewal revenue was \$15 million for fiscal year 2020. 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.

Recommendations

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

ANNUAL AUDITOR'S REPORT
ON
PHILADELPHIA CITY DEPARTMENTS
FISCAL YEAR 2020

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

BACKGROUND

Organization of Philadelphia Government

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

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

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

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

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

Management

Department heads and their deputies are responsible for the effective and efficient management of their department's operations. The findings and recommendations section of this report includes a discussion of the functions of each city department examined, the fiscal 2020 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

City Accounting System and Internal Controls

The Charter requires the director of finance to establish, maintain, and supervise an adequate and modern accounting system for the city. As such, the director of finance has been charged with the responsibility for developing an organized set of manual and computerized accounting methods, procedures, and controls, which have been established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data, including the city's Comprehensive Annual Financial Report.¹

¹ For fiscal year 2021, the title of the city's financial statements has been revised to Annual Comprehensive Financial Report.

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

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

RISK BASED APPROACH AND TIER RANKING

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

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

SCOPE OF AUDIT WORK

Our testing of all audit areas encompasses the period of July 1, 2019 through June 30, 2020, except for our testing of the COVID-19 procurement cards which covered activity for the months of March 2020 through September 2020 (as discussed in more detail in the findings and recommendations sections for the Department of Public Health, Office of the Director of Finance, and Office of the Managing Director).

**TIER 1
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of Innovation and Technology (OIT) was established on August 22, 2011 by executive order of the mayor. OIT oversees all major information and communications technology initiatives for the City of Philadelphia. OIT responsibilities include: identifying the most effective approach for implementing new information technology directions throughout city government; improving the value of the city's technology assets and the return on the city's technology investments; ensuring data security continuity; planning for continuing operations in the event of disruption of information technology or communications services; and supporting accountable, efficient and effective government across every city department, board, commission and agency. A chief information officer, appointed by the mayor, heads the department. In fiscal year 2020, there was a \$44.4 million increase in estimated non-tax revenues and a \$47.5 million increase in Grants Revenue Fund appropriations due to anticipated increases in emergency 911 surcharge revenues and the payment of those monies from the Grants Revenue Fund to the General Fund. The department was designated as Tier 1 for fiscal year 2020.

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

Appropriations:

General Fund	\$ 112,433,625
Water Fund	30,850,024
Grants Revenue Fund	103,697,973
Aviation Fund	2,998,689
Capital Fund	85,650,000
Total Appropriations	<u>\$335,630,311</u>

Estimated Revenues:

Non-Tax Revenue	\$ 125,043,000
From Other Governments	1,051,000
From Other Funds	<u>59,089,000</u>
Total Estimated Revenues	<u>\$185,183,000</u>

Number of Full Time Employees:

Civil Service	107
Exempt	<u>307</u>
Total Employees	<u>414</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as “cannot locate” items were still not properly removed from the city’s database after three years.</u> Our current review disclosed some improvement in this prior reported condition. Out of the 198 “cannot locate” items valued at \$3,921,296 cited in the prior year report, we noted that 95 items valued at \$1,806,598 have been removed from the city’s database. As of March 3, 2021, the other 103 items valued at \$2,114,698, which have been reported as “cannot locate” for over three years, remained on the city’s database. Regarding these 103 items, we noted the following:</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the city’s database after three years and periodically reconcile their records to those on the database [100418.03].</p>	<p>OIT’s Asset Management Unit adheres to the procedure to request removal of inventory items from the city’s (C400) database as necessary, including items reported as unable to locate after three years.</p> <p>OIT shall continue to pursue better outcomes for maintaining accurate inventory records, including following up with the Procurement Department to provide any missing</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
(continued) <ul style="list-style-type: none">One of the 103 items was part of a group of “cannot locate” items for which OIT submitted the required forms to request their removal from the city’s database. While the Finance Office approved these requested removals, the Procurement Department failed to remove the one item from the city’s database, apparently due to the item being mistakenly left off OIT’s supporting worksheet that listed the items to be removed.For the remaining 102 items, OIT had submitted the required forms to request removal of those items from the city’s database; however, Procurement Department management informed us that the Finance Office needed additional information from OIT before approving the removal of those items.			(continued) <p>or additional information necessary to close out the remaining “cannot locate” items.</p>
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for all 21 sample dates selected for testing. OIT management informed us that the department does not use written leave request forms. Instead, employee leave requests are approved by supervisors either verbally or through e-mail. The leave time taken will be entered into the employees’ timecards in the OnePhilly payroll system, and the supervisors will electronically approve the timecards.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city’s Finance Office [100420.01].	OIT does require employees to formally submit leave requests for supervisory review and approval, however the only existing written process for leave requests is via email, no leave request form exists outside of email. Unfortunately, email leave requests and approvals are sometimes not preserved as they should be once the leave time is subsequently approved in the employee’s timecard in OnePhilly. OIT will remind managers and

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>supervisors that leave requests must be submitted via email (no verbal requests) and request and approval emails should be preserved.</p> <p>[Controller's Office Evaluation of Department's Response: The department's policy is not in accordance with standard accounting procedures of the city's Finance Office. The submission and approval of leave requests through e-mail is not a formal, standardized process. For the instances cited, the department was unable to provide documentation that the employees' supervisor approved the employees' paid leave time in advance, nor did they provide documentation from the city's Finance Office that they are exempt from following city policy.]</p>
<p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [100419.01].</p>	<p>OIT shall continue to pursue more efficient methods for ensuring the timely completion of annual employee evaluations for civil service employees. Managers and supervisors are continually reminded and advised to complete employee evaluations, but workloads and limited resources sometimes disrupt their ability to do so consistently and timely.</p> <p>OIT shall reinforce with its managers and supervisors the importance of timely completing annual employee evaluations for all civil service personnel.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the third consecutive year, we have reported that the city's sick leave policy was not properly enforced.</u> OIT's failure to properly enforce the city's sick leave policy resulted in its civil service employees being improperly paid a total of \$14,236, broken down as follows:</p> <ul style="list-style-type: none">Out of the five civil service employees selected for testing, four employees used over eight days of undocumented sick leave during calendar year 2019; however, they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$12,565 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, two of the five employees tested did not receive a fifth-day warning letter, while two other employees received a fifth-day letter in an untimely manner. Also, none of the four employees who used over eight days of undocumented sick leave received an eighth-day letter notifying	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [100418.04].</p>	<p>OIT will continue to work to ensure that the city's sick leave policy is followed for civil service employees and that appropriate counseling and required notices are provided in a timely manner in accordance with city policy and Civil Service regulations.</p> <p>OIT will continue to work to ensure that exempt employee sick leave is more strictly monitored by supervisors and managers, who will be reminded to address situations where an exempt employee is perceived to be abusing sick leave.</p>

¹ According to the city's online payroll system, there were 56 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>them of placement on the Excessive Use of Sick Leave List.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional three civil service employees who were improperly paid a total of \$1,671 for uncertified sick leave used after the eighth undocumented sick day. <p>Additionally, although OIT's exempt employees are not subject to the city's Sick Leave Rules and Regulations for its civil service employees, we noted five exempt employees, who, according to the city's online payroll system, used 15 or more undocumented sick days during calendar year 2019. These five employees received \$32,274 in paid sick leave that they would not have been entitled to had OIT adopted the city's sick leave policy for its exempt employees.</p>			

City of Philadelphia
Police Department
Findings and Recommendations
Fiscal Year 2020

Functions

The Police Department was established by the Philadelphia Home Rule Charter to serve as the city's chief law enforcement department. The department has the responsibility for preserving public peace, preventing and detecting crime, policing streets and highways, and aiding in the administration and enforcement of state laws and city ordinances within the City of Philadelphia. The department is headed by a police commissioner, appointed by the managing director with the approval of the mayor. The department was designated as Tier 1 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Danielle Outlaw, Commissioner	General Fund \$741,165,097	Non-Tax Revenue \$ 6,270,000
Police Department	Grants Revenue Fund 14,439,985	From Other Governments 17,639,000
314 Police Headquarters	Aviation Fund 18,031,895	Total Estimated Revenues \$23,909,000
8 th and Race Streets	Capital Fund 50,518,000	
Philadelphia, PA 19106	Total Appropriations \$824,154,977	
		<u>Number of Full Time Employees:</u>
		Civil Service 7,319
		Exempt 15
		Total Employees 7,334

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p>For the third consecutive year, we have found that personal property items reported as "cannot locate" items were not properly removed from the city's database after three years. During our review of the city's database, we continued to note 110 items valued at \$1,164,172 which were reported as "cannot locate" items for over three years. For 23 of these items totaling \$266,959, the Police Department had submitted the required forms to request their removal; however, as of March 3, 2021, they had not yet been removed from the city's database.</p>	<p>Allowing items that have not been located for over three years to remain in the city's database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the database after three years and periodically reconcile their records to the database [101118.02].</p>	<p>The department has implemented the process of a Report of Loss form for the "Cannot Locate" items. We are continuing to use this process with the cooperation of the commanding officer of each unit. Once Commanders verify the items are not on location, they initiate the Report of Loss form to be sent to Procurement. The Materials and Supply Unit will coordinate this process along with the Department Inventory Manager. The Inventory Control technician will verify that Procurement, who is responsible for removal of the item of the Police Department Inventory, has removed the items from our inventory.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not properly enforced.</u> Out of 46 civil service employees tested (41 uniform and five civilian), we noted that the Police Department did not properly enforce the city's sick leave policy, as follows:</p> <ul style="list-style-type: none">• Three civilian employees used over eight days of undocumented sick leave during calendar year 2019; however, these three employees were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. Two of these three employees continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, they were paid \$7,777 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence.• Twelve employees (seven uniform and five civilian), who used five or more undocumented sick days during calendar year 2019, did not receive a fifth-day warning letter. Also, none of the three civilian employees who used over eight undocumented sick days received an eighth-day letter notifying them of	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101120.01].</p>	<p>The Police Department's Standards and Accountability Division monitors and audits unit's compliance to the city's sick leave policy. The department reminds commanders of the provisions outlined in Directives 11.1 (Daily Attendance Report) and 11.3 (Sick Leave) to ensure compliance with the city's sick leave policy.</p> <p>Currently, the PPD is not fully integrated into the OnePhilly system. OnePhilly OTL programming has capabilities which will provide reporting which will assist in better tracking of sick usage. The benefits of this programming will not be seen, however, until the PPD is able to fully transition into the OnePhilly OTL system for attendance record keeping.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>placement on the Excessive Use of Sick Leave List.</p> <p>Additionally, we noted several instances where the department was unable to provide medical certificates supporting sick leave, as follows:</p> <ul style="list-style-type: none">• For the five civilian employees tested, the department was unable to provide the supporting medical certificates for seven of 14 sick leave occasions reported as certified in the city's online payroll system.• For one of the 15 employees selected for testing of approved leave requests (see below), the department did not provide the supporting medical certificate for ten consecutive sick days taken by the employee.			
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for 12 of the 41 civil service employees selected for testing. Additionally, for three of the 41 employees tested, the employee evaluation forms provided by the department lacked required signatures with one form not signed by the rater, reviewing officer, or the employee and two forms not signed by the reviewing officer.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel. Also, ensure that employee evaluations contain all required signatures [101120.02].</p>	<p>Police Personnel coordinates the collection and uploading of the evaluations into the OnePhilly System. As with many work flow practices over the course of the last year, COVID 19 clearly impacted this process. Police Personnel is working to reconcile evaluations which have not been received to ensure employees receive annual evaluations which are completed accurately.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entries for separated employees were not always checked.</u> For five out of six separated employees selected for testing, we noted errors in their final payments, as follows:</p> <ul style="list-style-type: none">For two employees, the payroll checks for the last pay periods worked by the employees were not properly calculated, resulting in an overpayment and an underpayment.Three employees received incorrect terminal leave payments, with one employee overpaid and two employees underpaid. <p>Lastly, our follow-up of the fiscal year 2019 finding where a separated employee was overpaid due to an inaccurate final paycheck found that the department had not yet submitted a Payroll Credit Advice (PCA) to recover the overpayment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. Out of the six separated employees tested, two were overpaid by \$1,107 while another three employees were underpaid by \$1,562. Regarding the prior year finding, the separated employee had been overpaid by \$919.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. Require management to submit PCAs for the overpayments and the necessary documentation to resolve the underpayments [101119.02].</p>	<p>There were some errors and irregularities with the transition to the One Philly payroll system. We addressed any breakdowns with this transition and streamlined some work practices and procedures. Currently, Police Finance completes the separated employee audits, once memo is received from Police Personnel. Audits are double checked by a supervisor, then forwarded to the Controllers' Office. The Controllers' Office checks for any discrepancies, if there aren't any errors, the audits are then forwarded to Central Finance. We have streamlined the Terminal Leave process and are working closely with Police Personnel, and the City Controllers' Office, to ensure that errors are minimum and when errors occur, they are rectified expeditiously. Any overpayments are recovered through their terminal leave check or from the employee's pension. Any incorrect/ineligible payroll checks for separated employees are processed by a Payroll Credit Advice for any overpayment.</p> <p>[Controller's Office Evaluation of Department's Response: The department stated that the Controller's Office checks the separated employee audits for discrepancies. The Controller's Office Pre-Audit Division checks the terminal leave audit worksheets prepared by departments for separated employees to verify the accuracy of terminal leave hours payable. However, the errors noted by our testing did not</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			(continued) involve the Pre-Audit Division's review process. For two employees, we noted errors in the paychecks for the final pay periods worked by the employees. For three employees, the terminal leave payments were incorrect because the hours payable per the terminal leave audit worksheets did not agree with the actual hours paid per the OnePhilly system. Also, the department's response did not address the fiscal year 2019 finding where a separated employee was overpaid due to an inaccurate final paycheck, which our follow-up noted remained unresolved.]
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The department was unable to provide formal approved leave requests for six of the 15 employees we selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101119.03].	Employees are required to submit vacation requests for the year that must be approved by the commanding officer of each unit. Any leave time requested by an employee must be approved by the commander of the unit. The SOP for requesting leave time outside of the annual vacation schedule is determined by each unit's commanding officer.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fourth consecutive year, we have reported that employee overtime was not authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide evidence of overtime authorization for 72 of the 97 dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none">• For 37 instances, the department could not provide approved overtime authorization forms.• Twenty-five instances pertained to overtime worked by uniform employees assigned to the Police Department's Aviation Unit. Uniform supervisory personnel at the Aviation Unit informed us that the overtime was built into the employees' schedules, and this unit did not use the Police Department's standard overtime request form. For these 25 dates, we were unable to agree the overtime worked per the Police Department's Daily Attendance Report System to the employees' patrol logs and assignment sheets provided by the department.• For ten dates, the overtime authorization forms provided were not approved by a supervisor. <p>The 72 instances with no evidence of overtime authorization pertained to 14 employees – 13 uniform and one civilian – who earned a combined total of \$357,425 in overtime during fiscal year 2020.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101117.02].</p>	<p>Departmental policy is clear on the requirements and process for requesting and approval of all overtime worked, regardless of unit of assignment. All units are mandated to adhere to Police Directives 11.1 (Daily Attendance Report), 11.7 (Reimbursable Overtime), 11.8 (Fiscal Management and Reimbursable Expenses) and 11.10 (Overtime Pay and Compensatory Time).</p> <p>Additionally, the department, through the Standards and Accountability Division, audits units to ensure all overtime is properly approved in writing by supervisory personnel.</p> <p>[Controller's Office Evaluation of Department's Response: Although the scope of our examination did not include a review of the work of the Standards and Accountability Division, our testing noted that the Police Department could not provide evidence of overtime authorization for 72 of the 97 selected dates.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the seventh consecutive year, we have reported that daily attendance record postings were not always properly authorized.</u> The Police Department uses its computerized Daily Attendance Report (DAR) System to maintain the daily payroll attendance records for all department personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, our review of 41 Police Department employees found 116 instances where DAR entries were not approved by a unit supervisor. We also noted 152 instances where Police Department employees who entered the attendance information into the DAR system also approved it. Finally, we found 38 instances where the employee entered or approved their own time worked.</p>	<p>Errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate incompatible duties also provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll. Ultimately, employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Instruct unit personnel as to the proper procedures to be followed when processing DAR entries. Additionally, establish a centralized monitoring procedure where designated personnel would receive a report of all DAR entries not approved and follow up with non-complying units. Lastly, the duties of entering payroll data into the DAR System should be segregated from the duties of performing supervisory reviews and approvals. A possible solution would be to reprogram the system so that the individual performing data entry could not also sign-off as the supervisor [101113.01].</p>	<p>The Police Department runs a daily report of all DAR entries certified by the same person. We use this report to follow up with all non-complying districts and units to ensure proper procedures are being followed. A memorandum on police payroll approval directive is sent to all commanders annually. While our directive requires segregating duties of entering and certifying DARs, there are times operationally this is difficult due to the availability of supervisors. Hopefully the One Philly system can ensure this requirement is met.</p>

City of Philadelphia
Department of Streets
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Streets was established by the Home Rule Charter to be responsible for all functions relating to over 2,575 miles of streets, roads, and highways in the City of Philadelphia. A commissioner, appointed by the city's managing director with the approval of the mayor, directs the department. Powers and duties of the Department of Streets include: designing, constructing, repairing, and maintaining streets and roads within the City of Philadelphia, and drives within Fairmount Park; installing, maintaining, and operating equipment for lighting city streets; cleaning city streets; removing and disposing refuse; administering and enforcing statutes, ordinances, and regulations for maintaining the cleanliness of city streets; developing regulations governing traffic and parking as authorized by statute or ordinance; and performing all surveying functions for the city. The department was designated Tier 1 for fiscal year 2020.

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

Appropriations:
General Fund \$157,032,932
County Liquid Fuels Tax Fund 7,273,000
Special Gasoline Tax Fund 35,940,000
Grants Revenue Fund 29,681,000
Capital Fund 540,709,000
Total Appropriations \$770,635,932

Estimated Revenues:
Non-Tax Revenue \$ 25,024,000
From Other Governments 75,970,000
Total Estimated Revenues \$100,994,000

Number of Full Time Employees:
Civil Service 1,900
Exempt 24
Total Employees 1,924

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as "cannot locate" items were still not properly removed from the city's database after three years.</u> During our review of the city's database, we noted 25 items valued at \$286,432 which were reported as "cannot locate" items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city's database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the database after three years and periodically reconcile their records to the database [101219.03].</p>	<p>Streets has already established new centralized inventory control processes which include multi-tiered reviews and checks on listed inventory. This includes removing "cannot locate" property items after 3 years to more properly reflect our inventory records. The Department has been processing these items so that they are formally removed from the inventory listing.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Attendance records could not be provided.</u> For four of the five employees selected for testing, the department did not provide 10 out of the 46 daily timesheets requested. When we discussed this issue with department management in February 2021, the 10 missing timesheets had still not been provided. On September 1, 2021, in response to the draft report, the department provided six of the 10 timesheets.</p>	<p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting departmental activities undermines the ability to effectively monitor and control departmental operations.</p>	<p>Maintain and safeguard documentary evidence such as daily timesheets in order to support the validity of departmental transactions. [101220.01].</p>	<p>Streets is establishing internal controls across divisions to address this finding. This includes regular coordination and communication with divisions, as well as internal training for time-entry support in office and field sites.</p>
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for nine out of 12 dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101219.06].</p>	<p>Streets field operations do not readily provide for documentation of authorized leave for unplanned absences, such as sick leave. Streets will review alternatives however to establish more appropriate controls to track approved leave documentation. This effort proved more difficult during the COVID-19 pandemic as centralized administrative employees were primarily working remotely, but we will be addressing this issue going forward.</p>
<p><u>For the third consecutive year, we have reported that payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 36 daily attendance records, we noted five records that showed no evidence of supervisory review.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [101218.02].</p>	<p>Streets is establishing internal controls across divisions to address this finding. This includes regular coordination and communication with divisions, as well as internal training for time-entry support in office and field sites.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year, we are reporting that the city sick leave policy was not enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$210,883, broken down as follows:</p> <ul style="list-style-type: none">All five civil service employees selected for testing used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List. Four of the five employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy, but they were not penalized according to the city's Sick Leave Rules and Regulations. Consequently, they were paid \$26,557 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five civil service employees tested received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, we requested the supporting medical certificates for all	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101215.03].</p>	<p>The One Philly system now allows Streets to monitor sick leave in real time. This feature was not available in the system until calendar year 2021 and therefore could not be properly tracked during the period under review in this audit. Since the implementation of sick leave control features in One Philly became effective 2021, the department now has established a robust and centralized sick leave control process. In addition, this feature provides the opportunity for the department to establish an internal auditing process to ensure the city's sick leave policy is properly followed throughout the department.</p> <p>[Controller's Office Evaluation of Department's Response: The department stated that, since the implementation of sick leave control features in OnePhilly effective for calendar 2021, it has established a robust and centralized sick leave control process. The fiscal year 2020 audit tested the department's compliance with the city's sick leave policy for calendar 2019. We will follow up on the department's response in the fiscal year 2022 audit, which will test the department's compliance for calendar year 2021.]</p>

¹ According to the city's online payroll system, there were 537 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>certified sick leave used during calendar year 2019 by the five employees tested, but the department did not provide any of the requested certificates.</p> <ul style="list-style-type: none"> • Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 284 civil service employees who were improperly paid a total of \$158,794 for uncertified sick leave used after the eighth undocumented sick day. • Also, our review of the city's online payroll system data revealed that another 33 civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave list, continued to use and be paid \$25,532 for uncertified sick leave during calendar year 2019. 			
<p><u>For the ninth consecutive year, we are reporting that employee overtime was not authorized.</u> Overtime was paid without evidence that management had approved the requests prior to employees working overtime. For all five employees selected for testing, the department could not provide approved overtime authorization forms for any of the 25 instances of overtime we tested. These five employees – two of whom were bridge maintenance supervisory personnel while the other three were equipment operators – earned a combined total of \$264,617 in overtime during fiscal year 2020.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101211.01].</p>	<p>Streets employees performing curbside collection and roadway and bridge maintenance and repair work are solicited for overtime work verbally while in the field as required, precluding any formal pre-approved documentation. An established multi-step supervisory review and verification process is in place however which requires timesheets to be signed and approved by supervisors and subsequently authorized by senior management.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>Although our discussions with department management indicated that it had established a policy for preauthorization of overtime based on work assignment, this was a blanket overtime approval for a group of employees under a certain assignment rather than a preauthorization of overtime on an individual employee basis.</p>			

City of Philadelphia
Fire Department
Findings and Recommendations
Fiscal Year 2020

Functions

The Philadelphia Fire Department (PFD) was established by the Philadelphia Home Rule Charter to provide the following major functions: extinguish fires within the city and, upon request of the appropriate authorities, outside the city; administer the fire code relating to fire and explosion hazards; institute and conduct programs of public education in fire prevention and safety; train, equip, maintain, supervise, and discipline an adequate number of firefighters; and operate a fire alarm system. Additionally, the PFD is also charged with delivering pre-hospital emergency medical care and transportation. The PFD consists of four major divisions that include Emergency Medical Services, Operations, Technical Services, and Administrative Services. Each of these divisions has responsibility for carrying out the various functions of emergency medical services and firefighting. The department operates out of 68 locations throughout the City of Philadelphia, with each fire station housing a variety of equipment including pumpers, ladders, and medic units. A fire commissioner and four deputies manage the department. The fire commissioner is appointed by the city's managing director. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$298,549,278
Grants Revenue Fund	26,738,515
Aviation Fund	9,320,474
Capital Fund	<u>18,711,000</u>
Total Appropriations	<u>\$353,319,267</u>

Estimated Revenues:

Non-Tax Revenue	\$40,950,000
From Other Governments	<u>26,739,000</u>
Total Estimated Revenues	<u>\$67,689,000</u>

Number of Full Time

Employees:

Civil Service	2,806
Exempt	<u>14</u>
Total Employees	<u>2,820</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>For the third consecutive year, we have reported that personal property items reported as "cannot locate" items were not properly removed from the city's database after three years.</u> During our review of the city's database, we noted 237 items valued at \$385,280 which were reported as "cannot locate" items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city's database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the database after three years and periodically reconcile their records to the database [101318.02].</p>	<p>PFD is aware of the City policy and procedures in removing CNL (cannot locate) items. However, due to staff shortage and changes, PFD was not able to remove these items in a timely fashion. PFD is currently reviewing and preparing documentation to submit a request to Procurement to remove these items from the inventory in Fiscal Year 2022.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not agree to the online payroll records for five of the 10 employees we selected for testing. When we discussed this issue with the department's human resources management in December 2020, no documentation was provided by the department to resolve the discrepancies noted. On September 20, 2021, in response to the draft report, the department provided additional attendance documentation that resolved the discrepancies noted for two of the five employees.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101320.01].</p>	<p>Currently, PFD Payroll Clerks are assigned to check each other's work on Mondays after payroll closes. Any errors found are corrected when payroll reopens on Tuesday. During payroll closing review, the Administrative Technicians (supervisors) check behind the payroll clerks.</p> <p>With that described, PFD Payroll is constantly stressed with a high volume of work and staffing shortages (through absences and/or separations). While PFD Payroll attempts to follow checking procedures as diligently as possible, there are times when thorough monitoring is difficult when faced with a high volume of work. The PFD will strive continuously to fill vacancies and/or augment staff capacity as quickly as possible and continue monitoring during high workload/low personnel times.</p>
<p><u>Payroll data entries for separated employees were still not always checked.</u> For three out of five separated employees selected for testing, we noted errors in their final payments as follows:</p> <ul style="list-style-type: none"> For three employees, the payroll checks for the last pay periods worked by them were not properly calculated, resulting in all three employees being overpaid. For two of these three employees, the overpayment occurred because the separation was not timely recorded in 	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. The three employees were overpaid by \$5,101. Additionally, one of these three employees was underpaid by \$493 for the terminal leave payment. Regarding the prior year finding, the separated employee for whom no PCA has been submitted was overpaid by \$1,002 while the</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees and PCAs are submitted for any overpayments [101319.02].</p>	<p>PFD disagrees with the assessment that data entries for separated employees are not always checked. PFD has a system of checks and balances in place to ensure review by two separate work groups (Payroll & HR) with final review being performed upon approval. Occasionally, when an employee separates, their workday schedules do not align due to the uniform roll calls, leaving a balance that affects the</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>the city's online payroll system. The other employee was overpaid for shift differential time when sick leave hours used by the employee were not recorded.</p> <ul style="list-style-type: none"> For one of these three employees, the terminal leave payment was incorrectly calculated, resulting in an underpayment. <p>In addition, our follow-up of the fiscal year 2019 finding where two separated employees were overpaid due to inaccurate final paychecks disclosed the following:</p> <ul style="list-style-type: none"> For one employee, the department had not yet submitted a Payroll Credit Advice (PCA) to recover the overpayment. Regarding the other employee, the prior report noted that the department submitted a PCA with an incorrect amount. During the current audit, we found that the department had not yet submitted a corrected PCA for this employee. 	<p>(continued)</p> <p>overpayment amount on the PCA submitted for the other employee was understated by \$49.</p>		<p>(continued)</p> <p>terminal leave payout. PFD will continue to work to increase reviews of biweekly payroll entries and will also arrange for involved personnel to attend refresher training to reinforce and sharpen skills.</p> <p>[Controller's Office Evaluation of Department's Response: The department stated it disagrees with the assessment that data entries for separated employees are not always checked. However, our testing results, which noted errors in final payments for three out of five selected separated employees, indicate that the department's review of payroll data entries for separated employees requires strengthening.]</p>
<p><u>For the third consecutive year, we have reported that the city sick leave policy was not enforced.</u> The Fire Department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$245,123, broken down as follows:</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including</p>	<p>With the launch of One Philly effective March 25, 2019, PFD managers and supervisors were required to attempt tracking uncertified sick leave outside the system. In a department of nearly</p>

¹ According to the city's online payroll system, there were 339 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <ul style="list-style-type: none"> None of the five civil service employees tested, who used over eight days of undocumented sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$84,933 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five employees tested received either a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, we requested the supporting medical certificates for all certified sick leave used during calendar year 2019 by the five employees tested, but the department did not provide any of the requested certificates. According to the city's online payroll system, one of these five employees used 105 days of certified sick time during calendar year 2019. 		<p>(continued)</p> <p>employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101318.04].</p>	<p>(continued)</p> <p>3,000 employees working varied shifts, it is excruciatingly difficult to manage sick abuse manually in the absence of system-generated reports that accurately show the number of uncertified sick days by employee.</p> <p>In November 2020, OnePhilly launched the sick abuse tracking reports, and departments no longer needed to track uncertified sick usage manually. PFD is committed to reviewing its sick abuse monitoring to determine strategies to improve monitoring, compliance, documentation, and follow-up.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 106 civil service employees who were improperly paid a total of \$153,588 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another civil service employee, who, according to the payroll system, was already on the Excessive Use of Sick Leave List, continued to use and be paid \$6,602 for uncertified sick leave during calendar year 2019.			
<p><u>For the eighth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the 10 civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101312.01].</p>	<p>PFD continues to make notice to all staff of the performance review period, due November 1 of each year. PFD received a high level of completion and submission of annual review. PFD commits to sending notification to staff regarding reviews earlier to encourage greater compliance and will work toward increasing the number of staff assigned to uploading evaluation documentation into One Philly.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of 20 weekly attendance records, we noted four records that showed no evidence of supervisory review.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [101319.03].	Implemented.
<u>Employee attendance records are not properly used to document employee attendance.</u> Our review of the Fire Department's records revealed that attendance records were not routinely prepared for two of the 10 employees selected for testing. For one civilian employee, the department was unable to provide any attendance documentation and for one uniformed employee, the attendance record was not prepared for one of the dates tested.	Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.	Require employees to contemporaneously complete their weekly time reports [101319.04].	Implemented.
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave time taken was not properly approved by a supervisor for three out of 10 employees selected for testing. For one civilian employee, the department was unable to provide three formal leave requests and for two uniformed employees, leave time taken was not properly approved by a commanding officer.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101319.05].	Implemented.

City of Philadelphia
Department of Public Health*
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Public Health (DPH) was established by the Philadelphia Home Rule Charter to preserve and improve the health and well-being of the citizens of Philadelphia by supplying an available, accessible, and comprehensive system of health care. Other responsibilities include: the administration and enforcement of statutes, ordinances, and regulations relating to public health; the institution and conduct of programs to promote public education in all matters concerning public health; the establishment, maintenance and operation of health centers, stations, clinics, laboratories, and other health facilities; and the compilation, analysis, maintenance, and reporting of statistics and data concerning births, stillbirths, and deaths. A commissioner and three deputies manage the affairs of the DPH. These executives are appointed by the city's managing director, with the approval of the mayor. In accordance with the Home Rule Charter, the commissioner is made chairman of the Board of Health because the board is attached to the DPH and the regulations promulgated by the board will be the regulations of the department. The commissioner is assisted by three other specialized agencies acting in an advisory capacity: (1) the Air Pollution Control Board, (2) the Family Medical Care Board (also known as Community Health Advisory Committee), and (3) the Medical Examiner's Advisory Committee. In fiscal year 2020, there was a \$157 million increase in Acute Care Hospital Fund appropriations primarily due to the Philadelphia hospital assessment reauthorization. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head

Cheryl Bettigole, MD, MPH
Health Commissioner
Department of Public Health
Jefferson Center
1101 Market Street, 13th Floor
Philadelphia, PA 19107

Appropriations:

General Fund	\$160,572,140
Grants Revenue Fund	167,330,965
Acute Care Hospital Fund	319,153,408
Capital Fund	<u>64,218,000</u>
Total Appropriations	<u>\$711,274,513</u>

Estimated Revenues:

Non-Tax Revenue	\$ 28,491,000
From Other Governments	<u>251,594,000</u>
Total Estimated Revenues	<u>\$280,085,000</u>

Number of Full Time Employees:

Civil Service	853
Exempt	<u>31</u>
Total Employees	<u>884</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>IMPREST FUNDS</p> <p><u>Expenditures charged to the DPH's COVID-19 procurement cards (p-cards) appeared questionable when compared to the original stated reasons for the cards.</u> Refer to report pages 32 to 34 for the details of this finding.</p>			
<p><u>The DPH did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.</u> Refer to report pages 34 to 35 for the details of this finding.</p>			

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked.</u> For two of the six employees selected for testing, the employees' attendance records did not agree with the time recorded in the online payroll system. For both employees, overtime hours worked were incorrectly recorded on the payroll system.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101420.08].</p>	<p><u>Summary:</u> Transition to OnePhilly from Legacy Payroll system took place in March 2019 for Health Department's 950+ employees. The implementation period involved training, troubleshooting and both paper and manual time entry into the system for multiple divisions by the Health Payroll team. The transition period took time to acclimate between the two systems, was impacted by manual time entry into the new system, limited availability of reports for payroll review and/or access, and training of Health Payroll staff and divisions/employees to the updated rules and processes in OnePhilly. Health Payroll had to continue learning/troubleshooting in the new system; as well as, input time entry for those employees who had not yet transitioned to OTL time entry. In addition, during this time period there were multiple staffing changes in the Health HR Office which included departmental payroll supervisor, support/clerical staff, administrative manager over payroll, and the HR manager.</p> <p><u>Actions:</u> Review of overtime rules and regulations was conducted with Health Payroll team especially with regards to the new system.</p> <p>Payroll manager, supervisor, and clerks participated in OnePhilly learning labs that were made available to them.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>Health Payroll staff utilized LMS to review time entry and payroll trainings.</p> <p>Began to implement training across the department with help of OnePhilly team to transition <u>all</u> Health Department employees from paper timesheets to Oracle Time and Labor (OTL) time entry with target deadline of the end of the calendar year. <i>Note: As of the end of December 2020, all Health Department employees transitioned from paper timesheets to OTL self-service.</i></p> <p>Once completed, OTL time entry allowed all employees to enter their own time directly into OnePhilly and supervisory review/approval in the OnePhilly system in a timely manner. In addition, Health Payroll will be able to efficiently review/audit timecards prior to payroll closing and address any issues timely.</p> <p>Lastly, Health Payroll reminded employees that overtime begins after 8.0 hours worked and informed them that the usage of overtime 1.0 hours type code to track the ½ hr of straight time in the system was applied incorrectly. Now employees enter regular hours up to 8.0 hrs and overtime hours type code for any hours worked after 8.0 hours in accordance with the Civil Service Regulations and/or applicable union contract(s).</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The department's failure to enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$33,938, broken down as follows:</p> <ul style="list-style-type: none">Four of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$13,299 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, regarding the four employees who used over eight undocumented sick days, three did	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101415.08].</p>	<p><u>Summary:</u> Calendar year 2019 mentioned in the audit encompassed both FY'19 & FY'20. During this time period, the Health HR/Payroll Unit experienced challenges such as multiple staffing changes (departmental payroll clerks, departmental payroll supervisors, reduction in payroll staff due to separation of Department of Behavioral Health from the Department of Public Health, payroll administrator changes, clerical and support staff changes, and lastly, departmental HR manager leave and changes). It appears that the staffing transitions had negatively impacted follow-up and/or access to information. In addition, during FY'20 (March 2019), the city transitioned from the legacy payroll system to the OnePhilly system. The implementation period included reconciling both systems, training across the department, new and additional time entry processes involving Health payroll entering and reconciling both paper timesheets to manual entry in system for multiple divisions, limited availability of reporting, and troubleshooting needed during the transition.</p> <p><u>Actions:</u> The department is continuously reviewing and working on finding effective methods to ensure sick leave is tracked and sick abuse penalties are enforced.</p> <p>Biweekly payroll meetings conducted to address any issues or concerns with the departmental payroll supervisor and look</p>

¹According to the city's online payroll system, there were 90 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>not receive a fifth-day warning letter while one received a fifth-day letter in an untimely manner. Also, none of these four employees received an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for these four employees, the department was unable to provide the supporting medical certificates for 19 of 28 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 36 civil service employees who were improperly paid a total of \$20,639 for uncertified sick leave used after the eighth undocumented sick day.			<p>(continued)</p> <p>for solutions; as well as, incorporating staff training and review of payroll processes.</p> <p>Continued request for a Sick Abuse Report from OnePhilly to track sick leave usage similar to Legacy notifications. In FY'20 report was pending and request was noted city-wide. Formerly in Legacy payroll there was a notification in the system to alert when an employee had reached 5- day and 8- day. Starting November 2020, OnePhilly introduced a sick abuse report that has enabled us to better enforce the sick leave policy.</p> <p>Transition of all Health Department staff to OTL time entry by end of calendar year 2020 assisted each payroll clerk with allocating time for manual tracking of employees leave time in their assigned divisions after payroll closing to review timecards from previous pay periods and reach out for additional documentation, if needed.</p> <p>Health Payroll clerk weekly review increased communication to employees, supervisors, managers, and liaisons to follow-up on pending leave slips, medical notes and/or supporting documentation.</p> <p>Payroll staff will continue to audit and send electronic notifications and letters of correction for deficient notes with a firmer deadline and following up in the allotted time frame. We are now able to utilize the OnePhilly sick abuse report for better enforcement.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for nine of the 16 dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101419.08].	Implemented.
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the six civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101419.09].	Implemented.
<u>Attendance records could not be provided.</u> The department was unable to provide daily timesheets for two of the six employees selected for testing. In total, the department was unable to locate 11 daily timesheets for those two employees.	Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting department activities undermines the ability to effectively monitor and control departmental operations.	Maintain and safeguard documentary evidence such as sign-in sheets in order to support the validity of departmental transactions [101419.10].	Implemented.
<u>Personal property items reported as "cannot locate" items were not properly removed from the city's database after three years.</u> During our review of the city's database, we noted 30 items valued at \$318,845 which were reported as "cannot locate" items for over three years.	Allowing items that have not been located for over three years to remain in the city's database overstates the value of the personal property assets and unnecessarily complicates the physical count process.	Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the city's database after three years and periodically reconcile their records to the database [101418.01].	Implemented.

Observation/Condition:

Expenditures charged to the DPH's COVID-19 procurement cards (p-cards) appeared questionable when compared to the original stated reasons for the cards.

In March 2020, in response to the DPH's request to address COVID-19 emergency purchasing needs, the Office of the Director of Finance (Finance Office) established a COVID-19 imprest fund and approved the issuance of p-cards² to the DPH for the purchases. The DPH originally requested a charge card account for urgent purchases and stated supplies or services that needed to be purchased quickly included, but were not limited to the following: COVID-19 testing equipment and supplies, personal protective equipment, hygiene and sterilization needs, mass testing/care facilities equipment, food delivery for staff on night shifts, urgent travel, and public transit fare cards.

We reviewed the DPH's p-card charges from March 19, 2020 (the start of p-card activity) through September 30, 2020, which totaled \$195,925, and noted that the majority of expenditures appeared questionable when compared to the purchase needs listed in the DPH's original request. More than half, \$102,388, was spent on commuting costs, specifically \$83,188 on Uber transportation and \$19,200 on parking.

Regarding the Uber costs, the DPH management indicated that Uber rides were provided to public health emergency staff for travel to and from worksites and large COVID-19 federal testing sites, stating it was necessary given the reduction in public transit service, extended working hours, and employee safety concerns. We analyzed the Uber trip detail provided by the DPH and noted that \$83,188 was spent on Uber rides for 114 individuals, broken down as follows: approximately 56 percent of the cost, \$46,205, was incurred for rides provided to 69 individuals employed by city contractors; \$34,185 was spent on rides for 41 city employees; \$2,785 was incurred for rides provided to a Centers for Disease Control and Prevention public health advisor and two fellows; and \$13 was expended for one unidentified individual.

The DPH management stated that many employees from their contractors were part of the COVID-19 response effort, and the DPH incurred their Uber expenses to provide consistent oversight over the process and avoid contractor administrative fees. We observed a March 21, 2020 e-mail in which Finance Office management approved the DPH's request to use the p-cards for rideshare services. The DPH management stated that a corporate Uber account was established, and access to the account was limited to designated individuals (mostly city and contractor employees), whose destination or departure location had to be one of the pre-programmed addresses for sites related to the DPH's COVID-19 response. However, there was no formally documented procedure for the approval of the Uber trips taken by the designated individuals.

Additionally, our analysis of the Uber trip detail found that most Uber rides for city employees (1,065 of 1,371 rides, or 78 percent) involved trips from their home location to work and vice versa. In March 2021, we asked Finance Office management whether they had determined if the Uber rides to/from city employees' home locations represented taxable fringe benefits. Finance Office management responded that, after consultation with the Law Department, it was determined that Uber rides to and from an employee's home should be considered imputed income to be reported on an employee's W-2 form.³ As for whether the affected employees' tax year 2020 W-2 forms required amendment to include the imputed income for Uber rides, Finance Office management indicated that they, in conjunction with the Law Department, were still researching to determine if those transactions were exempted due to Internal Revenue Service (IRS) rules adopted in response to the COVID-19 pandemic.

From April 2020 through July 2020, \$19,200 was spent on parking accommodations to enable staff to park their vehicles in a parking garage near the DPH's headquarters. Again, the DPH management cited limited public transit service, extended working hours, and safety concerns as necessitating these expenditures. When we requested documentation indicating the Finance Office's written approval of these parking expenses, Finance Office management informed us that they verbally approved using the p-cards for parking. We question these expenditures considering that there were other parking options available at this time. During the COVID-19 crisis through mid-June 2020, the Philadelphia Parking Authority (PPA) had stopped enforcing meters, kiosks, and residential parking time limits.

Other expenditures which appeared questionable in relation to the original stated reasons for the p-cards included:

² A p-card is a type of commercial charge card that allows organizations to make electronic payments for a variety of goods and services. The card-using organization must pay the card issuer in full each month.

³ When an employee receives non-cash compensation that is considered taxable, the value of that benefit becomes imputed income for the employee. Unless specifically exempt, imputed income should be added to the employee's gross (taxable) income on the W-2 form.

- \$10,448 was expended on various food purchases. According to the DPH management, food was provided to residents of the city's various isolation and quarantine sites. However, we did note a \$602 take-out order from Maggiano's Little Italy on April 24, 2020. While the DPH management indicated that, since staff was working when many food places were shut down, employees were provided with meals, we observed an internal DPH procedure for the p-cards, dated April 28, 2020, which listed food for staff or contracted staff as an unallowable expense.
- In September 2020, there was a \$9,069 payment to the city's Department of Licenses and Inspections, which the DPH management stated was for a building permit application for the project on the site of the replacement of the Public Health Laboratory. The \$9,069 expenditure included a \$178 convenience fee because the payment was made through the city's website using the p-card.
- The DPH spent \$4,969 on various clothing purchases. Management stated that new clothing was purchased for homeless individuals who were residents at the city's COVID isolation and quarantine sites.
- In March 2020, the DPH expended \$2,600 on Visa and MasterCard gift cards. The DPH management asserted the gift cards were used to purchase food and health supplies for individuals placed in isolation and quarantine sites. However, the only documentation provided for these expenditures when they were submitted to the Finance Office as part of a reimbursement voucher were the receipts for the purchase of the gift cards. Management stated they discontinued this practice in April 2020.

The Finance Office's Standard Accounting Procedure (SAP) No. 4.1.1.e (Rev. 1), *Imprest Funds*, states that purchases from an imprest fund should be for the purpose stated in the requesting documents. Also, the SAP prepared by the Finance Office for the DPH's COVID-19 imprest fund⁴ stated that the expenses to be charged were mainly materials, supplies, and hotel rooms (for individuals under quarantine) during emergency circumstances.

We also noted the following instances which violated city policy:

- The Finance Office's SAPs required the DPH to maintain supporting invoices and receipts for all purchases and submit them as part of the reimbursement voucher package. However, we noted that there were 41 p-card transactions totaling \$8,677 for which the supporting invoices or receipts were missing. \$5,747 of the \$8,677 was attributed to purchases made in March and April 2020 by a former DPH employee, who, according to the DPH management, saved the invoices or receipts on her personal drive and/or e-mail account and did not provide the documents to the DPH management before leaving the city. The DPH management stated that they were working with the Office of Innovation and Technology to retrieve the missing documents, but no receipts or invoices were provided for the \$5,747 when the DPH submitted reimbursement vouchers for March and April 2020 purchases in November 2020.
- The city is exempt from the payment of the Pennsylvania sales tax, and departments have been instructed not to pay sales tax on disbursements and to obtain tax-exempt certificates from the Procurement Department to present to vendors to show that no tax is due. However, we noted 82 p-card transactions that included payment of sales tax totaling \$1,172.

In July 2021, we inquired as to whether the p-card expenditures had been reimbursed by federal grants, such as Coronavirus Relief Funds. The DPH management responded that, as of July 29, 2021, the p-card expenditures had not been reimbursed by federal funds, and they were working with the city's Office of Recovery and Grants to evaluate eligibility for reimbursement.

Risk/Potential Effect:

The questionable expenditures noted did not always appear to be the most prudent or cost-effective use of taxpayer dollars. For those p-card transactions with no supporting documentation, there is a risk that those funds were improperly used. The DPH's payment of sales tax on various transactions resulted in taxpayer dollars being unnecessarily expended on disbursements unallowable per city policy. Lastly, given these factors and the Finance Office's failure to establish proper internal controls when the p-cards were issued (as discussed in more detail in the Finance Office's Findings and Recommendations section on pages 69 to 71), there is an increased risk that certain p-card expenditures may not be eligible to be reimbursed by federal Coronavirus Relief Funds.

⁴ The SAP for DPH's COVID-19 imprest fund was SAP No. 4.1.1.e (Rev. 1)-A2, *DPH – an addendum to Imprest Funds SAP No. 4.1.1.e (Rev.1)*.

Recommendation:

To improve controls over its p-card expenditures, the DPH management should ensure that:

- P-cards are only used for allowable purchases in accordance with the requesting document and the SAPs of the Finance Office [101420.01].
- Supporting invoices and receipts are maintained for all purchases. If a card user cannot produce documentation to support a charge, require that the card user reimburse the city [101420.02].
- Card users refrain from paying sales tax on purchases and obtain tax-exempt certificates from the Procurement Department to present to vendors to show that no tax is due [101420.03].

Regarding the Uber rides provided to city employees for trips from work to home and vice versa, we recommend that the Finance Office and the DPH management work together to ensure that:

- An opinion is obtained from the Law Department regarding whether the affected employees' tax year 2020 W-2 forms require amendment to include the imputed income for Uber rides. If the Law Department concludes that the imputed income should be included, amend the affected employees' tax year 2020 W-2 forms accordingly [101420.04].
- Going forward, a process is developed for capturing the imputed income for Uber rides and reporting the amounts on employees' W-2 forms [101420.05].

Department's Response:

DPH's current system for using the P-cards requires employees to first submit a request via a credit card request form to specify the need for use of the emergency card and item(s) that will be purchased.

- The form contains a categorical list of allowable and unallowable expenses for requestors, the request is reviewed by a contract or finance manager based on the list and approved or denied.
- The purchase is then made by an authorized user and the receipt and approval email is saved in a shared OneDrive folder.

DPH obtained an opinion from the Law Department that determined Uber rides are considered imputed income. Finance is currently working to determine if the amounts paid for each individual's Uber rides are large enough to warrant a W2c.

Uber rides for employees were discontinued in July 2020, and there are no plans to offer this service to employees in the future.

Observation/Condition:

The DPH did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.

During our review of the DPH's COVID-19 imprest fund, which was created in March 2020, we noted that fund and bank reconciliations for March through June 2020 were untimely prepared – not being completed until August 26, 2020. Also, the DPH did not prepare reimbursement payment vouchers timely, with the first vouchers not submitted until November 2020, approximately eight months after the account's creation.

Risk/Potential Effect:

Failure to perform monthly fund and bank reconciliations and submit reimbursement vouchers timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. Also, the untimely account reconciliations and reimbursement vouchers contributed to the DPH overspending beyond its approved limit, which is discussed in more detail in the Finance Office's Findings and Recommendations section on pages 69 to 71.

Recommendation:

Management should ensure that:

- Monthly fund and bank reconciliations are timely prepared in accordance with SAPs of the city's Finance Office [101420.06].
- Reimbursement payment vouchers are submitted on a timely basis to ensure that the imprest fund is maintained at an adequate level [101420.07].

Department's Response:

DPH has conducted timely monthly reconciliations in partnership with Finance since August 2020.

DPH has submitted reimbursement vouchers monthly since November 2020 to ensure an adequate balance.

City of Philadelphia
Department of Behavioral Health and Intellectual Disabilities Services*
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Behavioral Health and Intellectual Disabilities Services (DBHIDS) was established in 2004 by executive order. The major objective of the DBHIDS is to assure the availability of state mandated mental health services to residents of Philadelphia. Services include residential housing, vocational rehabilitation, intensive case management, employment, and emergency services aimed at providing supportive environments for both consumers and their families. DBHIDS collaborates with other service systems in both program development and service delivery efforts, especially when the consumer is receiving care from more than one service system. Additionally, DBHIDS attempts to foster community understanding and acceptance of individuals with disabilities in order to improve opportunities for community-based services for consumers. The DBHIDS brings together the following three agencies to form a single entity: the Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs, and Community Behavioral Health (a nonprofit corporation serving as the city's managed care organization for Medicaid patients). These three components of the system collaborate in a range of functions, including: fiscal and administrative oversight of programs and services; policy analysis and planning; quality improvement; monitoring of treatment providers; and authorization of services. In addition, the department also provides services for persons with intellectual disabilities by acting as an administrative organization for the state to ensure compliance with state directives and mandates. DBHIDS management consists of a commissioner appointed by the mayor, two deputies, a medical director, and a chief financial officer. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head
Jill Bowen, Ph.D., Commissioner
Department of Behavioral Health and
Intellectual Disabilities Services
1101 Market Street, 7th Floor
Philadelphia, PA 19107

Appropriations:
General Fund \$ 15,895,444
Grants Revenue Fund 285,482,859
Health Revenue Fund 1,300,000,000
Total Appropriations \$1,601,378,303

Estimated Revenues:
Non-Tax Revenue \$ 2,800,000
From Other Governments 1,582,683,000
Total Estimated Revenues \$1,585,483,000

Number of Full Time Employees:
Civil Service 221
Exempt 32
Total Employees 253

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Payroll data entries for separated employees were not always checked.</u> Out of five separated employees selected for testing, we noted that three remained on the city's payroll and were paid for a total of 42 days after their termination dates. In November 2020, the overpayment for one employee was recovered through a deduction to the employee's terminal leave payment. However, the department was unable to provide evidence that they submitted Payroll Credit Advices (PCAs) to recover the overpayments for the other two employees.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. The three separated employees were overpaid by a total of \$12,598. We observed that \$1,560 of the \$12,598 total overpayment was recovered through the deduction to one employee's terminal leave payment.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees. Require management to submit PCAs for any overpayments [101520.01].	Department implemented changes to procedures that requires payroll staff to review payroll entries on a weekly basis to ensure appropriateness and accuracy of time records. Department will dedicate additional staff to manage separation and PCA process and associated oversight. An additional module via the OnePhilly system would assist the department in alleviating manual monitoring and processing.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting personnel time in the field was incomplete.</u> The department was still unable to provide us with evidence that personnel time in the field was tracked. We requested an example of the field location sheet used for employees who worked outside of the office, but the department failed to provide the requested field location sheet.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>Require employees to use call in/out procedures and field location sheets when performing work duties outside the office [101519.04].</p>	<p>Department will draft call in/out procedures to share with the department and create electronic field location sheets to verify offsite work. This information will be disseminated to staff and HR will provide training/education about the updated policy and procedure by the end of Q2 FY22.</p>
<p><u>For the fourth consecutive year, we are reporting that employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the requests prior to employees working overtime. For all five employees selected for testing, the department could not provide approved overtime authorization forms for any of the 25 instances of overtime we tested. These five employees, all of whom were public health program analysts, earned a combined total of \$41,585 in overtime during fiscal year 2020.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101517.01].</p>	<p>The HR unit has restructured the unit to be efficient and effective to meet the needs of the department. The HR team continues to become more efficient in the processes thereby, developing opportunities for HR personnel to internally audit overtime time entries on a bi-weekly basis. The HR unit developed a PPT training tool for entering time via OnePhilly. This training included time entry for Comp time and Over time. This training will be transitioning to an online training that will include several other time entry related functions. Note: We also maximize the use of OnePhilly to enter time as a future date for a preapproval process for overtime requests. Staff were educated around the OnePhilly HR Management Solution. As another layer of approval, the Department will draft procedures requiring pre-approval of overtime in writing. This information will be disseminated to staff and HR will provide additional training/education about the updated policy and procedure by the end of Q2 FY22.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the eighth consecutive year, we are reporting that the city sick leave policy was not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$14,258, broken down as follows:</p> <ul style="list-style-type: none">Four of the five civil service employees selected for testing used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These four employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$14,132 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five civil service employees tested received a fifth-day warning letter, and the four employees who used over eight uncertified sick days did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for 52 of 56 sick leave occasions reported as certified in the city's online payroll system.	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101512.01].</p>	<p>The Department provides training materials and will continue to be a resource to employees to enforce the city's sick leave policy. HR is in the process of updating their training PPT to an online comprehensive training that includes time entry for sick leave. Information will be disseminated to staff. Also, HR will provide additional training/education about the policy and procedure by the end of Q2 FY22. The HR unit has restructured the unit and continues to become more efficient which allows HR personnel to internally audit sick leave time entries on a bi-weekly basis. Additionally, the OnePhilly system now generates a sick abuse report that will assist with monitoring sick abuse for future time periods.</p>

¹ According to the city's online payroll system, there were 14 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <ul style="list-style-type: none"> Our analysis of the city's online payroll system data for calendar year 2019 disclosed one additional civil service employee who was improperly paid a total of \$126 for uncertified sick leave used after the eighth undocumented sick day. 			
<p><u>For the tenth consecutive year, we are reporting that documentation supporting, and authorizing employee leave time was not routinely prepared.</u> For the five employees tested, the department could not provide formal approved leave requests for any of the 10 dates selected for testing. DBHIDS management informed us that, since the implementation of the OnePhilly payroll system, the department no longer uses written leave request forms. Instead, employee leave requests should be pre-approved by supervisors either verbally or through written correspondence. The leave time taken will be entered into the employees' timecards in the OnePhilly system, and the supervisors will electronically approve the timecards. However, we were not provided evidence of any such pre-approval of leave time.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].</p>	<p>The Department provides education and awareness while continuing to be a resource to employees to enforce the city's leave request policy and requiring all employees to formally submit written requests to supervisors and receive approval prior to utilizing leave time. HR is in the process of updating the training to be online and comprehensive that includes time entry for formal leave requests. With the restructuring of the HR unit, HR personnel will internally audit leave request time entries on a more frequent basis and implement sanctions; including counseling and any subsequent sanctions set forth in the leave policy. Note: We also maximize the use of OnePhilly to enter time as a future date for a preapproval process for leave requests.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for five of the six civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101518.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> Attendance records were not properly approved by a supervisor for 27 of the 60 sample dates we selected for testing. In 13 instances, a non-city employee approved the daily attendance records, and in nine instances, there was no approving signature indicating review of the attendance records. Lastly, four attendance records were approved on days when the approving supervisor was not present at work.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Appropriate supervisors should review and formally approve (by signing the attendance record) time worked by employees [101519.02].	Implemented.
<u>Payroll data entries were not adequately checked.</u> The online payroll time records differed from the daily attendance records for four of the six employees selected for testing. For all four employees, leave time was incorrectly recorded on either the payroll time records or the daily attendance records.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [101519.03].	With the city's new OnePhilly payroll system, which was implemented in March 2019, the DBHIDS' employees entered their own attendance information directly into the OnePhilly system for review and approval. Consequently, the department no longer required paper attendance records for its employees. This condition, therefore, is no longer applicable.

City of Philadelphia
Department of Human Services*
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Human Services (DHS) traces its origin to the Department of Public Welfare under the Charter of 1919. With the adoption of the Philadelphia Home Rule Charter of 1951, it was established as a department under the managing director with the sole duty of carrying out public welfare functions. On January 6, 2020, the mayor issued Executive Order 2-20 establishing the Office of Children and Families (formerly the Mayor's Office of Education), headed by the deputy mayor for children and families. The deputy mayor, through a memorandum of understanding between the mayor and managing director, assumed responsibility for the supervision of DHS. Powers and duties of DHS include: receiving, caring for, and placing children who are dependent, mentally challenged, neglected, incorrigible, and delinquent; investigating from time to time the manner in which those placed are being cared for; approving or disapproving billings to the city for maintenance of city residents in state institutions or in private facilities; transmitting to the Revenue Department amounts received for care and placement; and supervising the Youth Study Center including the determination of capacity, type, and proportion of persons to be received therein. DHS is directed by a commissioner who is appointed by the city's deputy mayor for children and families with the approval of the mayor. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head
Kimberly Ali, Commissioner
Department of Human Services
1515 Arch Street, 8th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$118,965,013
Grants Revenue Fund	<u>623,013,832</u>
Total Appropriations	<u>\$741,978,845</u>

Estimated Revenues:

Non-Tax Revenue	\$ 2,607,000
From Other Governments	<u>623,007,000</u>
Total Estimated Revenues	<u>\$625,614,000</u>

Number of Full Time Employees:

Civil Service	1,408
Exempt	<u>105</u>
Total Employees	<u>1,513</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the requests prior to employees working overtime. For four out of five employees selected for testing, we found that overtime authorization forms were not properly prepared. Specifically, we noted the following:</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102220.01].</p>	<p>All pre-planned, non-emergency, overtime must be pre-approved in writing by a supervisor.</p> <p>Overtime used during the course of an emergency child abuse investigation cannot be pre-approved in writing as workers are</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <ul style="list-style-type: none">DHS could not provide approved overtime authorization forms for six out of 25 overtime dates selected for testing.Also, for one of the 25 sampled dates, while the overtime authorization forms provided by DHS indicated that the employee was approved to work eight hours of overtime, the employee was paid for 16 hours of overtime. <p>These four employees – three of whom were social work services managers and one who was a social work supervisor – earned a combined total of \$369,944 in overtime during fiscal year 2020.</p>			<p>(continued)</p> <p>often already in the field when the overtime is needed. In these scenarios, overtime is implicitly authorized as workers are in constant communication with a supervisor throughout the investigation.</p> <p>[Controller's Office Evaluation of Department's Response: The standard accounting procedures of the Finance Office require that overtime approval be documented. Allowing overtime to be implicitly authorized could lead to abuse.]</p>
<p><u>For the eighth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> DHS's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$64,902, broken down as follows:</p> <ul style="list-style-type: none">Four of the five civil service employees selected for testing used over eight days of undocumented sick leave during calendar year 2019. Three of these four employees were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. For the fourth employee, DHS placed her on the Excessive Use of Sick Leave List and imposed the one-day suspension penalty; however, DHS did so in an untimely manner and failed to impose the	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102212.02].</p>	<p>OnePhilly went live in March 2019. The initial application rollout did not include sick abuse alert/notification functionality and no sick abuse reporting was included to help to manage this process. In November 2020, OnePhilly launched a sick abuse report; however, there were some limitations to this report. Given this, in January of 2021, DHS customized the report that is run on a biweekly basis to address the excessive use of sick time.</p> <p>We are still awaiting the launch of the alert/notification functionality that would better enable us to manage excessive usage of sick leave.</p>

¹According to the city's online payroll system, there were 154 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>subsequent penalties. These four employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, these employees were paid \$22,779 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, three of the five employees tested did not receive a fifth-day warning letter or an eighth-day placement letter, while one employee received both the fifth-day and eighth-day letters in an untimely manner.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 69 civil service employees who were improperly paid a total of \$34,700 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another 12 civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$7,423 for uncertified sick leave during calendar year 2019.			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The department could not provide a recent employee evaluation for three of the eight employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel and monitor compliance for follow-up and resolution [102219.02].	Implemented.

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2020

Functions

The Philadelphia Prison System was established as a separate department by Executive Order 5-88 dated April 6, 1988. Prior to that time, the prison system had been part of the Department of Human Services. The mission of the prison system is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society. A commissioner, who is appointed by and reports to the managing director, is responsible for the overall administration of the entire prison system. The prison commissioner is also accountable to a seven-member Board of Trustees whose members include the commissioner of the city's Department of Human Services (ex officio) and six citizens appointed by the mayor. The Philadelphia Prison System operates five major correctional facilities in Northeast Philadelphia, as well as several smaller Alternative and Special Detention facilities in various locations of the city. Each prison facility is under the direction of a warden, who is assisted by one or more deputy wardens and support staff. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head
Blanche Carney, Commissioner
Philadelphia Prison System
7901 State Road
Philadelphia, PA 19136-3407

Appropriations:

General Fund	\$238,183,523
Capital Fund	<u>15,977,000</u>
Total Appropriations	<u>\$254,160,523</u>

Estimated Revenues:

Non-Tax Revenue	\$1,600,000
From Other Governments	<u>220,000</u>
Total Estimated Revenues	<u>\$1,820,000</u>

Number of Full Time Employees:

Civil Service	1,952
Exempt	<u>19</u>
Total Employees	<u>1,971</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<p><u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not correspond to the online payroll records for three of the six employees selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none"> In one case, while the attendance record indicated that the employee used three consecutive sick days, the online payroll record incorrectly showed the employee 	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll. As a result of the payroll data entry errors noted by our testing, employees were overpaid a total of \$80.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [102320.01].</p>	<p>The Department of Prisons is currently canvassing to hire an HR Professional to oversee payroll. This person will be responsible for spot checking data entries for each pay period. The new hire will be responsible for running a Payroll Register Report after payroll close and open midweek to determine how employees were paid and will make required adjustments.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>as working on those days. As a result of this error, the employee was incorrectly paid one hour of overtime.</p> <ul style="list-style-type: none"> • In another instance, a vacation day taken by an employee was erroneously not posted to the online payroll record. • For the third employee, overtime hours as recorded in the online payroll system were overstated by one hour. 			<p>(continued)</p> <p>Since this audit was conducted for 2019 the department has fully implemented a new time and attendance program named KRONOS to assist staff with approving overtime electronically and tracking time and attendance. The implementation of Kronos eliminated the use of the manual timecard punch system.</p> <p>Kronos feeds each employee's timecard information directly into the online payroll system.</p> <p>The Kronos interface assists payroll clerks with performing less keystrokes and more time to focus on accuracy.</p> <p>The Kronos system has eliminated manual errors such as vacation days or overtime hours not being posted in the online payroll record.</p> <p>[Controller's Office Evaluation of Department's Response: With regard to the statement that "this audit was conducted for 2019", our testing encompassed the period of July 1, 2019 through June 30, 2020.]</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The department was unable to provide formal approved leave requests for 15 out of 20 dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102319.06].</p>	<p>Leave slips were not properly filed. Since this audit and the onboarding of staff to fill vacancies in payroll, the payroll team has organized all leave slips. They are now easily accessible.</p> <p>The department is also developing an electronic filing system where all leave and overtime slips will be scanned and maintained into a computerized folder.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee overtime was still not always properly authorized.</u> For two out of the five employees tested, the department could not provide evidence of overtime authorization for three of the 25 dates selected for testing. These two employees, both of whom were correctional officers, earned a combined total of \$149,548 in overtime during fiscal year 2020.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102319.07].</p>	<p>The department has directed each facility to email or hand deliver leave and overtime slips to the assigned Payroll Clerk.</p> <p>The Kronos timekeeping system has a prompt that supervisors must click from red to green acknowledging approved or unapproved time.</p> <p>All supervisors are required to use this prompt and submit overtime slips during the pay period. The facility warden or designee addresses any delays in processing of overtime slips through progressive action.</p>
<p><u>For the seventh consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$101,656, broken down as follows:</p> <ul style="list-style-type: none">Four of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, they were paid \$14,550 in sick leave	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102313.03].</p>	<p>One Philly did not have a sick abuse tracking capability during the time this audit was completed which made it almost impossible to track sick abuse during this period. Please note the prior legacy system had this capability which allowed the PDP to properly track sick abuse in an automated fashion and issue the appropriate notification letters to staff. The PDP looks forward to the new One Philly mechanism to implement this process.</p> <p>In 2021, One Philly created capability to track sick abuse in the platform. Payroll/HR team have attended several trainings this year with the OnePhilly Team to learn how to properly use the capability and accurately track sick abuse.</p>

¹ According to the city's online payroll system, there were 220 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of these four employees received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the four employees, the department did not provide the supporting medical certificates for all 32 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 82 civil service employees who were improperly paid a total of \$61,861 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another 32 civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$25,245 for uncertified sick leave during calendar year 2019.			<p>(continued)</p> <p>The department is in the process of identifying a sick abuse team within payroll to perform the continuous tracking and notification to employees.</p> <p>Since 2019, the department has received continuous training and become proficient utilizing the One Philly payroll system and has decreased mass edits/errors.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of the department's attendance records, we noted that bi-weekly timecards for two of the six employees selected for testing lacked evidence of supervisory review.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102319.05].	Implemented.

City of Philadelphia
Office of Fleet Management*
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of Fleet Management (OFM) was established under Executive Order 5-93, signed by the mayor on April 6, 1993. OFM supports the operations of other city departments and agencies by ensuring that the city's fleet of vehicles and special equipment is available, dependable, and safe to drive. Responsibilities of the OFM include purchasing, maintaining, repairing, and disposing of all city vehicles, as well as establishing and keeping a vehicle management information system operative. OFM comprises three divisions: Fleet Maintenance Services, Fleet Administrative Services, and Vehicle Acquisitions and Disposal Services. The department conducts business at 78 sites, including 15 garages, 61 fuel sites, a suite of administrative offices, and a sales lot. The fleet manager (a deputy managing director) oversees OFM with the assistance of a deputy for administration, a deputy for operations, and three directors. The department was designated as Tier 1 for fiscal year 2020.

<u>Name and address of department head</u> Joseph L. Rosati, Acting Fleet Manager Office of Fleet Management 100 South Broad Street, 3 rd Floor Philadelphia, PA 19110	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
	General Fund	\$ 67,400,583	Non-Tax Revenue	\$3,135,000
	Water Fund	8,846,754		
	Aviation Fund	8,401,109		
	Capital Fund	<u>71,291,000</u>	<u>Number of Full Time Employees:</u>	
	Total Appropriations	<u>\$155,939,446</u>	Civil Service	352
			Exempt	<u>6</u>
			Total Employees	<u>358</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For one of the five employees we selected for testing, the department was unable to provide formal leave requests for two vacation days used during the same pay period.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102519.01].	OFM has a policy in place that requires employee leave time to be authorized by their supervisor. For the one exception reported, the employee's supervisor works at a different location and therefore verbal approval was obtained

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>for the employee's vacation leave. Upon return to duty, the employee promptly submitted his leave request electronically to his supervisor. Hence, a paper leave request was not submitted. OFM has advised the Payroll team to follow up on these matters in the future.</p> <p>[Controller's Office Evaluation of Department's Response: During the course of our audit fieldwork as well as our discussion of this finding with OFM human resources personnel in October 2020, we were not provided with an electronic approved leave request for the finding noted.]</p>
<p><u>City sick leave policy was still not properly enforced.</u> OFM's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$26,064, broken down as follows:</p> <ul style="list-style-type: none">• None of the five civil service employees tested, who used over eight days of undocumented sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$20,524 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102519.02].</p>	<p>Since the launch of OnePhilly, effective March 18th 2019, OFM management and supervisors are required to manually keep track of uncertified sick leave used by employees. The OnePhilly functionality that issues notification letters was disabled during all of FY20. Without automatically generated notification letters, it is difficult for management and supervisors to manually track sick abuse. Given the OnePhilly limitations, there was a Citywide agreement to relax the sick abuse penalties. OFM will continue to work internally to find the most efficient way to manually track sick abuse, and will continue to engage the OnePhilly team to enhance the sick abuse tracking process, and introduce automated tracking and alerts, which will enable us to enforce the sick leave policy.</p>

¹ According to the city's online payroll system, there were 43 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, three of the five civil service employees tested did not receive a fifth-day warning letter, while the remaining two employees received a fifth-day letter in an untimely manner. Also, none of the five employees selected for testing received an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, OFM was unable to provide the supporting medical certificates for three of 48 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 12 civil service employees who were improperly paid a total of \$3,692 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another four civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$1,848 for uncertified sick leave during calendar year 2019.			<p>(continued)</p> <p>[Controller's Office Evaluation of Department's Response: Management asserted that, given the OnePhilly limitations, there was a Citywide agreement to relax the sick abuse penalties. At no time during our audit testing of sick abuse compliance for 27 selected departments were we made aware of or provided with documentation of such an agreement.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for two of the five employees tested. In the first instance, the employee separated while possessing a negative vacation balance at the time of his termination. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the resulting overpayment. In the second case, a separated employee was not compensated for unused vacation leave because the department did not submit the required terminal leave documentation. Lastly, our follow-up of the fiscal year 2019 finding where a separated employee was overpaid because he possessed a negative vacation balance at termination found that the department had not yet submitted a PCA to recover the overpayment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll. In one instance, a separated employee was overpaid by \$330. Additionally, another separated employee was underpaid by \$142. Regarding the prior year finding, the separated employee had been overpaid by \$180.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. Require management to submit PCAs for the overpayments and the required terminal leave documentation for the underpayment [102519.03].</p>	<p>OFM will emphasize the importance of thoroughly reviewing bi-weekly payroll entries prior to approval to its Managers, transaction processors and other payroll/HR employees, and will work to ensure that every step of the separation process occurs, including submission of all terminal leave documentation and submission of PCAs, moving forward.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Employee overtime was not properly authorized.</u> For nine of the 25 requests for overtime we tested, overtime was approved by employees of the same supervisory rank and title. In addition, four instances of overtime showed evidence of employees approving their own overtime.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102516.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that four records were approved by supervisors on days that they were not present.	Employee may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should review and formally approve time worked by employees [102517.01]. The payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [102517.02].	Implemented.

City of Philadelphia
Philadelphia Water Department
Findings and Recommendations
Fiscal Year 2020

Functions

The Philadelphia Home Rule Charter established the Philadelphia Water Department (PWD), which is one of the 10 operating departments under the direction of the managing director. The department's responsibilities include: operating and maintaining the city's water supply and storm water system, which includes constructing, maintaining, repairing and improving the city's water supply facilities; operating and maintaining the city's sewage system and wastewater treatment plants; investigating and adopting methods for improving the quality of the water supply; and fixing and regulating rates and charges for supplying water and sewage disposal services. A commissioner and three deputies manage the department. The fiscal 2020 appropriations for the Philadelphia Water Department and the Water, Sewer and Storm Water Rate Board were combined for reporting purposes. The department was designated as Tier 1 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Randy Hayman, Commissioner	Water Fund \$ 428,420,457	Non-Tax Revenue \$ 52,503,000
Philadelphia Water Department	Water Residual Fund 37,000,000	From Other Governments 1,000,000
Jefferson Center, 5 th Floor	Capital Fund <u>736,137,000</u>	From Other Funds <u>159,278,000</u>
1101 Market Street	Total Appropriations <u>\$1,201,557,457</u>	Total Estimated Revenues <u>\$212,781,000</u>
Philadelphia, PA 19107		

<u>Number of Full Time Employees:</u>
Civil Service 2,147
Exempt <u>16</u>
Total Employees <u>2,163</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Attendance records were not always properly used to document employee attendance.</u> Our review of the PWD's records revealed that attendance records were not routinely prepared for two of the 35 employees selected for testing. For one employee, the PWD was unable to provide any attendance documentation to support the time entries that two other employees had posted to the city's online payroll system for the sampled pay period. Regarding the other employee, while the department provided the daily attendance reports for the selected pay period, the hours worked by the employee were not recorded on these reports for four of the dates tested.</p>	<p>Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.</p>	<p>Require employees to contemporaneously complete their daily attendance records [102820.01].</p>	<p>Since the implementation of OnePhilly, the department has used various methods to record employee's time worked. Some field operations units have maintained the use of paper time sheets and punch clocks. While other units have transitioned to the use of time clocks or the self-reporting option, eliminating the need for manual attendance records.</p> <p>The department will reiterate to unit managers and their time entry staff to maintain attendance records for those employees/units that still utilize manual attendance records and to only post time entries supported by documentation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of the attendance records for 35 employees selected for testing, we noted that attendance records for four employees showed no evidence of supervisory review.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102820.02].	The department will reinforce the necessity for supervisory review and approval of all attendance records.
<u>Payroll data entries were not adequately checked.</u> For three out of the 35 employees selected for testing, the employees' attendance records did not agree with the time recorded in the online payroll system. For one employee, while the attendance record showed that the employee used a vacation day, the payroll system did not reflect the absence. For another employee, a vacation day was incorrectly recorded on the payroll system when the attendance report indicated that the employee was present. Lastly, an employee's shift differential pay was erroneously not recorded in the online payroll system.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102820.03].	Since the start of the city's OnePhilly system, the department's Oversight Unit within the Finance Division has implemented several review processes of payroll entries and data, including potential overpays/ no-pays. Continually, the unit develops and enhances the review processes in the efforts to mitigate and risks associated with data or system errors.
<u>The department had not yet taken action to recover an overpayment to a separated employee.</u> While the current audit's testing of selected separated employees did not note any errors, our follow-up of the fiscal year 2019 finding regarding a separated employee who was overpaid because his final paycheck was miscalculated found that the department had not yet submitted a Payroll Credit Advice (PCA) to recover the overpayment.	Regarding the prior year finding, the separated employee was erroneously overpaid by \$1,231.	Submit a PCA to the city's Finance Office to recover the overpayment to the separated employee [102819.01].	The department acknowledges it should have submitted a PCA when the issue was brought to its attention in the Fall of 2019 and will submit a PCA with the Central Payroll to recover the overpayment to the separated employee.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Employee evaluations were still not recently performed.</u> The department failed to provide current employee evaluations for four of the 37 civil service employees we selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102819.02].	The department has increased its efforts to monitor and enforce the preparation of annual performance reports for its civil service employees. Management has communicated the importance and the effect of performance evaluations on employee's promotions, annual bonuses and raises. For the recent evaluation cycle, the department achieved a completion percentage of over 60% and is continuing to process evaluations received. HR continues to send out reminders to leadership to reinforce the importance.
<u>For the fourth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide formal approved leave requests for 20 of the 30 dates selected for testing. For 17 of these 20 dates, while the leave time used was posted to the employee's attendance record which was approved by a supervisor, the department was unable to provide a formal leave request form documenting that the supervisor approved the leave in advance.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102817.04].	Due to the nature of the department's operations, departmental procedures allow for leave requests and approvals to be submitted via email and on occasion, verbally. Ultimately, the approval of leave requests is indicated by the supervisory approval on the employee's attendance record, which complies with SAP E-9011. [Controller's Office Evaluation of Department's Response: The department's policy is not in accordance with the Finance Office's Standard Accounting Procedure (SAP) No. E-9011 (Rev. 2), <i>Daily Timekeeping Source Documents and Attendance Record-Keeping</i> , which states that leave request forms (city standard form 82-S-14) should be used to cover all absences noted on the daily time sheets and requires the forms to be approved by unit supervisors. A verbal request or an e-mail notifying an employee's supervisor that they are taking paid leave is not a properly approved leave request. The department was unable to provide documentation that the employee's supervisor approved the employee's paid leave time in advance, nor did they provide documentation from the city's Finance Office that they are exempt from following city policy.]

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fourth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The department's failure to enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$70,853, broken down as follows:</p> <ul style="list-style-type: none">Four of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019; however, three of them were not placed on the Excessive Use of Sick Leave List while the other employee was placed on the list in an untimely manner. These four employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's Sick Leave Rules and Regulations, and none were penalized according to this policy. Consequently, they were paid \$18,269 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, four of the five civil service employees tested did not receive a fifth-day warning letter. Also, regarding the four employees who each used over eight undocumented sick days during calendar year 2019, three employees did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List while the fourth employee received an	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [102817.06].</p>	<p>The department acknowledges sick abuse is an area of challenge and is reviewing / revising its process to incorporate the OnePhilly reporting to assist in the enforcement of the city's sick leave policy.</p> <p>The department's Labor Relations Unit will use the new OnePhilly report to ensure that employees who have used five or more undocumented sick days are provided the required notifications and warning. Subsequent to the notification, sick abuse warnings memos and sick abuse list placement letters are given to the employees and disciplinary action is implemented, if necessary.</p>

¹ According to the city's online payroll system, there were 267 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>eighth-day letter in an untimely manner. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for four of 34 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> • Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 124 civil service employees who were improperly paid a total of \$49,026 for uncertified sick leave used after the eighth undocumented sick day. • Also, our review of the city's online payroll system data revealed that another seven civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$3,558 for uncertified sick leave during calendar year 2019. 			
<p><u>For the third consecutive year, we are reporting that employee overtime was not properly authorized.</u> For all five employees tested, the department was unable to provide documentation evidencing the authorization of overtime for all 25 sample days selected for testing. These five employees – a water treatment plant operations crew chief, two water treatment plant operators, a civil engineer, and a water customer service manager – earned a combined total of \$335,223 in overtime during fiscal year 2020.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102816.02].</p>	<p>In accordance with SAP-9011, it is the department's policy and procedure that all overtime is approved by the unit supervisor and/or manager. Because of the nature of the department's operations and the need for continual 24-hour coverage in some units, staff absences often require the need for employee overtime. Therefore the acceptable methods of overtime approval are notifications by email or ultimately the approval of time records by the unit supervisor and manager.</p> <p>[Controller's Office Evaluation of Department's Response: The department's policy is not in accordance with the Finance</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>Office’s SAP No. E-9011 (Rev. 2), which states that the authorization for overtime or compensatory time (city standard form 82-S-31) shall be approved by a unit supervisor. An email notification or supervisory approval of overtime worked on time records is not sufficient documentation indicating the supervisory authorization for an employee to work overtime hours. Also, the department did not provide documentation from the city’s Finance Office that they are exempt from following city policy.]</p>

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide a department and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. The Office of the Director of Finance supports a number of department divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor's Office of Grants, and the Administrative Systems Modernization project (One Philly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The Office of the Director of Finance established a dedicated Administrative Services Center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the department. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director whose salary is budgeted in the Office of the City Treasurer. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head

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Philadelphia, PA 19102

Matthew Bowman, Executive Director
Sinking Fund Commission
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Appropriations:

Finance

General Fund	\$1,855,132,471
Water Fund	154,939,194
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	220,000,939
Aviation Fund	72,719,224
Community Development Fund	25,042,638
Acute Care Hospital Fund	342,592
Budget Stabilization Fund	100
Capital Fund	<u>107,952,000</u>
Total Finance	<u>\$2,437,129,158</u>

Sinking Fund Commission

General Fund	\$ 296,705,317
Water Fund	218,105,830
Aviation Fund	134,825,501
Car Rental Tax Fund	<u>7,000,000</u>
Total Sinking Fund	<u>\$ 656,636,648</u>

Total Appropriations \$3,093,765,806

Estimated Revenues:

Finance

Non-Tax Revenue	\$ 13,760,000
From Other Governments	894,847,000
Revenue From Other Funds	<u>56,054,000</u>
Total Estimated Revenues	<u>\$964,661,000</u>

Number of Full Time Employees:

Finance

Civil Service	74
Exempt	<u>44</u>
Total Employees	<u>118</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>IMPREST FUNDS</p> <p><u>Finance Office management approved the issuance of procurement cards (p-cards) to city departments without establishing proper internal controls.</u> Refer to report pages 69 to 71 for the details of this finding.</p>			
<p><u>The department's imprest fund had still not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not accurately prepared for the department's Workers' Compensation Fund. The reconciled bank balance per the fund reconciliation did not match the reconciled bank balance per the bank reconciliation. Additionally, a \$15,443 net overage, which had been carried on the fund reconciliation since January 2019, had still not been corrected as of June 30, 2020.¹</p>	<p>Failure to accurately reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total imprest fund balance may not be accounted for.</p>	<p>Management should ensure that monthly imprest fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103519.02]. Also, the overage should be evaluated by the appropriate supervisory level employee for further investigation and resolved in accordance with standard accounting procedures [103520.06].</p>	<p>Activity related to old disbursement accounts that are no longer in use are deliberately excluded from the Fund Account reconciliation because the balances in these old accounts comprise of checks disbursed but never cashed and/or checks that are no longer owed to payees. However, since these disbursement accounts have historically remained open even after a new TPA is selected and new accounts opened, the fund reconciliation does not reflect this activity. These old disbursement accounts are expected to be closed by the end of the calendar year, and we have already made progress toward eliminating all discrepancies, with overages in the amount of \$69,855.58 and a shortage of \$73,877.18 corrected in March 2021, and the remaining overage of \$19,464.96 expected to be returned to the city in November 2021.</p>
<p>PERSONAL SERVICES</p> <p><u>The city's new online payroll system did not track and monitor sick abuse.</u> The city's new OnePhilly payroll system, a modernization initiative created by the Finance Office, was implemented in March 2019 without the</p>	<p>Without a reporting feature in the OnePhilly system to assist departments in tracking and monitoring employees'</p>	<p>We recommend that the OnePhilly Team continue with its planned implementation of the sick abuse policy in the OnePhilly system,</p>	<p>From March 17, 2020 through December 31, 2020, the Sick Abuse Policy was suspended due to the pandemic. OnePhilly implemented the Sick Abuse report</p>

¹ The \$15,443 net overage consisted of an overage of \$89,320 less a shortage of \$73,877.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>ability to track and monitor employees' uncertified sick leave usage. The previous legacy payroll system had a reporting feature that tracked the number of uncertified sick days used by an employee, identified the dates when an employee reached the fifth and eighth uncertified sick days, and had fields for departments to notate in the system whether a fifth-day warning letter was sent and the date that an employee was placed on the Excessive Use of Sick Leave List. The OnePhilly system went live without having such a reporting feature, which adversely affected departments' compliance with the city's Sick Leave Rules and Regulations during calendar year 2019. Out of 27 departments tested for compliance with the city's sick leave policy, we found that 26 failed to properly enforce sick abuse penalties for 1,181 civil service employees. These employees were paid \$1,156,556 in sick leave benefits that they would not have been entitled to had the city's policy been enforced. See Table 1 on report page 72 for a breakdown of the 26 departments.</p> <p>Our inquiry of the deputy finance director who oversees the OnePhilly Team, the group that manages the OnePhilly system, disclosed that the city's sick abuse policy is being implemented in the system in three phases, as follows:</p> <ul style="list-style-type: none"> The first phase, which was completed in November 2020, was the creation of a sick leave report for sick abuse monitoring. This report, which can be generated by a department for a specified time period, shows the following information by employee: individual instances of sick time used (uncertified and certified), indicators as to whether an employee exceeded five and eight uncertified sick days, the dates when an employee reached the fifth and eighth uncertified sick days, and year-to-date total uncertified sick hours used. Our review of the report found some errors, including inaccuracies 	<p>(continued)</p> <p>uncertified sick leave usage, it was very difficult for departments to effectively enforce the city's sick leave policy, which may have resulted in some employees abusing sick time without consequences. Additionally, because of minimum staffing level requirements in certain departments, excessive use of sick time could result in additional overtime expense to the city, as employees are called upon to work overtime hours to fill in for others' absences.</p>	<p>(continued)</p> <p>completing the remaining phases and correcting identified errors in the sick leave report for sick abuse monitoring [103520.07].</p>	<p>(continued)</p> <p>detailed in the following plan for all departments in November 2020. All issues reported by the Controller's Office have been fixed as of April 2021.</p> <p><u>Sick Abuse Monitoring – Plan of Automation</u></p> <p>Sick Abuse Policy is being implemented in 3 phases as described below</p> <ol style="list-style-type: none"> Build an Uncertified Sick Usage Notification report – Phase Complete <ul style="list-style-type: none"> Report tracks anyone with 5 or more occurrences of Uncertified Sick (Exception for Prisons) Report delivered to all HR Managers to address Report available on Pre-Payroll dashboard for departments to be able to access anytime Direct Link to Quick Reference Guide: <u>OnePhilly Handout Sick Leave Report for Sick Abuse Monitoring_Final.pdf</u> Provide a location in the system for HR Managers to mark employees on Sick Abuse list and generate a report of all employees on list – Work in progress with target completion of Q4 CY2021 Build worklist notifications – Work in progress with target completion of Q4 CY2021 <ul style="list-style-type: none"> HR Manager notification with letter to be delivered to employees Employee worklist notification with letter

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>in the year-to-date total uncertified sick hours used and certain fields incorrectly showing no data, such as the dates for the fifth and eighth uncertified sick days. We brought these errors to the attention of the OnePhilly Team in March 2021, and they were targeting to fix the errors by August 2021.</p> <ul style="list-style-type: none"> Phase two involves providing a location in the system for departments to mark employees placed on the Excessive Use of Sick Leave List and generate a report of all employees on the list. Completion of phase two was targeted for the third quarter of calendar year 2021. The third phase, targeted for completion in the fourth quarter of calendar year 2021, entails building certain worklist notifications, including a human resources manager notification with the fifth or eighth-day letter to be delivered to an employee; and an employee notification with the letter. This phase also includes building sick notification and abuse listing dates in the system. 			<p>(continued)</p> <ul style="list-style-type: none"> Build Sick Notification and Abuse listing dates in the system <p>[Controller's Office Evaluation of Department's Response: Regarding the department's statement that the sick abuse policy was suspended from March 17, 2020 through December 31, 2020 due to the pandemic, our testing of compliance with the city's sick leave policy covered activity from January 1, 2019 through March 17, 2020 when the pandemic shutdown began.</p> <p>Also, the department stated that OnePhilly implemented the sick abuse report in November 2020, and all issues reported by the Controller's Office have been fixed as of April 2021. When we brought the errors in the sick abuse report to the OnePhilly Team's attention in March 2021, the OnePhilly Team originally indicated that they planned to correct the errors by April 2021. However, in July 2021, in response to our inquiry as to the status of this issue, the OnePhilly Team informed us that the fix for the report was slated to go into production in August 2021.]</p>
<p><u>The city's sick leave policy was not properly enforced.</u> The department's failure to enforce the city's sick leave policy resulted in its civil service employees being improperly paid a total of \$13,790, broken down as follows:</p> <ul style="list-style-type: none"> None of the five civil service employees tested, who each used over eight days of undocumented 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.²</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, with regard to the Finance Office's civil service employees, we recommend that</p>	<p>The department acknowledges that sick abuse tracking was a challenge in calendar 2019 and has subsequently focused on ensuring proper notification and tracking is done. The department continues to assert that Ad Board Rule 11, which covers leave for exempt employees, does not include a sick abuse</p>

² According to the city's online payroll system, there were 22 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$13,630 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, three of the five employees tested did not receive a fifth-day warning letter, while the other two employees received fifth-day letters in an untimely manner. Also, none of the employees selected for testing received an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for 15 of 43 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> • Our analysis of the city's online payroll system data for calendar year 2019 disclosed one additional civil service employee who was improperly paid \$160 for uncertified sick leave used after the eighth undocumented sick day. <p>Additionally, the Finance Office has still not designed and implemented a sick leave policy for its exempt</p>		<p>(continued)</p> <p>management enforce the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy [103520.08]. Additionally, we continue to recommend that the Finance Office implement and enforce a sick leave policy for its exempt employees. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [103518.03].</p>	<p>(continued)</p> <p>policy, and therefore the sick abuse process should not apply to Exempt employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>employees. Although the Finance Office's exempt employees are not subject to the same policy enforced against civil service employees, we noted three exempt employees, who, according to the city's online payroll system, used 15 or more undocumented sick days during calendar year 2019. These three employees received \$28,173 in paid sick leave that they would not have been entitled to had the department adopted the city's sick leave policy for its exempt employees.</p>			
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For two of five employees selected for testing, the department was unable to provide formal approved leave requests for five of the 16 dates tested. For one employee, who used two vacation days and one compensatory day consecutively, the leave request form provided by the department was not approved by a supervisor. Regarding the other employee, two of the vacation days he used during the selected pay period were not supported by approved leave requests.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103520.09].</p>	<p>The department will continue to reinforce the necessity for employees to submit leave slips in advance of planned time off, or in a timely manner after returning to work in the case of an unplanned absence.</p>
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> For two of five employees selected for testing, we noted that the employees' timecards in the city's online payroll system were not approved by higher level supervisory personnel.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the attendance record should review and formally approve them [103517.04].</p>	<p>The department will reinforce the necessity for supervisory review and approval of all attendance records. Finance will also implement a process where its timekeeper resubmits unapproved timecards, so that the employee's supervisor can approve the timecard.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly imprest account's bank and fund reconciliations had not been performed in a timely manner.</u> During our review, we noted that five bank reconciliations for the Risk Management account and four bank reconciliations for the Risk Funding account were not performed in a timely manner. We also noted that six fund reconciliations for the Risk Management account were not prepared in a timely manner.	Failure to perform monthly bank and fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure that monthly imprest account's bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103519.03].	Implemented.
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that two of these records evidenced signatures of approval from supervisors who were not present on the dates of the attendance records.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should only approve daily attendance records on the days they were present and can properly account for their employees' time [103519.04].	With the city's new OnePhilly payroll system, which was implemented in March 2019, Finance Office employees' attendance information was recorded either through employees using a timeclock which directly fed into the OnePhilly system or employees entering their own attendance information into the OnePhilly system. Supervisors were then required to approve the employees' OnePhilly timecards, which are either weekly or bi-weekly. Given the changes in the recording of employee attendance with the implementation of the OnePhilly system, this condition, therefore, is no longer applicable.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>For the fourth consecutive year, we have reported that travel expenses using the city's American Express account, were not properly reviewed and approved.</u> City departments use the American Express account to pay for travel expenses incurred for city business. The Finance Office is responsible for reviewing and approving the travel authorization forms that collectively support the monthly payment to American Express. We noted that the Finance Office did not sign the two payment vouchers selected for testing to document their review and approval of the disbursements totaling \$69,869.	Failure to properly review and approve travel vouchers increases the risk of undetected errors and provides opportunities for employees to incur unpermitted and/or unauthorized travel expenses.	All travel authorization forms should be reviewed and approved by Finance officials prior to payment. This review should include ensuring that department officials properly approve the travel forms and verifying that the American Express account is used for valid purposes [103516.04].	Implemented.

Observation/Condition:

Finance Office management approved the issuance of procurement cards (p-cards) to city departments without establishing proper internal controls.

To assist with COVID-19 emergency purchasing needs, the Finance Office, at the request of the city treasurer, approved the issuance of p-cards³ to the Department of Public Health (DPH) and the Office of Emergency Management (OEM)⁴ to make purchases in conjunction with their established imprest funds. However, Finance Office management granted this approval without implementing proper internal controls to ensure that the p-card charges were processed in accordance with existing city requirements for imprest funds.

In March 2020, the Finance Office's initial plan to address the DPH's COVID-19 procurement needs was to issue debit cards and create an imprest fund for DPH totaling \$100,000. However, instead of issuing the debit cards, the city treasurer at that time⁵ asked management from the Finance Office and City Controller's Office to approve the issuance of p-cards. The Controller's Office management's approval was contingent upon the Finance Office's approval and that the p-card activity would be handled through the city's accounting system (FAMIS). While we observed e-mail correspondence evidencing Finance Office management's approval of the p-cards, FAMIS was not used for the p-card activity as conditioned by the Controller's Office management (as discussed in further detail below).

For OEM, the initial plan was to increase OEM's existing imprest fund and debit card balance from \$5,000 to \$50,000. Once again, the city treasurer at that time requested the issuance of a p-card instead of a debit card. While the Finance Office should have documented its approval of the OEM's p-card as it did for the DPH's p-cards, instead the current city treasurer informed us that Finance Office management verbally approved the OEM p-card. In addition, the request for the OEM p-card was not forwarded to the City Controller's Office management for approval.

While the Finance Office prepared a standard accounting procedure (SAP) for the DPH imprest fund and there was already an existing SAP for the OEM fund, both SAPs reflected procedures for debit cards instead of p-cards.⁶ Moreover, once the transition was made to p-cards, the Finance Office failed to implement proper controls to ensure that the p-card charges were processed through the city's standard disbursement approval process including: card spending limits; utilization of the city's FAMIS accounting system to record expenditures; reconciliation of accounts monthly; and restriction of card usage to the employees to whom the cards were issued. Specifically, we noted:

- Under the standard process for imprest funds, a department's expenditures are charged against its imprest bank account. To reimburse the imprest bank account from the city's treasury, the department must submit a payment voucher along with the supporting expenditure documentation. The voucher and its support are subjected to the city's standard three levels of review and approval: the designated department official, the Finance Office's Financial Verification Unit, and the Controller's Office Pre-Audit Division. Philadelphia Home Rule Charter Section 8-101 requires that the Treasurer's Office only disburse monies out of the city's treasury upon proper requisitions approved by the Director of Finance and the approval and order of the City Controller's Office. The actual process for the p-cards did not comply with these requirements. The p-card charges were not deducted from the DPH and OEM imprest bank accounts. In fact, no monies had been deposited into the DPH imprest bank account. Instead, each month's p-card charges were paid through a debit to the General Disbursement Account – the city's primary checking account. Payments out of the General Disbursement Account for p-card charges through September 30, 2020 totaled \$221,451 (\$195,925 for DPH and \$25,526 for OEM). Since the DPH and OEM had not yet submitted reimbursement payment vouchers at this point, these payments were processed without being subjected to the city's standard three-level approval process for disbursements, in violation of Home Rule Charter Section 8-101.
- Card spending limits were not established to prevent overspending beyond approved levels. The p-cards were set up with a revolving rather than a declining balance, so each card's full spending balance was restored each month when the p-card charges were paid by the General Disbursement Account.

³ A p-card is a type of commercial charge card that allows organizations to make electronic payments for a variety of goods and services. The card-using organization must pay the card issuer in full each month.

⁴ OEM is a division under the Office of the Managing Director.

⁵ The city treasurer who requested the issuance of the p-cards separated from the city in September 2020 and was replaced by the current city treasurer.

⁶ The SAPs for the OEM and DPH imprest funds were as follows: SAP No. 4.1.1.e (Rev.1)-A1, *MDO-OEM Emergency Debit Card Procedure – An addendum to Imprest Funds* SAP No. 4.1.1.e (Rev. 1), and SAP No. 4.1.1.e (Rev. 1)-A2, *DPH – An addendum to Imprest Funds* SAP No. 4.1.1.e (Rev. 1).

- The DPH did not start submitting reimbursement payment vouchers until November 2020 while OEM did not submit its vouchers until May 2021, which was more than one year after OEM began using its p-cards. Consequently, the p-card expenditure activity for fiscal year 2020 was not recorded in the FAMIS accounting system until fiscal year 2021.
- SAPs No. 7.1.3.a, *Fund Reconciliation for Petty Cash and Imprest Funds*, and No. 7.1.3.b, *Reconciliation of All Bank Accounts in All City Agencies*, require that departments prepare monthly fund and bank reconciliations for their imprest funds and submit them to the Finance Office for review. The Finance Office did not provide adequate oversight to ensure that the fund and bank reconciliations for DPH and OEM p-card activity were completed timely. While we noted that the Treasurer's Office, as part of the General Disbursement Account's bank reconciliation, prepared a schedule reconciling p-card charges to payments out of the General Disbursement Account, it was also important for the DPH and OEM to reconcile their own accounts monthly to track expenses against the authorized imprest limit and review activity to identify any errors or irregularities. DPH did not complete its fund and bank reconciliations for March through June 2020 until August 26, 2020. The Office of the Managing Director's (MDO's) management personnel who handled the OEM account informed us that the Treasurer's Office was responsible for reconciling OEM's p-card activity, but they prepared fund and bank reconciliations for the OEM p-card for their own records to keep track of expenses. MDO management provided us with these reconciliations for the period of April 2020 through September 2020, and we noted that, for the first five months, the reconciliations were not prepared timely, with the first reconciliations for April 2020 not being completed until September 28, 2020.
- The DPH's p-cards were issued to the health commissioner, deputy health commissioner, and chief operating officer. However, our inquiries of the DPH management disclosed that seven other DPH personnel were given access to the p-card information to make purchases although the DPH management asserted that the seven employees never had access to the physical p-cards and only made p-card purchases after management approval. One of the seven individuals was a former DPH employee to whom the DPH management attributed \$5,747 of p-card purchases with no supporting receipts, as discussed in more detail in the DPH's Findings and Recommendations section on page 33.

In an October 13, 2020 letter in response to our request for information regarding the DPH and OEM p-card accounts, the current city treasurer informed us that the following changes were planned to improve controls:

- The p-card charges will now be paid automatically each month through debits to the DPH and OEM imprest bank accounts.
- For the p-card charges paid out of the General Disbursement Account, DPH and OEM will submit reimbursement vouchers. After the vouchers are reviewed and approved, the funds will be deposited to the DPH and OEM imprest bank accounts, both of which will reimburse the General Disbursement Account.
- The p-cards will have declining balances set to the imprest fund balance to prevent spending beyond approved levels.
- DPH and MDO (for OEM) will reconcile their respective accounts to maintain a cleaner audit trail and provide additional oversight.
- The Finance Office will revise the DPH and OEM imprest fund SAPs to reflect procedures for p-cards. Finance Office management provided us with these revised SAPs on February 3, 2021.⁷

Risk/Potential Effect:

The lack of spending controls on the p-cards combined with the DPH's untimely fund reconciliations and failure to submit reimbursement vouchers resulted in DPH overspending beyond its approved limit. As of September 30, 2020, DPH's p-card charges totaled \$195,925, which exceeded its \$100,000 imprest fund balance by \$95,925.

Because reimbursement vouchers for the p-card charges were not submitted until fiscal year 2021, expenditures in the city's FAMIS accounting system for fiscal year 2020 were understated by \$155,861 – \$131,196 for DPH and \$24,665 for OEM.

⁷ The revised SAPs for the DPH and OEM imprest funds were as follows: SAP No. 4.1.1.e (Rev.1)-A3, *MDO/OEM Emergency Purchase Card Procedure – An addendum to Imprest Funds SAP No. 4.1.1.e (Rev. 1)*, effective as of November 15, 2020 and last updated on February 2, 2021, and SAP No. 4.1.1.e (Rev. 1)-A4, *DPH – An addendum to Imprest Funds SAP No. 4.1.1.e (Rev. 1)*, effective as of November 18, 2020 and last updated on February 2, 2021.

Recommendation:

To improve internal controls over p-card activity, we recommend that Finance Office management ensure that the following planned actions are implemented:

- Revise the payment process for p-card charges so that they are automatically paid out of the DPH and OEM imprest bank accounts instead of the General Disbursement Account [103520.01].
- Require that DPH and OEM submit reimbursement vouchers for the p-card charges paid from the General Disbursement Account. Once the vouchers are approved, the funds should be deposited into the DPH and OEM imprest bank accounts, and those accounts should then reimburse the General Disbursement Account. Going forward, ensure that DPH and OEM submit reimbursement vouchers on a timely basis [103520.02].
- Revise the p-cards from a revolving balance to a declining balance set to the imprest fund balance to prevent overspending [103520.03].
- Require that DPH and OEM prepare monthly fund and bank reconciliations for their imprest funds timely and submit them to the Finance Office for review [103520.04].

Regarding the issue of not restricting the use of DPH's p-cards to the employees to whom the cards were issued, we observed that the Finance Office's revised SAP for the DPH's imprest fund (effective as of November 18, 2020 and last updated on February 2, 2021) stated that, while the health commissioner and a deputy commissioner will be the authorized p-card holders, an individual staff member would be designated to make all approved purchases for DPH. All DPH staff, including authorized p-card holders, must submit a purchase request form which, if approved by a DPH internal assigned reviewer, will be forwarded to the individual staff member designated to make purchases. We recommend that Finance Office management monitor the DPH's p-card usage to ensure that the DPH is following the requirements of the revised SAP regarding restriction of card usage [103520.05].

Department's Response:

The details of your recommendations above adequately reflect the processes planned/implemented by Finance through February 2021.

Our additional responses for the recommendations are as follows:

Recommendation No. 103520.01: Implemented – In February 2021, the Treasurer's Office and Finance Accounting revised the payment process for p-cards to ensure that future expenses were paid from the DPH and OEM respective imprest accounts.

Recommendation No. 103520.02: The reimbursement of the general disbursement account is in process.

Recommendation No. 103520.03: Implemented – In February 2021, the Treasurer's Office changed the p-cards from revolving balance to declining balance.

Recommendation No. 103520.04: This has always been a requirement for city imprest funds and has been followed for the imprest funds associated with the city's emergency response and public health credit cards.

Recommendation No. 103520.05: DPH management will continue to ensure that p-card usage is conducted in line with the requirements of the revised SAP (SAP No. 4.1.1.e (Rev. 1)-A4). General Accounting will continue to monitor for timely submission of monthly imprest fund reconciliations.

[Controller's Office Evaluation of Department's Response: With regard to the department's response for recommendation no. 103520.04, our testing found that fund and bank reconciliations for the DPH and OEM imprest funds were not prepared timely. DPH did not complete its fund and bank reconciliations for March through June 2020 until August 26, 2020. Regarding the OEM account's fund and bank reconciliations for the period of April 2020 through September 2020, we noted that, for the first five months, the reconciliations were not prepared timely, with the first reconciliations for April 2020 not being completed until September 28, 2020.]

**TABLE 1: DEPARTMENTS NOT PROPERLY ENFORCING CITY'S SICK ABUSE POLICY
SICK LEAVE PAYMENTS TO WHICH CIVIL SERVICE EMPLOYEES WERE NOT ENTITLED
CALENDAR YEAR 2019**

DEPARTMENT NAME	CIVIL SERVICE EMPLOYEES WHO RECEIVED SICK LEAVE PAYMENTS TO WHICH THEY WERE NOT ENTITLED	
	# OF EMPLOYEES	SICK LEAVE PAYMENTS
Office of Innovation and Technology	7	\$14,236
Office of the Managing Director	10	19,564
Police Department	2	7,777
Streets Department	321	210,883
Fire Department	112	245,123
Department of Public Health	40	33,938
Department of Behavioral Health and Intellectual Disabilities Services	5	14,258
Department of Parks and Recreation	19	18,741
Department of Human Services	85	64,902
Philadelphia Prison System	118	101,656
Office of Fleet Management	21	26,064
Department of Licenses and Inspections	23	32,157
Philadelphia Water Department	135	70,853
Department of Records	5	13,110
Office of the Director of Finance	6	13,790
Department of Revenue	41	33,915
Division of Aviation	93	68,176
Law Department	3	895
Free Library of Philadelphia	71	43,606
Commission on Human Relations	5	19,807
Office of Human Resources	2	3,095
Office of Property Assessment	15	15,976
District Attorney's Office	4	16,921
Office of the Sheriff	30	52,315
Department of Planning and Development	5	14,491
City Commissioners Office	3	307
	1,181	\$1,156,556

Source: For each of the departments listed above, refer to the department's section in the Departmental Findings and Recommendations portion of the report for the details of the findings summarized above. (NOTE: Table 1 only summarizes sick abuse findings with regard to civil service employees.)

City of Philadelphia
Department of Revenue
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Revenue was established by the Philadelphia Home Rule Charter to be responsible for: billing and collecting real estate taxes; collecting income and other taxes; reading water meters and billing and collecting water and sewer rents due to the city; and collecting fees for all city licenses and permits. Under the 1965 Supplement to the Charter, the Department of Revenue is charged with collecting taxes receivable for the benefit of the School District of Philadelphia. The director of finance with the approval of the mayor appoints the revenue commissioner. The department was designated as Tier 1 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Frank Breslin, Commissioner	General Fund	\$32,879,233	Tax Revenue	\$3,959,764,000
Department of Revenue	Water Fund	17,472,616	Non-Tax Revenue	682,601,000
Municipal Services Building, 6 th Floor	Grants Revenue Fund	26,425,000	From Other Governments	<u>46,002,000</u>
1401 John F. Kennedy Boulevard	Acute Care Hospital Fund	<u>45,000</u>	Total Estimated Revenues	<u>\$4,688,367,000</u>
Philadelphia, PA 19102	Total Appropriations	<u>\$76,821,849</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	529
			Exempt	<u>77</u>
			Total Employees	<u>606</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave requests were not properly prepared for one of five employees selected for testing. For this employee, we noted two vacation leave occasions, one of which involved two consecutive days taken, where the leave requests were submitted and approved after the time had already been taken.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103620.01].	Employees are advised to request leave in advance and supervisors are asked to check the employee's accrual balances in OnePhilly before approving leave. To streamline the leave request approval process and prevent this from happening moving forward, we began using electronic leave request forms in FY20. The approved forms can be attached to the timecard or sent directly to Payroll in an email. The payroll team prints and saves the emails as additional verification of approved leave.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$33,915, broken down as follows:</p> <ul style="list-style-type: none">• None of the five civil service employees tested, who used over eight days of undocumented sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$20,334 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five civil service employees selected for testing received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 30 civil service employees who were improperly paid a total	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103620.02].</p>	<p>Implemented. During calendar year 2019, the City of Philadelphia began using OnePhilly as the primary system of record. During the initial stages of implementation, sick leave information for the first few months of the CY19 was only available in the legacy system and it was difficult to reconcile sick leave information in both the legacy and OnePhilly systems. There was no effective way to track or report on sick leave until FY21. Since that time, OnePhilly created reports that we run biweekly and use to send sick leave notices to staff in accordance with the sick leave policy.</p>

¹ According to the city's online payroll system, there were 72 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>of \$9,710 for uncertified sick leave used after the eighth undocumented sick day.</p> <ul style="list-style-type: none"> Also, our review of the city's online payroll system data revealed that another six civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$3,871 for uncertified sick leave during calendar year 2019. 			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Personal property items reported as "cannot locate" items were not properly removed from the city's database after three years.</u> During our review of the city's database, we noted 12 items valued at \$125,293 which were reported as "cannot locate" items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city's database overstates the value of the personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations for all personal property. Annual inventory counts should be performed in accordance with standard accounting procedures of the city's Finance Office. Furthermore, management should ensure that "cannot locate" items are properly removed from the database after three years and reconcile their records to the database [103618.02].</p>	<p>Implemented.</p>
<p><u>Employee evaluations were not recently performed.</u> The department was unable to provide recent performance evaluations for three of the five civil service employees tested.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [103618.06].</p>	<p>Implemented.</p>

City of Philadelphia
Division of Aviation
Findings and Recommendations
Fiscal Year 2020

Functions

The Division of Aviation (DOA), established by the 1951 Philadelphia Home Rule Charter under the city's Commerce Department, operates Philadelphia International Airport and the Northeast Philadelphia Airport. Its functions include maintaining, improving, repairing, and operating city airport facilities and equipment. Additionally, when authorized by City Council, the DOA can acquire, design, and construct facilities. The department may also grant leases and licenses for the use of airport facilities. The DOA consists of five major units including: Property Management and Business Development; Finance and Administration; Marketing and Public Affairs; Operations and Facilities; and Planning and Environmental Stewardship. It operates principally out of Philadelphia International Airport and the Northeast Philadelphia Airport, but also has several maintenance and warehouse facilities around the vicinity of Island Avenue. A chief executive officer appointed by the mayor, and four deputy directors manage the department. The department was designated as Tier 1 for fiscal year 2020.

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

Appropriations:
Aviation Fund \$199,188,000
Capital Fund 486,740,000
Total Appropriations \$685,928,000

Estimated Revenues:
Non-Tax Revenues \$495,672,000
From Other Funds 2,913,000
From Other Governments 1,527,000
Total Estimated Revenues \$500,112,000

Number of Full Time Employees:
Civil Service 769
Exempt 28
Total Employees 797

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>For the third consecutive year, we are reporting that payroll data entries were not adequately checked.</u> The online payroll time records contained inaccuracies for four of the 11 employees selected for testing. For one employee, overtime was inaccurately recorded. Another employee's shift differential pay was recorded incorrectly. In the third case, while the employee's attendance record indicated that he used sick leave, he was erroneously charged compensatory time. In the fourth instance, while the attendance record showed the employee as working a full day, an incorrect entry of excused time was posted to the payroll time record.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check entries by referencing back to the daily attendance records. This process should be documented [104318.03].</p>	<p>The Airport will review internal procedures to strengthen payroll processes as we continue to strive to accurately process payroll.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth consecutive year, we have reported that employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours worked. For four out of the five employees tested, the department could not provide overtime authorization forms for 16 of the 25 sample days selected for testing. These four employees – a HVAC mechanic group leader, an electronic equipment supervisor, a custodial work supervisor, and a building maintenance supervisor – earned a combined total of \$351,228 in overtime during fiscal year 2020.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104316.02].</p>	<p>The Airport is reviewing internal practices and procedures to strengthen and develop processes to ensure approved overtime is correctly documented and reported. The Airport will work to mitigate errors by 1) emailing reminders to all unit supervisors several times a year that overtime approval is necessary and required – including sending additional notices during major weather events; 2) conducting supplementary meetings with the supervisors in the units with the most occurrences; 3) utilizing Airport internal staff to work with the Payroll Unit to compare overtime authorization to actual overtime worked by employee; 4) provide additional training for the Payroll Unit.</p>
<p><u>For the seventh consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The DOA's failure to enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$68,176, broken down as follows:</p> <ul style="list-style-type: none"> Four of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These four employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$13,359 in sick leave benefits 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [104313.01].</p>	<p>The Airport will work to mitigate errors by 1) emailing all unit supervisors several times a year to remind their staff to fill out leave requests and submit doctors' notes; 2) utilize Airport internal staff to work with Employee Relations Unit (ERU) to review the One Philly sick leave report, and report findings to ERU. Once there is a timely review, ERU can properly process sick leave abuse timely and accurately to address issues and avoid possibilities of employees abusing sick time.</p> <p>It should be noted that during the audit testing period, for a time, One Philly was unable to produce sick leave reports and certain issues could not be resolved until the following fiscal year.</p>

¹ According to the city's online payroll system, there were 160 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, all five employees tested did not receive a fifth-day warning letter. Also, none of the four employees who used over eight days of undocumented sick leave received an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 74 civil service employees who were improperly paid a total of \$44,008 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another 15 civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$10,809 for uncertified sick leave during calendar year 2019.			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted two items valued at \$142,455 which were reported as “cannot locate” items for over three years.	Allowing items that have not been located for over three years to remain in the city’s database overstates the value of the personal property assets and unnecessarily complicates the physical count process.	Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and reconcile their records to the city’s database [104318.01].	Implemented.

City of Philadelphia
Department of Planning and Development
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Planning and Development was created in fiscal 2018 to ensure that Philadelphia has well-planned neighborhoods with affordable housing options and access to public art. The department also oversees historic preservation to honor the city's unique history as well as helping developers move projects forward by creating citywide and neighborhood plans and implement zoning. The department represents a merging of the following city agencies and departments: The Office of Planning and Development, City Planning Commission, Historical Commission, Art Commission, Zoning Board of Adjustment, Development Service and the Division of Housing and Community Development. The department also partners with the Philadelphia Housing Development Corporation, Philadelphia Land Bank and the Philadelphia Redevelopment Authority. In fiscal year 2020, there was a \$28.4 million increase in Housing Trust Fund appropriations due to increased funding of annual requirements for the housing development program and a \$13.3 million contribution from the General Fund to the Housing Trust Fund which was reported as revenue from other funds. The department was designated as Tier 1 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$ 11,810,746
Grants Revenue Fund	61,870,058
Community Development Fund	68,260,861
Housing Trust Fund	<u>68,416,000</u>
Grand Total	<u>\$210,357,665</u>

Estimated Revenues:

Non- Tax Revenue	\$ 2,937,000
From Other Governments	147,805,000
Revenue from Other Funds	<u>13,285,000</u>
Total Estimated Revenues	<u>\$164,027,000</u>

Number of Full Time

Employees:

Civil Service	83
Exempt	<u>24</u>
Total Employees	<u>107</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department could not provide formal approved leave requests for four of the 14 leave occasions selected for testing. For one of the four occasions, the employee used five consecutive days of vacation leave.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [107220.01].</p>	<p>The department is in agreement with the findings. A policy memo will be distributed by the appointing authority to all employees reminding them of the requirement to submit leave request forms for supervisory review and approval in accordance with standard accounting procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [107220.02].	The department is in agreement with the findings. Moving ahead, the Human Resources Unit will prepare a report in September of each year noting the employee's name and evaluation anniversary date. The Unit will update the report on a bi-weekly basis, noting evaluations completed and those remaining. Working with DPD leadership and supervisors, the Unit will ensure annual evaluations are completed on a timely basis.
<u>City sick leave policy was not properly enforced.</u> None of the five civil service employees tested, who used over eight days of undocumented sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$14,491 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five civil service employees tested received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [107220.03].	The Human Resources Unit has increased its review of this process. Reports will be generated monthly to track sick usage and we will provide notifications and sanctions where necessary to employees.

¹ According to the city's online payroll system, there were 5 employees who used 8 or more undocumented sick days during calendar year 2019.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payments of \$228 made to a separated employee for time not worked were unrecovered by the department.</u> Our testing revealed a separated employee remained on the city's payroll for two days after her termination date. The department was made aware of this and chose not to recapture the overpaid amount from the employee.	Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll.	Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment of wages to the separated employee [100616.01].	Implemented.
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 50 daily attendance records, we noted that: <ul style="list-style-type: none"> • Four records (8%) were approved by supervisors on days that they were not present. • 19 records (38%) showed the supervisor approving his/her own time. 	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [100616.03]. Additionally, someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100616.04].	Implemented.
<u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed that a separated employee remained on the city's payroll for ten days after their termination date. The department subsequently discovered the error prior to the employee receiving their direct deposit payment.	Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [105117.02].	Implemented.

**TIER 2
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
City Council
Findings and Recommendations
Fiscal Year 2020

Functions

City Council is the legislative body of the Philadelphia city government responsible for legislating all municipal matters. It executes the legislative function by enacting and amending ordinances. Council enacts ordinances dealing with a wide scope of city matters, such as public health, public safety, zoning, budgeting, building and housing, and the regulation of business, trades, and professions. To aid in the performance of its legislative functions, Council conducts investigations and inquiries into those matters requiring its attention. These investigations are authorized by resolutions. Council's investigatory power is important since it is the principal means for the legislative body to check on the administrative operations. Council has 17 seats. Ten members are elected from each of the city's 10 Council districts and seven members are elected from the city at large. Council members serve a four-year term concurrent with the Mayor's. The Council elects a president from among its members. Council employees, with the exception of the Chief Clerk (who is selected by the entire Council) and the staff of the individual council members, are appointed by the Council President. The department was designated as Tier 2 for fiscal year 2020.

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

Appropriations:
General Fund \$17,927,973
Grants Revenue Fund 205,300
Total Appropriations \$18,133,273

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

Number of Full Time Employees:
Civil Service 1
Exempt 179
Total Employees 180

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>For the third consecutive year, we have reported that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for 15 out of 21 sample dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100118.02].</p>	<p>City Council will use the recommendation to evaluate the methods used to submit and approve leave requests. Individual Council Offices use a variety of methods for requesting and approving leave such as written requests, email requests and calendar notifications. These methods provide for oversight and proper documentation, and Council will make every effort to ensure that leave requests continue to be properly submitted and maintained.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the ninth consecutive year, we have reported that the city's sick leave policy was not enforced.</u> City Council still has not designed and implemented a sick leave policy that includes the definition of abuse, employee counseling, and sanctions for the abuse for its staff, all of whom are classified as exempt employees (except for one civil service employee as of the end of fiscal year 2020). Although Council's exempt staff is not subject to the same policy enforced against civil service employees, we noted, in calendar year 2019, that 12 employees who used 15 or more undocumented sick days received \$78,902 in paid sick leave that they would not have been entitled to had City Council adopted the city's sick leave policy.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.¹</p>	<p>We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, including employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].</p>	<p>As noted in the report, City Council is not subject to the same policy enforcement as Civil Service. Although Council is not subject to the same guidelines, the department does have a written sick leave policy included in the Employee Handbook.</p> <p>The Handbook states:</p> <ul style="list-style-type: none">• Employees may provide written or verbal notice for the use of sick time.• Employees should give advance notice for scheduled appointments.• Employees should provide notice prior to the start of the shift, for immediate use of sick time.• Reasonable documentation can be requested ONLY after the employee uses three (3) consecutive sick leave days. <p>City Council will take the auditor's recommendation into consideration, as the department continues to strengthen and define its policies.</p>

¹ According to the city's online payroll system, there were 52 employees who used 8 or more undocumented sick days during calendar year 2019.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll attendance records were not properly authorized by appropriate supervisory personnel.</u> In our review of 60 daily attendance records, we noted that on 45 occasions a supervisory employee approved his/her own time and on three occasions the individual approving the time record was not present at work on the date of approval.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100117.01].	Implemented.

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Year 2020

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter (Charter) grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct department having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2020 appropriations for the Office of the Mayor and Mayor's Office of Labor Relations were combined for reporting purposes. The department was designated as Tier 2 for fiscal year 2020.

As approved by the voters at the election held on June 2, 2020, the Charter was amended to create the Department of Labor, which replaces the Mayor's Office of Labor Relations and whose functions include enforcing city laws that protect Philadelphia workers; overseeing labor relations, such as collective bargaining, with the city's unionized workforce; investigating compliance with worker protections set forth in city contracts; and managing programs concerning city employees. In addition, the Charter was amended to create a Board of Labor Standards whose function is to review determinations of the Department of Labor or sit as an adjudicator of matters brought before it by the Department of Labor. These Charter amendments were effective as of July 1, 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Honorable James F. Kenney, Mayor	General Fund	\$8,768,461	Non-Tax Revenue	\$ 130,000
Office of the Mayor	Grants Revenue Fund	<u>915,185</u>	From Other Governments	<u>915,000</u>
City Hall, Room 215	Total Appropriations	<u>\$9,683,646</u>	Total Estimated Revenues	<u>\$1,045,000</u>
Philadelphia, PA 19107				

Number of Full Time Employees:
Exempt 91

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for eight out of 13 sample dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100520.01].	We have reminded employees and supervisors that supervisor approval is required for leave requests. We will also follow up with supervisors if we do not receive the required approval documentation.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>City sick leave policy was still not enforced.</u> In our review of the Mayor's Office and Mayor's Office of Labor Relations, we noted that there were no sanctions for excessive sick abuse by exempt employees. While exempt employees are not subject to the same sick leave policy enforced against civil service employees, in calendar year 2019, one exempt employee in the Mayor's Office and two exempt employees in the Mayor's Office of Labor Relations, all of whom used 15 or more uncertified sick days, together received \$20,706 in paid sick leave that they would not have been entitled to had the Mayor's Office and Mayor's Office of Labor Relations adopted the city's sick leave policy.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and subsequent sanctions set forth in the policy, be adopted and enforced by management [100518.03].	All staff in the Mayor's Office are exempt employees. Since exempt employees are not covered by the Civil Service Regulations this policy does not apply to them. Exempts are at will employees, and attendance problems do not require all the warnings and escalation of suspensions. Exempt appointments can be terminated at any time for any reason or for no reason at all.

¹ According to the city's online payroll system, there were 6 employees in the Mayor's Office and 9 employees in the Mayor's Office of Labor Relations who used 8 or more undocumented sick days during calendar year 2019.

City of Philadelphia
Office of the Managing Director*
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Managing Director (MDO) oversees, supports, and assists the city's thirteen operating departments to ensure the efficient and effective provision of city services. Additionally, the MDO is involved with a number of other activities that include the following: coordinating inter-departmental responsibilities and ensuring accountability for the provision of services; reviewing, revising, and updating the city's emergency operations plan to meet federal and state requirements; coordinating, evaluating, and reporting on emergency response management exercises involving departmental, commercial, private, and volunteer services; developing the chemical emergency response plan required by the Emergency Planning and Community Right-To-Know Act; coordinating grant management services for criminal justice agencies, and managing pertinent research, planning and development for criminal justice projects; managing the justice facilities and system improvement programs; optimizing costs and minimizing the use of energy at city facilities; and advising the police commissioner for the purpose of improving performance and improving community relations. The managing director is appointed by the mayor. The fiscal 2020 appropriations for the MDO, the Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes. The department was designated as Tier 2 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Tumar Alexander, Managing Director	General Fund	\$112,816,865	Non-Tax Revenue	\$ 8,427,000
Office of the Managing Director	Water Operating Fund	138,550	From Other Governments	<u>3,798,000</u>
1430 Municipal Services Building	Grants Revenue Fund	10,543,322	Total Estimated Revenues	<u>\$12,225,000</u>
1401 John F. Kennedy Boulevard	Capital Fund	<u>82,272,000</u>		
Philadelphia, PA 19102	Total Appropriations	<u>\$205,770,737</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	45
			Exempt	<u>335</u>
			Total Employees	<u>380</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
IMPREST FUNDS <u>The MDO did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.</u> Refer to report page 93 for the details of this finding.			
<u>Imprest fund payments of sales tax violated city policy.</u> Refer to report page 94 for the details of this finding.			

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
REVENUE RECEIPTS <u>Revenue receipts are still not deposited in a timely manner.</u> Of the 25 revenue receipts tested during fiscal year 2020, we noted that 17 receipts, totaling \$259,356 were deposited over 15 days after payment was received.	Untimely deposits of revenue receipts result in lost interest income to the city and increase the risk of misappropriation.	Management should minimize the length of time it takes to make a deposit with the city's Department of Revenue [101016.04].	MDO agrees with the finding and will work to minimize the length of time it takes to make a deposit with the city's Department of Revenue by coordinating with our revenue collecting programs. We will also work to continue to transition deposits to ACH.
PERSONAL SERVICES <u>Employee overtime was not authorized.</u> Overtime was paid without evidence that management had approved the number of hours worked or the reasons supporting overtime requests. We selected 10 employees for testing – five from the MDO's Office of Emergency Management (OEM) and five from the Mural Arts Program, whose payroll and human resources functions are handled by the MDO. For all 10 employees, the MDO could not provide approved overtime authorization forms for 38 out of 50 selected overtime instances (all 25 instances for the OEM employees and 13 out of 25 instances for the Mural Arts Program employees). The five OEM employees, all of whom were assistant managing directors, earned a combined total of \$143,666 in overtime during fiscal year 2020. The five Mural Arts Program employees – three of whom were scaffolding crew members while the other two were a senior landscape manager and a crew leader – were paid a combined total of \$11,463 in overtime during fiscal year 2020.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101020.04].	MDO will increase its efforts to approve all overtime in writing. The department will create a fillable form for the Request for Authorization of Overtime and Compensatory Time and require supervisor signature.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for all six employees selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101020.05].</p>	<p>MDO will review employee use of leave time and increase efforts to ensure leave is approved.</p>
<p><u>Payroll data entries for separated employees were still not always checked.</u> A final payroll check was not properly calculated for one of the five employees tested when one employee separated while possessing a negative vacation and administrative leave balance at the time of his termination. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the resulting overpayment. Lastly, our follow-up of the fiscal year 2019 finding, where a separated employee was overpaid because his terminal leave payment erroneously included the compensatory time balance, found that the MDO had not yet submitted a PCA to recover the overpayment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll. In one instance, a separated employee was overpaid by \$248. Regarding the prior year finding, the separated employee had been overpaid by \$4,704.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated [101019.01]. In addition, management should submit PCAs to the city's Finance Office to recover the overpayments to the separated employees [101019.02].</p>	<p>MDO will implement this recommendation. MDO HR staff have been instructed to review payroll data entries for accuracy to prevent occurrences of this nature in the future.</p>
<p><u>For the third consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The MDO's failure to enforce the city's sick leave policy resulted in its civil service employees being improperly paid a total of \$19,564, broken down as follows:</p> <ul style="list-style-type: none"> None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2019, were placed on the 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101018.01].</p>	<p>MDO acknowledges this finding and will continue to improve our enforcement efforts as it relates to the sick leave policy.</p> <p>The department recognizes the importance of monitoring sick leave usage to ensure it is being used properly and in conformance with the policy.</p> <p>Exempt employees are "at will," and as</p>

¹ According to the city's online payroll system, there were 108 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$14,803 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five employees tested received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for eight of 38 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data disclosed another five civil service employees, who, according to the city's online payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$4,761 for uncertified sick leave during calendar year 2019.			<p>(continued)</p> <p>noted, not subject to the city's Sick Leave Rules and Regulations.</p> <p>The department will review employee use of leave time and increase efforts to ensure leave is approved. MDO will also enforce the sick abuse policy for civil service employees.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>Additionally, although MDO's exempt employees are not subject to the city's Sick Leave Rules and Regulations for its civil service employees, we noted 15 exempt employees, who, according to the city's online payroll system, used 15 or more undocumented sick days during calendar year 2019. These 15 employees received \$74,790 in paid sick leave that they would not have been entitled to had MDO adopted the city's sick leave policy for its exempt employees.</p>			

Observation/Condition:

The MDO did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.

Our review of the MDO's records for the Office of Emergency Management's (OEM's)² imprest fund³ found that bank and fund reconciliations were not prepared in a timely manner. The MDO's management personnel who handled the OEM imprest fund informed us that the Treasurer's Office reconciled OEM's p-card activity as part of the General Disbursement Account's reconciliation, but they prepared bank and fund reconciliations for the OEM p-card for their own records to keep track of expenses. We noted that the Treasurer's Office reconciled p-card expenses to the city's payment of p-card charges out of the General Disbursement Account. However, it was also important for MDO to reconcile OEM's p-card activity to track expenses against the authorized imprest limit and review activity to identify any errors or irregularities. MDO management provided us with the p-card reconciliations prepared for the period of April 2020 (when OEM's p-card activity began) through September 2020, and we noted that, for the first five months, the reconciliations were not prepared timely, with the first reconciliations for April 2020 not completed until September 28, 2020. Lastly, MDO did not timely submit the reimbursement payment vouchers for the OEM imprest fund. For p-card expenditures incurred from April through July 2020, which totaled \$25,526, the reimbursement vouchers were not submitted until May 2021, which was more than one year after OEM began using its p-card.

Additionally, from July 2019 through March 2020, OEM had a debit card for purchases, but there were no expenditures during this period. Finance's Standard Accounting Procedure (SAP) No. 7.1.3.b, *Reconciliation of All Bank Accounts in All City Agencies*, and No. 7.1.3.a, *Fund Reconciliation for Petty Cash and Imprest Funds*, require that monthly bank and fund reconciliations be prepared for imprest funds, even if there is no activity; however, MDO management stated that the department did not become aware of this requirement until March 2020. MDO did not prepare bank and fund reconciliations for July through December 2019 until March 13, 2020 while the reconciliations for January through March 2020 were not completed until July 29, 2020.

Risk/Potential Effect:

Failure to perform monthly bank and fund reconciliations and submit reimbursement vouchers timely increases the risk that errors or irregularities may occur and not be detected in a timely manner.

Recommendation:

Management should ensure that:

- Monthly bank and fund reconciliations are timely prepared in accordance with SAPs of the city's Finance Office [101020.01].
- Reimbursement payment vouchers are submitted on a timely basis to ensure that the imprest fund is maintained at an adequate level [101020.02].

Department's Response:

MDO agrees with the recommendation and will work toward ensuring monthly bank and fund reconciliations are prepared in accordance with SAPs of the city's Finance Office. MDO will also ensure reimbursement payment vouchers are submitted on a timely basis.

² OEM is a division under the MDO.

³ In late March 2020, in response to OEM's request for additional funding for COVID-19 emergency purchase needs, OEM's imprest fund balance was increased from \$5,000 to \$50,000, and the debit card was replaced with a procurement card (p-card). A p-card is a type of commercial charge card that allows organizations to make electronic payments for a variety of goods and services.

Observation/Condition:

Imprest fund payments of sales tax violated city policy.

The city is exempt from the payment of the Pennsylvania sales tax. Departments have been instructed not to pay sales tax on disbursements and to obtain tax-exempt certificates from the Procurement Department to present to vendors to show that no tax is due. However, our review of the OEM imprest fund noted five p-card transactions that included payment of sales tax totaling \$153.

Risk/Potential Effect:

The payment of sales tax on certain transactions resulted in taxpayer dollars being unnecessarily expended on disbursements unallowable per city policy.

Recommendation:

Management should ensure that p-card users refrain from paying sales tax on purchases and obtain tax-exempt certificates from the Procurement Department to present to vendors to show that no tax is due [101020.03].

Department's Response:

MDO agrees with this finding and will continue to counsel p-card users on using the city's tax-exempt certificate.

City of Philadelphia
Department of Parks and Recreation
Findings and Recommendations
Fiscal Year 2020

Functions

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

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

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

The Philadelphia Museum of Art received city appropriations through the Department of Parks and Recreation for fiscal year 2020. The department was designated as Tier 2 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Kathryn Ott Lovell, Commissioner	General Fund \$ 67,608,055	Non-Tax Revenue \$ 2,190,000
Department of Parks and Recreation	Grants Revenue Fund 13,552,824	From Other Governments <u>13,332,000</u>
1515 Arch Street, 10 th Floor	Capital Fund <u>191,032,000</u>	Total Estimated Revenues \$ <u>15,522,000</u>
Philadelphia, PA 19102	Total Appropriations <u>\$272,192,879</u>	
		<u>Number of Full Time Employees:</u>
		Civil Service 634
		Exempt <u>38</u>
		Total Employees <u>672</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>For the third consecutive year, we have reported that payroll attendance records were not properly authorized by supervisory personnel.</u> Weekly time reports for three of the five employees selected for testing were approved by a unit supervisor prior to the end of the workweek.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees only after the time has been worked [101618.02]. Additionally, the payroll unit should be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [101619.02].</p>	<p>The department acknowledges this finding and will continue to work with supervisors to ensure they are following the proper procedures for approving time. We will resend the reference document from 2019 on proper timesheet submission and approval protocols to supervisors and the payroll unit.</p>
<p><u>For the sixth consecutive year, we have reported that employee attendance records were not properly used to document employee attendance.</u> We noted that three out of five employees we selected for testing completed their weekly time reports before the time had been worked. Also, one of the five employees signed and dated the weekly time report after the date it was approved by the supervisor.</p>	<p>Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.</p>	<p>Require employees to contemporaneously complete their weekly time reports [101615.06].</p>	<p>The department acknowledges this finding and will continue working with the payroll staff and supervisors to ensure proper protocol is being followed. Reference documentation from 2019 on proper timesheet completion will be sent to all employees.</p>
<p><u>For the eighth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$18,741, broken down as follows:</p> <ul style="list-style-type: none"> • None of the five civil service employees tested, who used over eight days of undocumented sick leave during calendar year 2019, were placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101612.01].</p>	<p>The department acknowledges this finding and will continue to improve our enforcement efforts as it relates to the Sick Leave Policy. Due to the implementation of OnePhilly, several reports previously available to track sick leave usage were unavailable for most of 2019. Additionally, built in system flags that existed in the legacy system no longer exist making it extremely difficult to proactively manage the sick leave policy and issue timely notices and penalties. While sick</p>

¹ According to the city's online payroll system, there were 55 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$12,907 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, four of the five civil service employees tested did not receive a fifth-day warning letter, while another employee received a fifth-day letter in an untimely manner. Also, none of the five employees selected for testing received an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 11 civil service employees who were improperly paid a total of \$4,143 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another three civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$1,691 for uncertified sick leave during calendar year 2019.			<p>(continued)</p> <p>leave reports are now available from the OnePhilly system and allow tracking, the future implementation of the OnePhilly automated notification letter will enable better enforcement of the city's sick leave policy.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>For the fourth consecutive year, we have reported that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the eight civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [101616.06].	Implemented.

City of Philadelphia
Department of Public Property
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Public Property was established by the Philadelphia Home Rule Charter to centralize a variety of functions related to the city government's physical plant, communications, power systems, and city-owned transit facilities. Within the scope of its functions under the Charter, the Department of Public Property exercises the following powers and performs the following duties: supervision over the construction, maintenance, and repair of city facilities; acquisition and disposition of city-owned or leased real estate; assignment of space in city buildings to executive and administrative agencies; and supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city's managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value. The department was designated as Tier 2 for fiscal year 2020.

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

Appropriations:
General Fund \$209,919,613
Water Fund 4,270,347
Aviation Fund 26,900,000
Capital Fund 43,723,000
Total Appropriations \$284,812,960

Estimated Revenues:
Non-Tax Revenue \$40,050,000
From Other Governments 18,000,000
Total Estimated Revenues \$58,050,000

Number of Full Time Employees:
Civil Service 131
Exempt 14
Total Employees 145

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The department could not provide a recent performance evaluation for two of the eight civil service employees we tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102018.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The department overpaid for contracted janitorial services by failing to confirm that the employees on the invoice had worked all of the hours charged by the vendor.</u> We noted three instances where the hours on the sign-in sheets for the janitorial services did not agree to the hours invoiced by the vendor resulting in an overpayment in the amount of \$6,300.	Failure to adequately review the supporting documentation for vendor invoices could result in underpayments or overpayments to the vendor.	We recommend that the department thoroughly review all invoices to ensure that they are accurately calculated and that the supporting detail for the invoices agrees to the amounts billed [102019.01].	Implemented.

City of Philadelphia
Office of Homeless Services
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of Homeless Services (OHS), was established to provide the leadership, planning, and resource mobilization to make homelessness in Philadelphia rare, brief and non-recurring. These services encompass prevention efforts, shelter care, comprehensive case management, and referral services to a variety of assistance programs dealing with problems such as substance abuse, mental-health ailments, and life-skill deficiencies. Services can range from providing one night of shelter to victims of fire to year-round housing for chronically needy individuals. Many of the services are provided by third parties with which OHS contracts. The overall goal of OHS is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OHS also operates Riverview, a personal care boarding home for low income people with physical or mental disabilities that require assistance with the activities of daily living. OHS is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$ 59,945,719
Grants Revenue Fund	45,429,240
Capital Fund	<u>4,474,000</u>
Total Appropriations	<u>\$109,848,959</u>

Estimated Revenues:

Non-Tax Revenue	\$ 1,161,000
From Other Governments	<u>44,888,000</u>
Total Estimated Revenues	<u>\$46,049,000</u>

Number of Full Time Employees:

Civil Service	142
Exempt	<u>33</u>
Total Employees	<u>175</u>

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

City of Philadelphia
Department of Licenses and Inspections*
Findings and Recommendations
Fiscal Year 2020

Functions

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

In connection with the powers and duties of L&I, the Charter also established three boards; the Board of License and Inspection Review, the Zoning Board of Adjustment, and the Board of Building Standards. The Board of License and Inspection Review provides citizens adversely affected by the issuance, refusal, suspension, revocation, or cancellation of any license, an orderly due process for a review of actions taken against them. Upon hearing the evidence, the Board renders its decisions in writing. The Zoning Board of Adjustment hears and decides appeals on zoning matters and on special exceptions to the zoning ordinance and authorizes variances from zoning ordinances when conforming to the ordinances will result in unnecessary hardship. The Board of Building Standards advises the Commissioner of L&I on the interpretation of the city's building code and any regulations relating to building safety and sanitation; suggests changes to regulations; and proposes new and substitute materials for building construction, as well as new methods of construction. The department was designated as Tier 2 for fiscal year 2020.

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

Appropriations:
General Fund \$41,536,787
Community Development Fund 490,303
Total Appropriations \$42,027,090

Estimated Revenues:
Non – Tax Revenue \$68,711,000
From Other Governments 490,000
Total Estimated Revenues \$69,201,000

Number of Full Time Employees:
Civil Service 372
Exempt 32
Total Employees 404

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
REVENUE RECEIPTS <u>For the third consecutive year, we are reporting that daily payment totals are not reconciled to the revenue amounts posted to the city's financial accounting system.</u> The daily posting of housing inspection license renewal revenue is not reconciled to the city's financial accounting system (FAMIS). For the five sample weeks	Failure to reconcile the daily cash receipts to the city's financial accounting system increases the risk of misstatement of revenues as well as providing opportunities for the misappropriation of funds.	Validated deposit summaries should be compared to the FAMIS system daily in order to properly reconcile the cash receipts [102618.01].	As stated in previous audit responses, the department consistently monitors and reconciles revenue receipts. The department will continue to reconcile online payments made

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>tested, which consisted of 24 collection days, we noted differences between the amounts posted by the Revenue Department and FAMIS totaling \$313,818. The total housing inspection license renewal revenue was \$15 million for the 2020 fiscal year. In its response to our last two reports, L&I management indicated that they would implement our recommendation and work with the vendor for L&I's eCLIPSE application to make system changes to enable a reconciliation of daily revenue collections to FAMIS. The current audit, however, noted that this situation remains unresolved.</p>			<p>(continued)</p> <p>through the eCLIPSE system with FAMIS and ensure that bulk deposit uploads are conducted on a more timely basis.</p> <p>[Controller's Office Evaluation of Department's Response: L&I asserts that, in its previous audit responses, it stated that the department consistently monitors and reconciles revenue receipts. However, in L&I's responses to the fiscal 2018 and 2019 reports, this statement did not appear. Instead, L&I stated that it would implement our recommendation.</p> <p>Also, with regard to L&I's statement that it consistently monitors and reconciles revenue receipts, during our fiscal year 2020 testing, L&I did not provide us with evidence that they were reconciling daily revenue receipts to the city's FAMIS accounting system. In October 2020, L&I management indicated to us that it has been very challenging for them to track electronic payments submitted through the eCLIPSE system versus when they were deposited and reflected in FAMIS, and they were working with their vendor to make system enhancements to assist with reconciling revenues.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the six civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [102620.01].</p>	<p>The department will implement this recommendation.</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for two of the five employees tested. In the first instance, the employee separated while possessing a negative vacation balance at the time of his separation. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the resulting overpayment. In the second case, a separated employee was not compensated for unused vacation leave because the department did not submit the required terminal leave documentation. Lastly, we followed up on the fiscal year 2019 finding where adjustments to a separated employee's online attendance record for the final pay period resulted in an overpayment and found that the department had not yet submitted a PCA to recover the overpayment.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll. In one instance, a separated employee was overpaid by \$485. Additionally, another separated employee was underpaid by \$314. Regarding the prior year finding, the separated employee had been overpaid by \$136.</p>	<p>Require that employees, assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that final payroll checks are properly calculated. Require management to submit PCAs for the overpayments and the required terminal leave documentation for the underpayment [102619.01].</p>	<p>The department will implement this recommendation.</p>
<p><u>For the seventh consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$32,157, broken down as follows:</p> <ul style="list-style-type: none"> Two of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. The other three civil service 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102612.02].</p>	<p>The department will implement this recommendation.</p>

¹ According to the city's on-line payroll system, there were 39 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>employees tested, who, per the city's online payroll system, were placed on the Excessive Use of Sick Leave List in calendar year 2018, were not penalized according to the city's sick leave policy. These five employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, the five civil service employees tested were paid \$24,016 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, the two civil service employees who used over eight uncertified sick days in calendar year 2019 did not receive a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for 14 of 61 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> • Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 15 civil service employees who were improperly paid a total of \$7,340 for uncertified sick leave used after the eighth undocumented sick day. • Also, our review of the city's online payroll system data revealed that another three civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$801 for uncertified sick leave during calendar year 2019. 			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not agree to the online payroll records for three of the five employees we selected for testing.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [102619.02].	Implemented.

City of Philadelphia
Department of Records
Findings and Recommendations
Fiscal Year 2020

Functions

The Department of Records was established by the Philadelphia Home Rule Charter and charged with the creation, maintenance, retention, and disposition of city records. More specifically, it is responsible for: establishing standards and procedures for record keeping and records systems for all departments, boards, commissions, and agencies of the City of Philadelphia; recording legal documents, maintaining real property database records, maintaining the city's tax maps, collecting city and state realty transfer taxes, collecting various fees, and providing copies of police and fire records; managing the citywide acquisitions of reprographic and filing equipment, conducting records-management studies, creating and managing citywide records-retention schedules, designing and controlling city forms, and managing the city's archives and records center; and creating and maintaining photo records of city activities, providing official city identification cards, providing quick-copy duplicating services, and producing engineering-size reproductions. A commissioner, appointed by the mayor, heads the department. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$4,910,278
Capital Fund	<u>1,292,000</u>
Total Appropriations	<u>\$6,202,278</u>

Estimated Revenues:

Non-Tax Revenue	<u>\$33,105,000</u>
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Number of Full Time Employees:

Civil Service	47
Exempt	<u>4</u>
Total Employees	<u>51</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>A formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete workday.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103120.01].</p>	<p>In 2018, DOR worked collaboratively with Human Resources and Labor Relations to draft a formal attendance & leave policy as a resource guide for team members, however, the policy was never finalized. DOR will reconvene the discussion with all partner departments to implement a policy that will provide guidance to management and team members.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was not properly enforced.</u> The Department of Records' failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$13,110, broken down as follows:</p> <ul style="list-style-type: none">• Out of the five civil service employees selected for testing, four employees used over eight days of undocumented sick leave during calendar year 2019; however, they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$12,911 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, all five civil service employees tested did not receive a fifth-day warning letter. Also, for four of the five sampled employees, the department failed to	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103120.02].</p>	<p>In FY 2019, OnePhilly system limitations resulted in manual tracking of sick abuse offenses and a Citywide agreement to relax enforcement of the sick abuse policy. The One Philly system has been much better at tracking these type of offences since then. The department's HR Unit now uses One Philly reports and manual tracking methods to determine offences and sanction and counsel employees accordingly. Nevertheless, we look forward to the OnePhilly automated notification letter enhancement that will enable better enforcement of the city's sick leave policy.</p> <p>[Controller's Office Evaluation of Department's Response: Management asserted that there was a Citywide agreement to relax enforcement of the sick abuse policy. At no time during our audit testing of sick abuse compliance for 27 selected departments were we made aware of or provided with documentation of such an agreement.]</p>

¹ According to the city's online payroll system, there were five employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>issue the eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for nine of 38 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed one additional civil service employee who was improperly paid \$199 for uncertified sick leave used after the eighth undocumented sick day.			

City of Philadelphia
Office of the City Treasurer*
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the City Treasurer was established by the Philadelphia Home Rule Charter to be the official custodian of all city cash and securities. The powers and duties of the Treasurer's Office include: maintaining control and managing deposits with banks designated by City Council; disbursing funds upon proper authorization and overseeing the distribution of checks; reconciling city bank accounts; generating reports on receipts, deposits, transfers, withdrawals and investments; investing funds in excess of immediate requirements; and overseeing and managing the city's debt. The city treasurer, appointed by the finance director, manages the department. In fiscal year 2020, there was an \$8.3 million increase in estimated non-tax revenue due to an anticipated increase in investment earnings for the Treasurer's group of accounts. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head
Jacqueline Dunn
City Treasurer
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1681

Appropriations:
General Fund

\$1,483,167

Estimated Revenues:

Non-Tax Revenues	\$12,393,000
From Other Governments	<u>4,778,000</u>
Total Estimated Revenues	<u>\$17,171,000</u>

Number of Full Time Employees:

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

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>CASH</p> <p><u>Long outstanding payroll checks were still not properly escheated to the state.</u> Our testing still noted noncompliance with Pennsylvania’s Disposition of Abandoned and Unclaimed Property Act (escheat act). While \$865,667 related to unclaimed payroll checks from fiscal year 2017 and prior was escheated to the state in September 2019, the Office of the City Treasurer failed to transfer \$723,527 of outstanding payroll checks from calendar year 2018 and prior into the City of</p>	<p>Failure to follow the SAPs increases the risk that outstanding checks would not be remitted timely to the state in violation of the Pennsylvania escheat act. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that the Office of the City Treasurer draw a transfer check payable to the City of Philadelphia-Unclaimed Monies Fund, for the sum of the outstanding payroll checks in accordance with the SAPs. In addition, the Finance Office should then remit the amount to the state as required by the Pennsylvania escheat act [104018.01].</p>	<p>We acknowledge the Controller’s recommendations and have engaged a consultant to support our research of outstanding and eligible checks for escheatment and help our office stay current as new items become eligible. We expect to make a transfer to the unclaimed funds in FY22 that will address this finding.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
(continued) Philadelphia's Unclaimed Monies Fund, ¹ as required by the city's standard accounting procedures (SAPs) No. 4.1.2. and 7.1.3.b. Out of the \$723,527 in outstanding payroll checks, \$268,229 related to calendar year 2017 and prior and was due to be escheated to the state in fiscal year 2020.			
PERSONAL SERVICES <u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of attendance records for five employees, we found that records for three employees were not approved by Treasurer supervisory personnel. Instead, the attendance records, which are maintained electronically in the city's OnePhilly payroll system, were approved by either a payroll supervisor in the Finance Office's Central Payroll Division or an administrative assistant in the Finance Office's Administrative Services Center (ASC), which is responsible for processing the Treasurer's payroll.	Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.	Appropriate supervisors should review and formally approve time worked by employees [104020.01]. Also, the ASC should be required to review the employee attendance records for evidence that the appropriate approval was obtained [104020.02].	We acknowledge this finding and have updated our payroll authorizations.
<u>Employee overtime was still not properly authorized.</u> Overtime was paid without written approval from management. The department could not provide overtime authorization forms for eight of 23 instances of overtime selected for testing.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104017.01].	We acknowledge this finding and will remind employees and supervisors of the approval process for overtime. The hybrid work schedule has posed a challenge to timely keep up with paper based overtime authorization forms.

¹ The Unclaimed Monies Fund is administered by the Finance Office who is then responsible for remitting the unclaimed amounts to the state in accordance with the Pennsylvania escheat act.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Leave requests were not properly prepared for 11 out of 18 dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none">• The department was unable to provide leave requests for six days.• The leave requests for three days were not approved by a supervisor until after we requested them.• The leave request for one date did not indicate supervisory approval.• For another day, a request for vacation leave was submitted and approved after the leave was taken.	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104017.02].</p>	<p>We acknowledge this finding and will remind employees and supervisors of the approval process for leave requests. The hybrid work schedule has posed a challenge to timely keep up with paper based leave request forms.</p>

City of Philadelphia
Office of the Director of Commerce*
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Director of Commerce (Commerce) was established by the Philadelphia Home Rule Charter. The power and duties of Commerce include: promoting and developing the city's commerce and industry and encouraging the increased use of port and airport facilities; maintaining and operating the city's port and airport facilities; and when authorized by City Council, acquiring or constructing additional facilities. Commerce carries out many of its economic development activities through contracts with various quasi-public agencies. The mayor appoints a commerce director to head the department. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

Michael A. Rashid
Director of Commerce
1515 Arch Street – 12th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 32,522,985
Hotel Tax Fund	77,562,000
Grants Revenue Fund	10,175,000
Community Development Fund	11,152,625
Capital Fund	<u>155,271,000</u>
Total Appropriations	<u>\$286,683,610</u>

Estimated Revenues:

From Other Governments	\$ 21,327,000
Hotel Room Rental Tax	<u>77,562,000</u>
Total Estimated Revenues	<u>\$ 98,889,000</u>

Number of Full Time

Employees:

Civil Service	9
Exempt	<u>47</u>
Total Employees	<u>56</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the four civil service employees tested, the department was unable to provide formal approved leave requests for all 17 sample dates selected for testing. Commerce management informed us that the department no longer uses the written leave request forms. Instead, employee leave requests are approved by supervisors either verbally or through e-mail. The leave time taken will be entered into the employees' timecards in the OnePhilly payroll system, and the supervisors will electronically approve the timecards.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104219.01].</p>	<p>All staff must formally request leave via e-mail using a standardized format. Managers must provide pre-approval via e-mail for all planned leave. Those records must be retained by supervisors and staff. Our office is awaiting the implementation of the OnePhilly absence management module, which will eliminate the need for paper or e-mail leave time approval documentation.</p> <p>[Controller's Office Evaluation of Department's Response: Although the department asserts that all leave</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>requests must be pre-approved by managers via e-mail and these records are required to be retained, the department did not provide any documentation of managers' pre-approval for the 17 leave instances cited.]</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of nine bi-weekly attendance records, we noted that six records did not evidence the approval of a supervisor.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve time worked by employees. Additionally, the payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [104217.01].</p>	<p>Implemented.</p>

City of Philadelphia
The Free Library of Philadelphia*
Findings and Recommendations
Fiscal Year 2020

Functions

The Free Library of Philadelphia (Library), initially created through private donations, was established as a nonprofit corporation under state law in 1891. In 1894, the City of Philadelphia established a public library system as a branch of city government. This action permitted the existing library system to receive city appropriations. Because the Library consists of two distinct entities, the nonprofit corporation and the city department, it is organized under two governing boards: the Board of Directors of the Free Library of Philadelphia Foundation and the Board of Trustees of the Free Library of Philadelphia. The Board of Directors manages the affairs of the corporation and controls several collections and the major portion of all endowments benefiting the Library. The Board of Trustees is the public board responsible for the operation of the city's library system. The mission of the city department is to: provide to all segments of the city's diverse population a comprehensive collection of recorded knowledge, ideas, artistic expression, and information in a variety of media, including current technology; assure ease of access to these materials; and provide programs to stimulate the awareness and use of these resources. A president/director is appointed by and serves at the discretion of the Board of Trustees. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

Leslie M. Walker, Interim Director
The Free Library of Philadelphia
1901 Vine Street
Philadelphia, PA 19103-1189

Appropriations:

General Fund	\$45,760,383
Grants Revenue Fund	8,208,510
Capital Fund	<u>13,753,000</u>
Total Appropriations	<u>\$67,721,893</u>

Estimated Revenues:

Non-Tax Revenue	\$1,052,000
From Other Governments	<u>8,209,000</u>
Total Estimated Revenues	<u>\$9,261,000</u>

Number of Full Time Employees:

Civil Service	678
Exempt	<u>7</u>
Total Employees	<u>685</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide properly authorized leave requests for four of the 13 dates selected for testing.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105220.01].</p>	<p>Agreed – Payroll and HR will reiterate with all managers and supervisors that employees are required to prepare leave request forms for approval prior to taking earned leave.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the third consecutive year, we have reported that the city sick leave policy was not properly enforced.</u> The Library's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$43,606, broken down as follows:</p> <ul style="list-style-type: none">• Out of the five civil service employees tested, four employees, all of whom used over eight days of undocumented sick leave during calendar year 2019, were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. The fifth employee, who, per the city's online payroll system, was placed on the Excessive Use of Sick Leave List in calendar year 2018, was not penalized according to the city's sick leave policy. These five employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$14,550 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, the four employees tested who used over eight uncertified sick days in calendar year 2019 did not receive a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [105218.01].</p>	<p>Agreed – The department will continue to enforce the city-wide sick leave policy with the aim of achieving greater efficiency with regards to providing employee notification and issuing disciplinary sanctions. Under the OnePhilly system the payroll clerks run sick leave reports bi-weekly that allow them to provide warning notification and work with the administrative service supervisor to accomplish this initiative.</p>

¹ According to the city's on-line payroll system, there were 88 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <ul style="list-style-type: none"> Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 45 civil service employees who were improperly paid a total of \$17,839 for uncertified sick leave used after the eighth undocumented sick day. Also, our review of the city's online payroll system data revealed that another 21 civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$11,217 for uncertified sick leave during calendar year 2019. 			
<p><u>For the third consecutive year, we have reported that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for all five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105218.02].</p>	<p>Agreed – Every departmental manager and supervisor is directed to prepare an annual performance evaluation for the employees that are under their direction. The HR office will actively engage in a proactive manner to ensure compliance with this initiative on a division by division basis beginning in September 2021.</p>
<p><u>For the fourth consecutive year, we have reported that payroll attendance records were not properly authorized by supervisory personnel.</u> During our review of 57 daily attendance records, we noted 12 instances in which the individual approving the daily timesheet approved his/her own time and four instances in which the individual approving the timesheet was not present at work on the date of approval.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance record, and present on the specified day of record, should review and formally approve them [105217.01].</p>	<p>Agreed – Note as of June 2021 FLP has completed its rollout of the OnePhilly Oracle Time and Labor Employee Self Service. This recommendation should be fully satisfied moving forward.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>For the fifth consecutive year, we have reported that employee overtime was not properly authorized.</u> In our review of the department's overtime records, we noted that overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The department could not provide evidence of overtime authorization for 13 of the 25 dates selected for testing. Five employees in particular, earned between \$14,000 and \$32,000 in overtime pay during fiscal year 2019, totaling \$101,000.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [105215.02].</p>	<p>Implemented.</p>

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Year 2020

Functions

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

Established by the Home Rule Charter as an independent commission, the CSC oversees the system of personnel administration governing the appointment, promotion, demotion, transfer, lay-off, removal, and discipline of city employees. Its primary responsibility is to advise both the mayor and the human resources director on human resources management issues, but other responsibilities include: ruling on proposed civil service regulations and any modifications to existing regulations, position classifications and pay plans; serving as an appellate tribunal for employee appeals involving demotion, lay-off, or disciplinary action; and ruling on requested exemptions from civil service regulations. The CSC consists of three members. The mayor appoints each member from a list submitted by a nominating panel to serve a six-year term. These terms are overlapping with one member appointed every two years. During fiscal year 2020, there was a \$16.4 million decrease in the CSC's appropriations. While the CSC's fiscal year 2019 budget contained \$16.4 million in appropriations for provisions for future labor agreements (although it was not part of the CSC's core budget), this item was eliminated from the CSC's fiscal year 2020 budget. The department was designated as Tier 2 for fiscal year 2020.

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

Leonard V. Cid, Chairperson
Civil Service Commission
Municipal Services Building, 16th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:
Office of Human Resources
General Fund \$6,874,287

Civil Service Commission
General Fund \$204,935

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

Number of Full Time Employees:
Office of Human Resources
Civil Service 73
Exempt 6
Total Employees 79

Civil Service Commission
Civil Service 2

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
IMPREST FUNDS <u>Monthly imprest fund reconciliations have not been performed in a timely manner.</u> During our review of the OHR's Prescription Imprest Fund records, we noted that five of the 12 fund reconciliations were not performed in a timely manner. Four fund reconciliations were prepared over 50 days past the due date.	Failure to perform monthly fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total fund balance may not be properly accounted for.	Management should ensure that monthly fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105619.01].	We will implement measures to assure that reconciliations are done timely.
PERSONAL SERVICES <u>City sick leave policy was not properly enforced.</u> OHR failed to properly enforce the city's sick leave policy for two civil service employees who used over eight days of undocumented sick leave during calendar year 2019. The two civil service employees were neither placed on the Excessive Use of Sick Leave List nor penalized according to the city's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, the employees were paid \$3,095 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, the two employees did not receive the fifth-day warning letter or the eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [105620.01].	The absence of a sick abuse notification functionality in OnePhilly made it difficult to track sick abuse during FY20. However, in November 2020, OnePhilly launched a sick abuse report. Tracking has been corrected and processes have been implemented. Employee records are reviewed on a monthly basis. [Controller's Office Evaluation of Department's Response: Regarding OHR's response that employee records are reviewed on a monthly basis, only performing a monthly review of employee records for sick abuse compliance would not ensure timely notification to employees when they reach the fifth and eighth undocumented sick days.]

¹According to the city's online payroll system, there were 3 employees who used 8 or more undocumented sick days during calendar year 2019.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the six civil service employees we selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective action.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [105619.02].	Implemented.

City of Philadelphia
Office of Property Assessment
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of Property Assessment (OPA) was created by City Council Ordinance Number 090706, approved by the mayor on January 23, 2010. The OPA is responsible for assessing and valuing all real property within Philadelphia, while the Board of Revision of Taxes handles appeals of those assessments. Other duties of the OPA include: ensuring the annual revision and equalization of all assessments; certifying all assessments after their revision and equalization; determining tax exemptions, administering the city's tax abatement programs; and maintaining an addressed-based property information database. A Chief Assessment Officer, appointed by the mayor and approved by City Council, directs the operation of the department. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

James M. Aros, Jr., Chief Assessment Officer
Office of Property Assessment
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

Appropriations:

General Fund

\$17,318,408

Estimated Revenues:

Non-Tax Revenue

\$2,000

Number of Full Time Employees:

Civil Service

182

Exempt

13

Total Employees

195

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>REVENUE RECEIPTS</p> <p><u>While the OPA updated and issued the instructions to standardize the real estate valuation assessments process (precepts) for tax year 2019, the OPA has not yet updated and re-issued the precepts for subsequent tax years.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be re-issued annually. In January 2020, the OPA finalized and issued the precepts for tax year 2019, the first update to the precepts since tax year 1992. However, as of December 23, 2020, the OPA had still not completed and issued the precepts for tax years 2020 and 2021. OPA management stated that only minimal updates were required for those tax years.</p>	<p>Without clear guidance, improper re-assessments may occur without detection.</p>	<p>Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania's legislative code at 72 P.S. §5341.7 [105912.01].</p>	<p>Precepts have been updated for tax years 2020 and 2021.</p> <p>[Controller's Office Evaluation of Department's Response: At the time of our inquiry on December 23, 2020, OPA management informed us that they had not yet completed and issued the precepts for tax years 2020 and 2021.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced.</u> The OPA's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$15,976, broken down as follows:</p> <ul style="list-style-type: none">• Of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2019, three were not placed on the Excessive Use of Sick Leave List while two were untimely placed on the list. Four of the five employees tested were not penalized according to the city's Sick Leave Rules and Regulations, and they continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$11,361 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, all five employees received the fifth-day warning letter in an untimely manner. Also, for three of the five sampled employees, the department failed to issue the eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List while the other two employees received their eighth	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [105920.01].</p>	<p>During FY20 the city was adding processes in the OnePhilly environment to create needed reports. One report that was added in early FY21 was the monitoring of undocumented sick leave. Once this report was available to run in Oracle, OPA set up in house procedures to monitor the data in a timely fashion. Calendar year 2021 will produce timelier monitoring of this important city policy.</p>

¹ According to the city's online payroll system, there were 29 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>day letters in an untimely manner. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for three of 24 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none">• Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional ten civil service employees who were improperly paid a total of \$3,658 for uncertified sick leave used after the eighth undocumented sick day.• Also, our review of the city's online payroll system data revealed that another civil service employee, who, according to the payroll system, was already on the Excessive Use of Sick Leave List, continued to use and be paid \$957 for uncertified sick leave during calendar year 2019.			

City of Philadelphia
Office of the Chief Administrative Officer
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Chief Administrative Officer (CAO) works to modernize city government and improve the efficiency and effectiveness of city services. The CAO oversees ten city departments and offices, innovating and strengthening their administrative functions and supporting their resident-facing operations to evaluate, plan, and continually improve their service delivery. The ten departments and offices that report to the CAO include: The Office of Innovation and Technology, Public Property, Fleet Management, Records, Procurement, Contracts Unit, the Office of Administrative Review, the Bureau of Administrative Adjudication, the Office of Open Data and Digital Transformation, and Human Resources and Talent. In fiscal 2017, the CAO was included in the Office of the Mayor for reporting purposes. This department is now reported separately. Prior year conditions which were noted in the Office of the Mayor in 2017, are now included in the CAO. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head
Stephanie Tipton, Chief Administrative Officer
1401 JFK Boulevard Room 630
Philadelphia, PA 19107

Appropriations:
General Fund

\$7,438,265

Estimated Revenues:
Non-Tax Revenue

\$10,320,000

Number of Full Time
Employees:

Civil Service	15
Exempt	49
Total Employees	<u>64</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were not recently performed.</u> The CAO could not provide a recent performance evaluation for four of the seven civil service employees tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel. [100517.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>For the fourth consecutive year, we have reported that payroll data entries were not adequately checked.</u> We noted that employee attendance records did not correspond to the online payroll records for two of the five employees selected for testing for the CAO.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented. [100516.05].	Implemented.

City of Philadelphia
Register of Wills
Findings and Recommendations
Fiscal Year 2020

Functions

The Register of Wills was incorporated into city government through the City-County Consolidation Amendment to the Pennsylvania Constitution adopted November 6, 1951. The Register of Wills, who is elected to a four-year term, has the following responsibilities: probating wills; granting letters testamentary appointing executors of wills and letters of administration appointing administrators for estates of persons who died without leaving a will; approving and filing the accounts of executors and administrators; and recording all wills, accounts, inventories and appraisals of estates. In addition, the Register of Wills also serves as the Clerk of Orphans' Court, a division of the Court of Common Pleas. As the Clerk of Orphans' Court, the Register supervises the Marriage License Bureau and issues marriage licenses; keeps a record of Orphans' Court proceedings; and performs associated administrative duties. The department was designated as Tier 2 for fiscal year 2020.

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

Appropriations:

General Fund	\$4,551,645
Grant Revenue Fund	200,000
Total Appropriations	<u>\$4,751,645</u>

Estimated Revenues:

Non-Tax Revenue	<u>\$4,150,000</u>
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Number of Full Time Employees:

Civil Service	1
Exempt	<u>65</u>
Total Employees	<u>66</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>The department's lateness policy did not clearly establish progressive sanctions for violations of the policy.</u> The Register of Wills had a lateness policy which states that a habitually late employee is subject to disciplinary action, including unpaid suspension and possible termination. However, the policy did not clearly define the specific progressive sanctions for repeated violations of the policy, or the number of lateness occurrences that would result in each sanction.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the department may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete workday.</p>	<p>Revise the lateness policy to define progressive sanctions for violations of the policy and the number of lateness occurrences that would result in each sanction. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [106820.01].</p>	<p>The lateness policy has been revised to reflect a full attendance & lateness protocol for Register of Wills employees. This modified policy defines excessive absenteeism, which includes tardiness and early departures. The policy outlines the number of occurrences that result in disciplinary action and lists the escalation measures for repeated violations.</p>

City of Philadelphia
District Attorney's Office
Findings and Recommendations
Fiscal Year 2020

Functions

The District Attorney's Office (DA) represents the citizens of Philadelphia and the Commonwealth of Pennsylvania in criminal proceedings throughout the Philadelphia and Commonwealth court system. On behalf of the City and County of Philadelphia, the DA prosecutes trial and appellate level litigation of all criminal and some ancillary civil matters that arise within the jurisdiction. Together with the Police Department and the Courts, the DA represents one facet of Philadelphia's criminal justice system. The DA is also responsible for preparing an annual County Asset Forfeiture Report and a Federal Drug Forfeiture Report of confiscated property obtained through drug seizures. The department was designated as Tier 2 for the 2020 fiscal year.

Name and address of department head

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

Appropriations:

General Fund	\$38,908,536
Grants Revenue Fund	<u>15,302,606</u>
Total Appropriations	<u>\$54,211,142</u>

Estimated Revenues:

Non-Tax Revenue	\$5,030,000
From Other Governments	<u>10,422,000</u>
Total Estimated Revenues	<u>\$15,452,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	37
Civil Service - Civilian	60
Exempt	<u>528</u>
Total Employees	<u>625</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>For the fifth year, we are reporting that the city sick leave policy was not properly enforced.</u> The DA did not properly enforce the city's sick leave policy for all five civil service employees we selected for testing. Four of the five civil service employees tested used eight or more days of undocumented sick leave during calendar year 2019, but were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These four</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time. ¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [106915.01].</p>	<p>With the advent of OnePhilly on March 25, 2019, departmental Human Resources staff were unable to track sick leave through OnePhilly. This persisted throughout FY20. Additionally, HR Managers were advised not to track sick leave during the pandemic which commenced March 2020. This has since been remedied and departmental payroll staff have begun to track this leave via OnePhilly.</p>

¹ According to the city's online payroll system, there were 56 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>employees continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, they were paid \$16,921 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, none of the five civil service employees tested received a fifth-day warning letter, and four of these employees did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the four civil service employees who used eight or more undocumented sick days, the DA was unable to provide the supporting medical certificates for all ten sick leave occasions reported as certified in the city's online payroll system.</p> <p>Additionally, although the DA's exempt employees are not subject to the city's Sick Leave Abuse Policy for its civil service employees, we noted three exempt employees who used 15 or more undocumented sick days during calendar year 2019. Our testing disclosed that these three employees received \$18,652 in paid sick leave that they would not have been entitled to had the DA adopted the city's sick leave policy for its exempt employees.</p>			<p>(continued)</p> <p>[Controller's Office Evaluation of Department's Response: With regard to the statement that managers were advised not to track sick leave during the pandemic, our testing of compliance with the city's sick leave policy covered activity from January 1, 2019 through March 17, 2020 when the pandemic shutdown began.]</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>For the sixth consecutive year, we are reporting that employee overtime was not properly authorized.</u> Overtime was paid without evidence that management properly approved the requests for all 21 overtime instances we selected for testing. Although the department provided overtime request memos for nine of the 21 overtime instances, the memos provided were all prepared and approved after the date of the overtime worked. In addition, the department was unable to provide any documentation to support overtime worked for the remaining 12 overtime instances.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [106912.01].</p>	<p>Implemented.</p>
<p><u>Daily attendance record postings were not always properly authorized by supervisory personnel.</u> In our review of 64 daily attendance records, there were 46 occasions where the individual approving the daily timesheet approved his/her own time and on six of these occasions, the individual approving the timesheet was not present at work on the date of approval. In addition, the department was unable to locate four daily attendance records.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>The payroll units should be required to review the employee/daily attendance records for evidence that the appropriate level of approval was obtained [106918.01]. In addition, management should appoint other individuals to approve attendance records in the absence of unit supervisors [106918.02].</p>	<p>Implemented.</p>

City of Philadelphia
Office of the Sheriff
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Sheriff was created by Article 9, Section 4 of the Pennsylvania constitution and established as part of the Philadelphia city-county government through the adoption of the Home Rule Charter of 1951. The sheriff is the highest elected law-enforcement official of the city and is also a member of the Jury Selection Board. The responsibilities of the Sheriff's Office include the following: transporting and escorting prisoners to and from Philadelphia courtrooms; providing courtroom security for Municipal and Common Pleas Courts; conducting real and personal property sales, as well as collecting and disbursing fees and funds related to such activities; and serving and executing writs and warrants and enforcing injunctions. The sheriff, with the assistance of an executive staff, oversees various organizational divisions that include: Internal Affairs, Criminal Operations, Civil Operations, Training, Finance, and Human Resources. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund

\$27,046,961

Estimated Revenues:

Non-Tax Revenue

\$11,296,000

Number of Full Time Employees:

Civil Service	354
Exempt	<u>30</u>
Total Employees	<u>384</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not properly authorized.</u> We noted that four of the 25 sample overtime dates we selected for testing were not properly authorized. In all four instances, the overtime authorization record provided by the department was not approved by a supervisor.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [107020.01].</p>	<p>In the process of being implemented. In addition to the OnePhilly approval controls being updated and the approval chain solidified the Sheriff's office has been reorganized and separated into two Bureaus (Operations and Organizational Services). In addition, all personnel are required to submit an overtime request form which will be signed off by the commanding officer of that respective unit. This process will be streamlined as the office seeks to achieve official accreditation from the PA Law Enforcement Accreditation Commission as all current directives and policies will be evaluated and modified to reflect best practices and standards nationally as an organization in all aspects of the organization.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was still not properly enforced.</u> The department's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$52,315, broken down as follows:</p> <ul style="list-style-type: none"> Two of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. Also, one of the five employees tested, who, per the city's online payroll system, was placed on the Excessive Use of Sick Leave List in October 2018, was not penalized according to the city's sick leave policy. These three employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, these three employees were paid \$27,135 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, with regard to their calendar year 2019 uncertified sick usage, three of the five employees tested did not receive a fifth-day warning letter, and the two employees who used over eight uncertified sick days during calendar year 2019 did not receive an eighth-day letter notifying 	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and subsequent sanctions set forth in the policy, be enforced by management [107019.02].</p>	<p>When the City of Philadelphia transitioned from the legacy payroll system to the One Philly system, there was not a report available to the department to accurately track employee sick usage as well as employees who were violating the Managing Director's Sick Policy. By the December of 2019 the Sick Abuse Report was finally available to the department but posed challenges because the Legacy and One Philly systems did not communicate. The department was able to release some sick notifications to employees: however, the employees who had already used 8 days or more were not given their 5-day notification in a timely manner which delays the 8th day, sick abuse placement.</p> <p>The Abuse monitoring faced further challenges in 2020, with departmental changes and the Covid-19 Pandemic. Under the direction of Risk Management and OHR, the Managing Director's Policy was relaxed to curb the spread of Covid-19 and difficulties employees faced when trying to see their healthcare providers for incidents of sickness or quarantine.</p> <p>Since January 2021 two employees in the Human Resources Unit have been assigned the task of running the Sick Abuse Monitoring Report and send out notifications to employees and supervisors. Employees are given 5 days to return or dispute the notifications.</p> <p>The department understands that not following the Managing Director's Policy can cause overpayment due to discipline not be issued, whether it be suspension days for continued violations or even termination, but we are making</p>

¹ According to the city's online payroll system, there were 57 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for eight of 34 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> • Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional 19 civil service employees who were improperly paid a total of \$13,892 for uncertified sick leave used after the eighth undocumented sick day. • Also, our review of the city's online payroll system data revealed that another eight civil service employees, who, according to the payroll system, were already on the Excessive Use of Sick Leave List, continued to use and be paid \$11,288 for uncertified sick leave during calendar year 2019. 			<p>(continued)</p> <p>steps to ensure that these occurrences do not happen on a continuing basis.</p> <p>As far as employees being paid sick time past their accrual balance, these employees are being closely monitored so they do not go further into a negative balance. Should an employee separate with a negative balance then their overpayment is adjusted out of their terminal leave payment (if available) or recovered from their pension.</p> <p>[Controller's Office Evaluation of Department's Response: In its response, the department stated that, in December 2019, the "Sick Abuse Report" was available. However, when we asked the department for an example of this report, they provided the OnePhilly system's Time Entry Detail Report, which lists all time entries for employees, not just sick leave. As noted on page 63 of the report, the OnePhilly sick leave report for sick abuse monitoring was actually not available until November 2020.</p> <p>Also, regarding the department's statement that the city's sick leave policy was relaxed in 2020 due to the pandemic, our testing of compliance with the city's sick leave policy covered activity from January 1, 2019 through March 17, 2020 when the pandemic shutdown began.]</p>
<p><u>Payroll data entries were not adequately checked.</u> For two out of seven employees tested, we noted five instances where the time recorded for the employee on the city's online payroll system did not agree with the employee's attendance record.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [107018.02].</p>	<p>As stated above new management controls, policies and procedures will be put in place over the period of review for accreditation. Currently implemented is a new reorganization of the entire Philadelphia Sheriff's Office containing strict accountability based on a chain of command.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll attendance records were not adequately authorized by supervisory personnel.</u> Out of 53 timesheets reviewed, there were seven occasions where the individual approving the daily timesheet was not present for work on the date of approval.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Management should appoint other individuals to approve attendance records in the absence of unit supervisors. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [107019.01].</p>	<p>Implemented.</p>
<p><u>Employee travel reimbursements were not properly reviewed for propriety.</u> Newly hired deputies in the Sheriff's Office are required to travel to Penn State for 760 hours of basic training in accordance with the Sheriff and Deputy Sheriff Education and Training Act (1984 Act 2) of the Commonwealth of Pennsylvania. In a prior report, we tested six deputies' travel reimbursements for this training, and noted that:</p> <ul style="list-style-type: none">• Routes traveled did not reflect the shortest distance between travel points or official mileage points (when toll roads are used), as required by the city's Administrative Board regulations for travel reimbursement.• The reimbursement vouchers and supporting expense worksheets did not contain evidence of prior management approval, as required by the city's Administrative Board for travel outside of the city and costing over \$500.	<p>Failure to properly review employee reimbursements increases the risk of undetected errors and provides opportunities for a person to misrepresent expenses on the reimbursable expense vouchers. We found that the six deputies received mileage reimbursements exceeding what was allowed by Administrative Board regulations totaling \$4,032.</p>	<p>Prior to reimbursement, vehicle expense worksheets supporting the mileage recorded on an employee expense voucher should be reviewed by the Sheriff's accounting unit to ensure that the correct rates and mileage calculations are used [107016.01]. Additionally, approval for travel outside of the city should be pre-approved by management in accordance with Administrative Board Rule #2 [107016.02]. Travel reimbursements should also be submitted on a timely basis to ensure that the expenditures are paid</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>(continued)</p> <ul style="list-style-type: none">Travel reimbursements were not submitted timely, often delayed by up to ten months after the training was received. <p>Additionally, Sheriff's Office management was unable to provide us with a comprehensive list of employees attending this training by date, which made it difficult to determine if the employees were incurring travel expenses or carpooling with other deputies.</p>		<p>(continued)</p> <p>with the correct year's appropriations [107016.03]. Finally, Sheriff management should maintain a list of deputies attending basic training, and the dates they are scheduled, so that they can match the list against all travel reimbursements to ensure that deputies are only requesting reimbursements for required training and only legitimate expenses associated with using their own vehicle [107016.04].</p> <p>In May 2017, the department implemented new policies and procedures to address the conditions noted in our FY 2016 report. Although the department provided us with documentation of these policies and procedures, they were unable to provide us with sufficient documentation to support the activities associated with their implementation.</p>	

City of Philadelphia
City Commissioners Office
Findings and Recommendations
Fiscal Year 2020

Functions

The City Commissioners Office was originally created as a county office under Article 9, Section 4 of the State Constitution. It became part of city government by way of the 1951 City-County Consolidation Amendment to the State Constitution. In addition, the 1963 amendment to the First Class City Home Rule Act gave City Council the power to pass legislation with regard to operations of the City Commissioners Office. These enactments were further enabled by the 1965 City-County Consolidation Ordinance of City Council. The City Commissioners Office is responsible for voter registration and conducting local elections. Its three commissioners, two of whom currently serve as chair and vice-chair, are elected to a four-year term. The commissioners are also members of the County Board of Elections. In fiscal year 2020, there was a \$1.7 million increase in both Grants Revenue Fund appropriations and estimated revenues from other governments specific to the Help America Vote Act grant, the majority of which was funding for new voting machines. The department was designated as Tier 2 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$12,216,911
Grants Revenue Fund	<u>2,625,000</u>
Total Appropriations	<u>\$14,841,911</u>

Estimated Revenues:

Non-Tax Revenue	\$ 25,000
From Other Governments	<u>2,625,000</u>
Total Estimated Revenues	<u>\$2,650,000</u>

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

Number of Full Time Employees:

Civil Service	83
Exempt	<u>15</u>
Total Employees	<u>98</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL PROPERTY</p> <p><u>For the third consecutive year, we have found that personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s database, we noted 79 items valued at \$89,119 which were reported as “cannot locate” items for over three years.</p>	<p>Allowing items that have not been located for over three years to remain in the city’s database, overstates the value of personal property assets and unnecessarily complicates the physical count process.</p>	<p>Management should maintain accurate inventory records that identify the proper field locations and ensure tags are placed on all equipment when possible. Annual inventory counts should be performed in accordance with standard accounting procedures of the city’s Finance Office. Furthermore, management should ensure that “cannot locate” items are properly removed from the database after three years and periodically reconcile their records to those on the database [107318.01].</p>	<p>The department has completed and submitted the paperwork to have the items removed from the CNL list. The request was approved.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not properly enforced.</u> The City Commissioner's Office's failure to properly enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$307, broken down as follows:</p> <ul style="list-style-type: none">Two of the five civil service employees tested used over eight or more days of undocumented sick leave during calendar year 2019, but they were not timely placed on the Excessive Use of Sick Leave List. Consequently, one employee was paid \$178 for certified sick leave used after the eighth undocumented sick day, to which he would not have been entitled had the department timely placed him on the sick abuse list. While these two employees received fifth-day warning letters and eighth-day letters notifying them of placement on the Excessive Use of Sick Leave List, the department did not send these notices in a timely manner.Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional two civil service employees who were paid a total of \$129 for uncertified sick leave used after the eighth undocumented sick day, to which the employees would not have been entitled had the department timely placed them on the Excessive Use of Sick Leave List. While the department did send these two employees eighth-day letters notifying them of placement on the sick abuse list, the letters were not sent in a timely manner.	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [107320.01].</p>	<p>All documents with notes have been located and provided.</p> <p>All three listed employees did receive a 5-day warning letter.</p> <p>Both employees did receive an 8-day letter placing them on sick abuse and still are on sick abuse, having infringed again thus extending their sick abuse year, for each occurrence. Regarding the employees that received \$129 of uncertified sick after day 8 undocumented, please note that this representation is inaccurate. Both employees collectively received less than 2 hours of uncertified paid sick prior to being placed on the sick abuse list and before amassing 8 days. These employees received the prescribed disciplinary action and ended their sick abuse without incident.</p> <p>In 2019, OnePhilly was new. There were no reports available that showed uncertified sick totals so that we could calculate sick abuse properly. Our department had to pioneer our own methods to calculate sick and late time, which delayed the issuing of discipline. Disciplines are issued from 2 pay periods behind (4 weeks) in order for the employee to make right, bring in notes, leave requests etc., before any discipline is issued thus avoiding unnecessary grievance hearing.</p>

¹ According to the city's online payroll system, there were 12 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p>[Controller's Office Evaluation of Department's Response: Regarding the finding that there were two civil service employees who were paid a total of \$129 for uncertified sick used after the eighth undocumented sick day in calendar year 2019, the department's response states that this finding is inaccurate, and "both employees collectively received less than two hours of uncertified paid sick prior to being placed on the sick abuse list and before amassing eight days." Also, the department stated that "disciplines are issued from two pay periods behind (four weeks)." Based upon our review of documents provided by the department and the city's online payroll system data, we found these statements to be incorrect. One employee reached the eighth undocumented sick day on September 30, 2019, but did not receive the eighth-day placement letter until six weeks later on November 12, 2019, with a sick abuse list effective date of November 18, 2019. This employee was paid for 0.2 hours of uncertified sick on November 8, 2019. The other employee reached the eighth undocumented sick day on November 20, 2019, but did not receive the eighth-day placement letter until seven weeks later on January 10, 2020, with a sick abuse list effective date of January 27, 2020. That employee was paid for 7.5 hours of uncertified sick on December 26, 2019. Collectively, these two employees were paid for 7.7 hours of uncertified sick after the eighth undocumented sick day at a total cost of \$129.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee evaluations were not recently performed.</u> The department was unable to provide recent employee performance evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [107320.02].</p>	<p>We were unable to provide these evaluations because the HR Director responsible is no longer with the department. Although the documentation could not be retrieved, we are aware that reviews were issued during 2019 to the entire staff. Two of the three selected employees are no longer with the department.</p> <p>[Controller's Office Evaluation of Department's Response: With regard to the department's statement that two of the three employees for which they did not provide recent performance evaluations are no longer with the department, one employee left in July 2020 while the other employee left in July 2021. Therefore, performance evaluations should have been prepared for these two employees in calendar year 2019.]</p>
<p><u>Employee overtime was not authorized.</u> Overtime was paid without written approval from management. During our audit fieldwork, the department was unable to provide approved overtime authorization forms for four of the 25 overtime dates we selected for testing. Specifically, from our initial request for the forms in September 2020 through December 2020 when we discussed the issue of the missing forms with the department's human resources personnel, the department did not provide the four missing documents. However, on August 18, 2021, in response to the draft report, the department submitted the four overtime authorization forms.</p>	<p>Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [107317.03].</p>	<p>Overtime authorizations were located and provided. We will work internally to organize documentation of authorizations so that we can provide more timely audit responses.</p>

City of Philadelphia
First Judicial District of Pennsylvania
Findings and Recommendations
Fiscal Year 2020

Functions

The Philadelphia court system originates in various Commonwealth of Pennsylvania laws. The Pennsylvania Constitution of 1968 and the Judiciary Act of 1976 established the Common Pleas and Municipal Courts. In June 2013, the Pennsylvania General Assembly abolished the Philadelphia Traffic Court and transferred its jurisdiction to the Municipal Court. These courts are part of the state's unified judicial system and constitute Pennsylvania's First Judicial District (FJD). Among the primary responsibilities of the FJD are trial jurisdiction for civil and criminal cases and adjudication of traffic violations. Other responsibilities include domestic relations matters, juvenile cases, estate and trust matters, landlord and tenant matters, and code enforcement cases. An eight-member administrative governing board is responsible for the daily operations of the FJD. The department was designated as Tier 2 for fiscal year 2020.

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

Appropriations:

General Fund	\$115,503,975
Grants Revenue Fund	<u>52,578,870</u>
Total Appropriations	<u>\$168,082,845</u>

Estimated Revenues:

Non-Tax Revenue	\$42,525,000
From Other Governments	<u>57,168,000</u>
Total Estimated Revenues	<u>\$99,693,000</u>

Number of Full Time Employees:

Exempt	<u>2,319</u>
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CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide approved leave requests for three of the seven sample dates selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [108419.01].	Implemented.

**TIER 3
DEPARTMENTS
FINDINGS AND RECOMMENDATIONS**

City of Philadelphia
Mayor's Office of Community Empowerment and Opportunity
Findings and Recommendations
Fiscal Year 2020

Functions

The Mayor's Office of Community Empowerment and Opportunity (CEO), was established on January 15, 2013 by executive order of the mayor. The CEO's function is to implement and administer the City of Philadelphia's anti-poverty program. The CEO delivers services to individuals and families living in poverty, with a goal of helping them achieve self-sufficiency. The CEO directly provides or supports with grants the following programs and services: the Community Engagement Unit facilitates and supports a range of activities designed to strengthen families and communities, and carries out mayoral initiatives by providing city residents with referrals to emergency services and other facilities to meet their needs; the Fatherhood Initiative Program offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program utilizes older adults by mobilizing them to serve in local schools and community based organizations; and the Work Wise Program provides job readiness classes and job placement for low income individuals who are referred by the County Assistance Office. The CEO oversight board serves to hold the CEO accountable for meeting key targets in support of the city's anti-poverty goals. The oversight board is composed of no fewer than 15 members and no more than 27, appointed by the Mayor. The membership shall consist of elected officials, city departments, community stakeholders, advocates, business, academic, and foundation leadership, along with representatives of low-income communities and individuals. An executive director, appointed by the mayor, oversees the day to day operations of the CEO. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund	\$ 90,000
Grants Revenue Fund	<u>18,655,860</u>
Total Appropriations	<u>\$18,745,860</u>

Estimated Revenues:

Non-Tax Revenues	\$ 464,000
From Other Governments	<u>18,193,000</u>
Total Estimated Revenues	<u>\$18,657,000</u>

Number of Full Time Employees:

Exempt	<u>22</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
No exceptions were noted.			

City of Philadelphia
Procurement Department
Findings and Recommendations
Fiscal Year 2020

Functions

The Procurement Department was established by the Philadelphia Home Rule Charter to function as a centralized purchasing department with the responsibility for purchasing all goods and services for all departments, agencies, boards and commissions that are supported by funds from the city treasury. The department is also responsible for awarding contracts on all public works projects, arranging for disposal of surplus and unserviceable personal property, and maintaining records of all equipment (personal property) owned by the city. The Procurement Department commissioner is appointed by the finance director with the approval of the mayor and is responsible for the department's operations. The department was designated as Tier 3 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Monique Nesmith-Joyner, Commissioner	General Fund	\$5,674,563	Non-Tax Revenues	<u>\$380,000</u>
Procurement Department	Water Fund	<u>105,285</u>		
120 Municipal Services Bldg.	Total Appropriations	<u>\$5,779,848</u>		
1401 John F. Kennedy Boulevard			<u>Number of Full Time Employees:</u>	
Philadelphia, PA 19102 - 1685			Civil Service	38
			Exempt	<u>5</u>
			Total Employees	<u>43</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Employee overtime was not properly authorized.</u> Overtime was paid without written approval from management. The department was unable to provide approved overtime authorization forms for 15 of the 17 sample overtime dates we selected for testing. For seven of those 15 instances, management asserted that the overtime was verbally approved.	Allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [103820.01].	Steps will be taken by management to maintain records and documented proof of all overtime authorization requests and approvals in the future. Moving forward the department will maintain all overtime pre-approval email notices through use of a physical file and / or through archived online recording as proof that overtime was requested and authorized properly in accordance with all city rules and regulations.

City of Philadelphia
Office of the City Representative
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the City Representative was established by the Philadelphia Home Rule Charter. The Charter provides that the Office of the City Representative shall have the following powers and duties: giving wide publicity to any items of interest reflecting the accomplishments of the city and its inhabitants and the growth and development of its commerce and industry; and acting as the ceremonial representative of the city and the mayor. A city representative, appointed by the mayor, heads the department. In fiscal year 2021, the department was incorporated into the Office of the Mayor. The department was designated as Tier 3 for fiscal year 2020.

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

Appropriations:
General Fund \$1,249,695

Estimated Revenues: \$ 0

Number of Full Time Employees:
Exempt 5

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Payroll data entries were still not adequately checked.</u> We noted that employee attendance records did not correspond to the online payroll records for three out of five employees selected for testing.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll. In one instance, an employee was overpaid by \$122.	Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. This process should be documented [104117.01].	As part of the revised FY21 Budget, the City Representatives Office was moved into the Mayor's Office and only three staff members were retained. Due to this merger, staff will only use the OnePhilly self-service portal to update their time/attendance, which will eliminate this issue.
<u>Employee evaluations were still not recently performed.</u> For the department's only civil service employee, ¹ the most recent performance evaluation on file was prepared in June 2017.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104113.01].	With the changes mentioned above, there are no longer civil service employees in the City Representative's Office, so this issue is resolved.

¹ The employee retired in May 2020.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
The online payroll time records were not reviewed to ensure that a separated employee was removed in a timely manner. Our testing revealed that a separated employee was incorrectly paid for a full biweekly salary after his termination date. The Office of Finance was subsequently able to void the payment prior to it being deposited into the employee's bank account.	Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.	Require that employees assigned to approve the bi-weekly payroll spot check the appropriateness of payroll data entries to ensure that the payroll time records accurately reflect the status of all separated employees [104115.01].	Implemented

City of Philadelphia
Law Department*
Findings and Recommendations
Fiscal Year 2020

Functions

The Law Department was established by the Philadelphia Home Rule Charter to serve as the legal advisor to the mayor, City Council, and all agencies of city government in civil matters. Other responsibilities include representing the city in litigation, preparing and approving contracts and bonds, investigating alleged violations of statutes and ordinances, and drafting ordinances. The Home Rule Charter mandates that the city solicitor shall be a lawyer admitted to practice before the Supreme Court of Pennsylvania and shall have at least five years of experience in the active practice of law. The city solicitor is appointed by the mayor, with the advice and consent of the majority of the members of city council. The city solicitor, with the written approval of the mayor, appoints the first deputy city solicitor, and the chairs of the corporate and tax group, the social services group, and the litigation group. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head

Diana P. Cortes, City Solicitor
Law Department
17th Floor, One Parkway Building
1515 Arch Street
Philadelphia, PA 19102

Appropriations:

General Fund	\$16,085,045
Water Fund	3,304,069
Aviation Fund	1,607,235
Community Development Fund	<u>195,573</u>
Total Appropriations	<u>\$21,191,922</u>

Estimated Revenues:

Non-Tax Revenue	\$800,000
From Other Governments	<u>196,000</u>
Total Estimated Revenues	<u>\$996,000</u>

Number of Full Time Employees:

Civil Service	29
Exempt	<u>152</u>
Total Employees	<u>181</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For three out of five employees tested, the leave requests provided by the department were prepared and approved after we requested the documents.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104420.01].</p>	<p>All employees are reminded to submit this information. We will continue to stress the importance of preparing, and collecting leave documentation to staff and senior management, respectively.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the sixth year, we are reporting that the city's sick leave policy was not properly enforced.</u> The Law Department's failure to properly enforce the city's sick leave policy against its civil service employees resulted in employees being improperly paid a total of \$895, broken down as follows:</p> <ul style="list-style-type: none"> • One of the five civil service employees tested used over eight days of undocumented sick leave during calendar year 2019, but the employee was not placed on the Excessive Use of Sick Leave List. This employee continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, the employee was paid \$217 in sick leave benefits that she would not have been entitled to had the department properly enforced the city's sick leave policy. Additionally, two of the five civil service employees tested did not receive a fifth-day warning letter, while another employee received a fifth-day letter in an untimely manner. Also, one of the five employees tested did not receive an eighth-day letter notifying her of placement on the Excessive Use of Sick Leave List. • Our analysis of the city's online payroll system data for calendar year 2019 disclosed an additional two civil service employees who were improperly paid a total of \$678 for uncertified sick leave used after the eighth undocumented sick day. <p>Additionally, the Law Department still has not designed and implemented a sick leave policy</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>We continue to recommend that the Law Department implement and enforce a sick leave policy for its exempt employees. The policy for exempt employees should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [104413.01]. Additionally, with regard to the Law Department's civil service employees, we recommend that management enforce the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy [104420.02].</p>	<p>During fiscal year 2020, due to COVID-19, quarantine, and admin/HR staff transition, there was a lapse in proper enforcement. The Law Department will continue to enforce the city's sick leave policy for all civil servants moving forward.</p> <p>The Law Department takes exception to the final observation. All exempt employees earn the sick time they use, and do so consistent with the Law Department's requirement for exempt staff to seek prior supervisor approval. Sick leave absences in excess of three consecutive days requires exempt employees to notify Law HR and request appropriate leave approval with supporting medical documentation certifying the use of the sick leave.</p> <p>Exempt employees are not covered by Civil Service Regulations and therefore the city's sick leave policy does not apply. Exempt employees are at will employees and can be terminated for any reason, at any time.</p> <p>[Controller's Office Evaluation of Department's Response: While the city's sick leave policy does not apply to exempt employees, we have recommended that the department implement and enforce a</p>

¹ According to the city's online payroll system, there were 89 employees who used 8 or more undocumented sick days during calendar year 2019.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
(continued) for its staff, most of whom are classified as exempt employees. Although the Law Department's exempt employees are not subject to the same policy enforced against civil service employees, we noted 20 exempt employees who used 15 or more undocumented sick days during calendar year 2019. These 20 employees received \$107,737 in paid sick leave that they would not have been entitled to had the department enforced the city's sick leave policy against its exempt employees.			(continued) sick leave policy for its exempt employees in light of the large number of exempt employees who used 15 or more undocumented sick days during calendar year 2019 and the cost of that sick time to the city.]

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2020

Functions

The Board of Ethics was established by an amendment to the Philadelphia Home Rule Charter approved by the voters on May 16, 2006. The Board of Ethics is responsible for enforcing city campaign finance, financial disclosure, prohibited political activity, lobbying and conflict of interest laws, as well as rendering advice, investigating complaints and issuing fines. The Board is also responsible for providing guidance and education on ethics rules to the entire city workforce, as well as to city vendors. In addition, the Board promotes greater transparency in government by overseeing financial disclosures of city officials and by publishing campaign finance disclosures of elected officials and candidates and information on lobbying activity in Philadelphia. The Board consists of five, non-paid members appointed by the mayor with the advice and consent of the majority of City Council. The members, who serve staggered terms of five years, elect a chair and such other officers as they deem necessary. The Board appoints an executive director, counsel, and such other staff members as may be required to exercise its powers and fulfill its obligations. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund

\$1,101,630

Estimated Revenues:

Non-Tax Revenue

\$90,000

Number of Full Time Employees:

Civil Service	3
Exempt	<u>4</u>
Total Employees	<u>7</u>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

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

City of Philadelphia
Office of the Inspector General*
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of the Inspector General (OIG) was established by Executive Order in May 1984 to constitute an investigative arm within the executive branch of Philadelphia government. The OIG is designated as an independent executive office with authority to receive and investigate criminal and/or serious integrity-related complaints of fraud, corruption, and abuse involving city employees and officials, and others doing business with the City of Philadelphia. The OIG's mission is to enhance public confidence in the integrity of the city government by establishing and implementing procedures for reporting, investigating, and resolving complaints of fraud, corruption, and abuse of office; to provide leadership and guidance in recommending programs and policies which educate and raise awareness of all city officials and employees to integrity and ethics-related issues; and to provide assistance to the respective department and department heads on all integrity and ethics-related matters through its support of the City-wide Integrity Officer System. An inspector general, who is appointed by and reports directly to the mayor, manages the department. The department was designated as Tier 3 for fiscal year 2020.

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

Appropriations:
General Fund \$1,680,441

Estimated Revenues: \$ 0

Number of Full Time Employees:
Exempt 16

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> We noted five instances where an employee's online payroll record did not agree to the attendance records.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [104817.04].	With the city's new OnePhilly payroll system, which was implemented in March 2019, the OIG's employees entered their own attendance information directly into the OnePhilly system for review and approval. Consequently, the department no longer required paper attendance records for its employees. This condition, therefore, is no longer applicable.

City of Philadelphia
Office of Sustainability
Findings and Recommendations
Fiscal Year 2020

Functions

The Office of Sustainability (OOS) works with partners around the city to improve quality of life in all Philadelphia neighborhoods, reduce the city's carbon emissions, and prepare Philadelphia for a hotter, wetter future. OOS is responsible for implementing Greenworks Philadelphia, the city's comprehensive sustainability plan which is made up of eight visions: access to healthy, affordable, and sustainable food and drinking water; breathing healthy air inside and outside; efficiently using affordable clean energy; prepare for climate change and reduce carbon pollution; benefit from parks, trees, storm water management, and healthy waterways; access to safe, affordable, and low-carbon transportation; waste less and keep neighborhoods clean; and benefit from sustainability education, employment, and business opportunities. OOS programs are Energy Benchmarking, Food Policy Advisory Council, and Greenworks. In fiscal year 2020, there was a \$3.7 million increase in estimated non-tax revenue due to a switch in the city's electricity supplier and the anticipated refund of the working capital balance on deposit with the previous supplier. While the anticipated refund was \$3.7 million, the actual refund received was \$5.3 million. The department was designated as Tier 3 for fiscal year 2020.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Christine Knapp, Director	General Fund	\$1,213,258	Non-Tax Revenue	\$3,700,000
Office of Sustainability	Water Fund	93,874	From Other Governments	<u>90,000</u>
One Parkway Building	Grants Revenue Fund	90,000	Total Estimated Revenues	<u>\$3,790,000</u>
1515 Arch Street, 13 th Floor	Aviation Fund	93,873		
Philadelphia, PA 19102	Capital Fund	<u>1,825,000</u>	<u>Number of Full Time Employees:</u>	
	Total Appropriations	<u>\$3,316,005</u>	Exempt	<u>8</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Office of Sustainability was unable to provide formally approved leave requests for any of the five employees selected for testing. The department did not require leave requests to be submitted in writing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104917.01].	In June of 2020, the director established a protocol for all staff to email their supervisors with requests for leave. Supervisors are instructed to archive these emails and their responses for accounting purposes. The need to maintain archived email or hard copy leave request documentation will be eliminated with the future implementation of the OnePhilly system's absence management module.

City of Philadelphia
Commission on Human Relations*
Findings and Recommendations
Fiscal Year 2020

Functions

The Commission on Human Relations (CHR) consists of two separate and distinct commissions: Human Relations Commission (HRC) and the Fair Housing Commission (FHC). The HRC has nine commissioners appointed by the mayor. It was established under the 1951 Philadelphia Home Rule Charter to enforce the Philadelphia Fair Practices Ordinance. The ordinance prohibits discrimination in the areas of employment, housing, public accommodations, and the provision of city services. The ordinance makes it unlawful to discriminate in these areas because of race, color, gender, religion, age, sexual orientation, national origin, ancestry, disability, marital status, and gender identity. In housing, the Philadelphia Fair Practices Ordinance makes it unlawful to additionally discriminate because of the source of income and the presence of children. The FHC has five commissioners appointed by the mayor. It was created by the Philadelphia Code and empowered to enforce the city's Fair Housing Ordinance. That ordinance prohibits landlords from engaging in unfair housing practices. Such practices may include evicting a tenant or raising a tenant's rent if a property where a tenant is living violates the city's housing code. An executive director, appointed by the mayor, heads the CHR. The CHR has four major divisions: Community Relations, Compliance, Administration, and Fair Housing. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund \$2,386,402

Estimated Revenues:

From Other Governments \$125,000

Number of Full Time Employees:

Civil Service	31
Exempt	<u>3</u>
Total Employees	<u>34</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
PERSONAL SERVICES			
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for two of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105420.01].	CHR employees will receive additional training pertaining the city's leave policy. Employees will be required to submit formal requests for leave time and accompanying documentation in accordance with the city's procedures in advance of the date or dates of leave. Employees will not be permitted to use leave time without approval. The CHR administrative officer will monitor attendance records to ensure the appropriate approval for leave time and maintain copies of all records.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>City sick leave policy was not enforced.</u> The Commission on Human Relations did not properly enforce the city's sick leave policy for all five of the civil service employees selected for testing. All five employees, who used over eight days of undocumented sick leave during calendar year 2019, were neither placed on the Excessive Use of Sick Leave List nor penalized according to the city's Sick Leave Rules and Regulations, and they continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$19,807 in sick leave benefits that they would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled these employees and imposed the applicable penalties: a written warning after the first occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, for all five employees tested, the department failed to issue both the five-day warning letter and the eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for six of 62 sick leave occasions reported as certified in the city's online payroll system.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.¹</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [105420.02].</p>	<p>CHR employees will receive additional training pertaining the city's sick leave policy. OnePhilly's introduction of Sick Abuse Reports in early FY21 will enable the CHR administrative officer to create a sick leave tracking system and better monitor employee's use of sick leave. Employees will be notified in accordance with the Excessive Use of Sick Leave List when they have reached the maximum number of uncertified days within a calendar year. Employees will be counseled and disciplined according to the city's sick leave policy.</p>
<p><u>Payroll attendance records were not properly authorized by supervisory personnel.</u> Attendance records were not properly approved by a supervisor for five of the 41 sample dates we selected for testing. For two dates, there was no approving signature indicating review of the attendance records. Also, three attendance records were approved on days when the approving supervisor was not present at work.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Someone at a higher level than the employees listed on the daily attendance records, and present on the specified day of record, should review and formally approve them [105417.01].</p>	<p>CHR supervisors will receive additional training regarding their obligation to review and formally approve all time sheets. The CHR administrative officer will monitor attendance records to ensure the appropriate approval and maintain copies of all attendance records.</p>

¹ According to the city's online payroll system, there were 9 employees who used 8 or more undocumented sick days during calendar year 2019.

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2020

Functions

The Board of Revision of Taxes was created by the Pennsylvania legislature and charged with providing market valuations of all real estate within Philadelphia and administering the tax assessment process. As a result of a Reorganization Ordinance passed by City Council in 2009, and a subsequent Pennsylvania Supreme Court decision, the city's Office of Property Assessment was made responsible for assessing and valuing all real property; and the Board of Revision of Taxes was made responsible for hearing and rendering decisions on appeals of those assessments. The Board of Revision of Taxes also supports a three-member Board of View that hears and renders decisions for condemnation (eminent domain) appeals. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head

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

Appropriations:

General Fund

\$1,060,791

Estimated Revenues:

Non-Tax Revenue

\$1,000

Number of Full Time Employees:

Civil Service 3

Exempt 11

Total Employees 14

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

City of Philadelphia
Office of Children and Families (formerly Mayor's Office of Education)*
Findings and Recommendations
Fiscal Year 2020

Functions

On January 6, 2020, the mayor issued Executive Order 2-20 establishing the Office of Children and Families (OCF), which replaced the Mayor's Office of Education (MOE).¹ The OCF's mission is to align the city's policies, resources, and services for children and families, and its priorities are promoting safe children, strong families, and supported schools and communities. The OCF administers the pre-K and community schools programs formerly handled by the MOE as well as prevention support services, such as out-of-school time, youth workforce development, truancy, summer/winter meals, and attendance initiatives. Also, the OCF oversees the Department of Human Services, the Department of Parks and Recreation, and the Free Library of Philadelphia. To head the OCF, the mayor appointed a deputy mayor for children and families, who reports directly to the mayor and is a member of the mayor's cabinet. In fiscal year 2020, there was a \$20.5 million increase in appropriations primarily for the expansion of the pre-K and community school programs. The department was designated as Tier 3 for fiscal year 2020.

Name and address of department head
Cynthia Figueroa, Deputy Mayor
Office of Children and Families
1515 Arch Street- 8th Floor
Philadelphia, PA 19102

Appropriations:
General Fund \$45,350,014
Grant Revenue Fund 396,860
Total Appropriations \$45,746,874

Estimated Revenues:
From Other Governments \$397,000

Number of Full Time Employees:
Exempt 40

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

¹The MOE, whose mission was to provide leadership to improve education in Philadelphia, created policies and programs to expand access to quality pre-K for Philadelphia families, support students and residents through community schools, facilitate collaboration and partnership among many stakeholders to strengthen the local education landscape, and advance key educational policy.

APPENDIX I: SUMMARY OF FINDINGS

	City Council	OIT	Office of the Mayor	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBHIDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OHS	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	OIG	Office of Sustainability	Free Library	Human Relations	OHR / Civil Service	CAO	OCF	OPA	BRT	Register of Wills	District Attorney's Office	Sheriff 's Office	Dept of Planning and Dev	City Commissioners	First Judicial District		
Cash																																													
Inadequate accounting of the fund																				✓																									
Inadequate documentation of disbursements									✓																																				
Untimely performance of reconciliations					✓			✓																									✓												
Improper disbursements					✓			✓																																					
Checks not deposited in Unclaimed Monies																							✓																						
Inadequate policy and procedures																				✓																									
Untimely reimbursement vouchers					✓			✓																																					
Personal Property																																													
Items not properly removed from city's records		✓				✓	✓	✓																																				✓	
Revenue and Receipts																																													
Inadequate reconciliation																		✓																											
Untimely deposits					✓																																								
Inadequate policy and procedures																																						✓							
Personal Services																																													
Inadequate documentation of paid leave	✓	✓	✓		✓	✓	✓		✓				✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓											✓			
Accuracy of payroll not checked								✓	✓				✓					✓						✓	✓	✓															✓				
Incomplete documentation							✓		✓									✓																											
Inadequate supervisory review						✓	✓				✓							✓	✓				✓									✓	✓												
Employee overtime not properly authorized					✓	✓	✓		✓			✓	✓					✓			✓	✓				✓															✓		✓		
Sick leave policy was not enforced		✓			✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓					✓	✓					✓	✓	✓			✓			✓	✓	✓	✓		
Lack of exempt employee sick policy	✓	✓	✓		✓															✓							✓														✓				
No sick abuse tracking in online payroll system																				✓																									
Employee evaluations not performed		✓				✓	✓											✓	✓					✓								✓											✓	✓	
Payments made to separated employees					✓	✓	✓	✓	✓							✓	✓	✓																											
Attendance sheets improperly used											✓																																		
Inadequate lateness policy																			✓																				✓						